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**INDIAN RAILWAY FINANCE  
AND  
INDIAN RAILWAY RATES.  
BY S. C. GHOSE.**

*with the compliments of the author*  
**INDIAN RAILWAY FINANCE.**

**INDIAN RAILWAY RATES**

BY

**S. C. GHOSE,**

AUTHOR OF "INDIAN RAILWAYS AND INDIAN TRADE."

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Price One Rupee.

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## NOTE.

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This brochure contains a reprint of the four articles on "Indian Railway Finance," which I lately contributed to the columns of the "Indian Daily News," Calcutta, and also of the two articles that appeared in the "Leader," Allahabad, on the rates policy of the Oudh and Rohilkhand and the Great Indian Peninsula Railways. I gratefully acknowledge, with sincere thanks, the courtesy of the Editors of these two papers. In reprinting the articles I have slightly revised them and added notes.

The able and effective speech of the Hon'ble Sir Vithaldass Thackersay, to whom India owes a deep debt of gratitude for the great service he has done to the industrial development of the country, delivered at the meeting of the Supreme Legislative Council on the 1st March 1912, will have shewn that the rates charged by Indian Railways for the carriage of merchandise traffic have a great deal to do with the future of the indigenous industries, and that much yet remains to be done on the part of the Railway Managers in the way of granting reasonable rates in this direction.

The Hon'ble Mr. Clark in the course of his reply to Sir Vithaldass Thackersay's speech observed that what Sir Vithaldass would really like was that Government should go to railways and say that they did not approve of the railways having different rates in different areas, but that they should equalise their charge as far as possible over the same distance. The several illustrations cited by Sir Vithaldass, however, go to show that from the very same places in the Perars to two important towns in the Northern India, under similar conditions, the rates are not alike, *e.g.*, the case of rates for cotton from Hinganghat to Cawnpore and Delhi. While in this connection, it might as well be mentioned that although the G. I. P. Railway proportion of the through railway rate on full pressed cotton from Harda to Howrah, *via* Jubbulpore, is Re. 0-10-5 that Railway Administration persists in charging Re. 0-13-4 per maund over the same distance of their line when the traffic is booked to the cotton mills at Serampore. The Hon'ble Mr. Clark said that Railway Administrations by no means made difficulties when they were approached by traders, but it is to be pointed out here that the Agent of the Great Indian Peninsula Railway *did make* difficulties when he was approached on behalf of

the milling industries at Mirzapore and Serampore. It seems, however, that the Railway Board, on the matter being brought to their notice, did interfere, but the railway concerned has not, so far, agreed to charge the Mirzapore Mills the same rate over their line as they levy on similar traffic to Calcutta for the same distance up to Jubbulpore. In the case of the Serampore Mills, the matter is before the Railway Board since December last, but the case has not yet been definitely settled. In the first instance, the reply of the Railway Board was as follows :—

“ If you maintain your claim against the Railway Company on the ground of undue preference the matter becomes a legal one, which is beyond the province of the Railway Board to interfere.”

The Railway Board were then told, in reply, that it was not practicable, from the point of view of heavy expenditure, to take a case of this nature to a specially constituted court of law, under Chapter V of the Railway Act, and it was also specially pointed out that the late Mr. Robertson, C.V.O., had very frankly admitted this in his

report of 1903. The Railway Board were, therefore, asked to bring moral pressure to bear upon the Railway Company in question, but nothing has yet been heard.

The Hon'ble Mr. Clark was also good enough to say that "if the Government did not consider that the committee of enquiry is *now* desirable, it is that the first step, as it seems to them, is that the needs of the traders should be brought more clearly before the Railway Administrations." In this connection, several instances can be given to illustrate that such representations are often not considered favourably by the railway authorities, who also at times decline to give any reason for their decision. For instance, a regular traffic in country made piece goods and yarn has grown up between Bombay and Calcutta, and it would assist the further development of the trade if the bulk of the traffic could be carried by rail, but the despatches are at present mostly made by sea owing to the railway freight not being sufficiently low. Now, owing to the expansion in Bengal Coal Trade to Bombay by rail, a large number of wagons return empty from Bombay to Bengal, and the traffic in piece goods and yarn, if carried in such wagons, would not cost anything



extra to the railways, and most of the freight thus earned would be a distinct gain. A representation was made to the Railway Board for a reduction in the rate, through the Agents of the Great Indian Peninsula and the Bengal Nagpur Railways, and the Agent of the former line replied as under :—

“ An application was made to the Railway Board for a reduction of the rate for piece goods, twist and yarn from Calcutta to Bombay, *via* Nagpur, but they have replied that, as the East Indian Railway are strongly opposed to the proposal they are unable to agree to it.”

The grounds, on which the East Indian Railway oppose the proposal, have not been intimated to the applicants, who cannot understand why on the objection of a railway, which does not carry any portion of the traffic at present owing to its route *via* Jubbulpore being longer, the trade should be refused a rate, which the Railways, offering the shortest route, are apparently agreeable to accept. A further representation has again been made to the Railway Board stating

the case very clearly, and all the possible objections, that can be raised, have been very fully dealt with, and it remains to be seen what action the Railway Board now takes.

At this stage, it would be useful to examine in detail some of the remarks that were made by the able President of the Railway Board. He said that "what a railway wants is traffic, and it is to its interests to quote rates that will produce this traffic, whether it is to a port or local." This is as it should be, but the point is whether this principle is really adopted by the Railway Traffic Managers. The President of the Railway Board added that he had two rate books of the East Indian Railway and of the B., B. and C. I. Railway before him and that in these books there were rates for interprovincial traffic, which were lower than the railways could insist upon, but it will be shewn presently that such rates have, in a great majority of the cases, been the result of competition between the railways themselves and not introduced with the specific object of developing interprovincial trade. Now, we would take the E. I. Railway tariff alone, simply because in this railway's tariff there are less anomalous rates than in the tariffs of other lines. The East Indian

Railway special rates for traffic to and from the port of Calcutta alone occupy 250 pages of the book, and *for all the remaining stations* on that system the special rates are in the balance of 300 pages. From the remarks of Sir T. R. Wynne one would be inclined to think that in these latter 300 pages, the rates have been quoted with the object of advancing the interests of local traffic, and I sincerely wish that the President of the Railway Board was correct in his observations in this respect, but it would appear that the Hon'ble Sir T. R. Wynne had not had the time to go into details of these rates. Referring to the pages in the East Indian Railway Pamphlet No. 1 issued on 1st October 1911, one finds that in the Chapter relating to rates for stations, other than Howrah, there are 27 pages of specially reduced class rates, that have been quoted purely in competition with another railway or route. The balance of the special rates in this chapter are also mostly due to the same reasons. It may serve some useful purpose if it is mentioned here what some of these competitions are. For traffic between stations North and West of Umballa and stations east of Moghalseraï the East Indian Railway competes with the Oudh

and Rohilkhund. Then a large number of special rates are quoted in competition with the Bombay, Baroda and Central India and the G. I. P. Railways. Some curious examples of such rates might be given. On page 537 of the said pamphlet there are entries of several rates for "baskets" between all junctions of the East Indian Railway beyond Allahabad and on page 557 will be found similarly quoted rates for "Cadjans." Competition with the G. I. P. Railway has brought about these rates. At first glance at the special rates for chillies in the said chapter one gets the impression that the special quotations from Mokameh, Patna, and Sahebganj have been introduced in order to encourage traffic from Behar to the United Provinces, but a closer examination will disclose the fact that the rates are between points, where the East Indian Railway have to face competition with the Bengal and North Western Railway. Then on pages 591 and 592 there are special rates for flour from Delhi and Cawnpore quoted by the East Indian Railway, because of competition with the North Western, the G. I. P. and the B., B. and C. I. Railways. Taking but a few instances of grain rates, it is noticed that there

exist special rates from Agra to the Jubbulpore Line and from Katni and *via* to Agra. These were not brought into force with the view to place the Northern India grain in the markets of the Central provinces and vice versa, but for the reason of competition with the G. I. P. Railway route. Such are the rates which the Hon'ble Sir T. R. Wynne said were quoted for the inter-provincial traffic at a lower figure than the Railways were authorised to charge, but the quotation of these rates below the maximum were forced upon the railways by their own action, in which the interests of the public were hardly, if ever, considered, or in other words the rates were quoted in competition between the several state lines. Sir T. R. Wynne requested the Hon'ble Members to read Ripley's book on "Railway Problems" and referred to that book in his reply. In the same book, however, there are certain passages that will strengthen the case of Sir Vithaldass Thackersay. The following remarks occur on page 157 of this book:—

“The objects of the Association as alleged in the preamble are the establishment and maintenance of tariffs of uniform rates, to prevent unjust discrimination

such as necessarily arises from the irregular and fluctuating rates, which inevitably attend the separate and independent action of transportation lines, and the securing as to business in which the carriers have common interest a proper co-relation of rates such as will protect the interests of competing markets without unjust discrimination in favour of or against any city or section."

The above only goes to support what the Hon'ble Sir Vithaldass said in the matter of cotton rates to Delhi and Cawnpore. Since the issue of Ripley's book there has been published lately another book on " American Railway Problems " by Mr. Carl. S. Vrooman. The last chapter of this book headed " final considerations " shews that even in an advanced country like America, where the voice of the public is paramount, it is felt that in the interests of the country a rigid Government control on railway rates is necessary. In Ripley's book also one finds the following passage:—

“ The conclusion finally deduced from this train of reasoning is that public ownership of railways, or at least public regu-

lation of rates is imperative. In every case, where we find the price of a set services settled on grounds of right or wrong, no private person or corporation can be safely intrusted with their administration. So delicate a process, involving necessarily an interference in distribution of a more or less arbitrary sort, must be in the hands of the State."

In America, Government control on Railway Rates cannot perhaps be so rigidly exercised as should be possible in India, because the American Railways are owned and financed by private concerns. The Indian Railways were promoted by the Government, the land was given free, the tax-payers bore the brunt of 5 per cent. guarantee on the capital outlay, and paid, in some cases, by cash and are paying, in other cases, by annuities the capital of the trunk lines that have been acquired by the Government of India, and are responsible for the payment of interest charges on the company's share of the present capital, which interest charges amount to over 11 crores of rupees in a year, and yet the Government of India apparently approve of the policy that each individual railway company, though the companies

are merely working as agents of the Government for managing the railways, should be treated as a separate concern and that in the matter of railway rates the control of the Government, on behalf of the tax-payers, should be simply of a superficial nature in the way of controlling the maximum and minimum rates irrespective of whether the interests of the Indian industries receive proper treatment or not. Even in England, where railways are owned by private corporations, the following is one of the sections in the 'Railways and Canal traffic Act' :—

(1) " Whenever any person receiving or sending or desiring to send goods by any railway is of opinion that the railway company is charging him an unfair or an unreasonable rate of charge, or is in any other respect treating him in an oppressive or unreasonable manner such person may complain to the Board of Trade."

(2) " The Board of Trade, if they think that there is reasonable ground for the complaint, may thereupon call upon the railway company for an explanation, and endeavour to settle amicably the differences between the complainant and the railway company."



(3) " For the purpose aforesaid, the Board of Trade may appoint either one of their own officers or any other competent person to communicate with the complainant and the railway company, and to receive and consider such explanations and communications as may be made in reference to the complaint ; and the Board of Trade may pay to such last-mentioned person such remuneration as they may think fit, and as may be approved by the Treasury."

(4) " The Board of Trade shall from time to time submit to Parliament reports of the complaints made to them under the provisions of this section, and the results of the proceedings taken in relation to such complaints, together with such observations thereon as the Board of Trade shall think fit."

(5) " A complaint under this section may be made to the Board of Trade by any of the authorities mentioned in section seven of this Act, in any case in which, in the opinion of any of such authorities, they or any traders or persons in their district are being charged unfair or unreasonable rates by a railway company ; and all the provisions of this section shall apply to a

complaint so made as if the same had been made by a person entitled to make a complaint under this section."

The foregoing lines speak for themselves. The right of the public to make a complaint against a railway is fully recognised, when any person considers that a railway company is charging an unreasonable rate. The Board of Trade is empowered to call upon the railways for explanations and to settle the differences amicably. Further, even the Board of Trade is required to submit to Parliament reports of complaints made to them and the results of the proceedings.

It is earnestly requested that the Hon'ble members at the next session of the Supreme council will raise the question of the revision of the railway law in India on these lines, and seeing that the Indian Railways Act IX of 1890 is mainly based on the 'Railways and Canal Traffic Act' of Great Britain, there seems no reasonable ground or argument that can be raised or urged against the inclusion of the section quoted above in the Indian Act. The functions of the Board of Trade might be given to the Railway Board and the results of the enquiries made by the Railway

Board submitted to the Imperial Legislative Council. The very fact of all the Indian non-official members present in the council voting for the resolution moved by Sir Vithaldas Thackersay shews that the question is of considerable importance to the country, and fortunate as India is at this moment in having so sympathetic and considerate a Viceroy as the noble Lord Hardinge, who is ever prepared to put right any wrong done, it is hoped that the question will receive that favourable consideration which it deserves.

I must not fail to mention that Mr. R. D. Mehta J.P., C.I.E., has done a great service to the country by "his admirable and instructive articles" on "Railway Rates" in the "Empire," and the Hon'ble Sir Vithaldass and the Hon'ble Mr. Mudholker referred to these articles in the council debate.

58/1 AMHERST STREET :

*Calcutta, April 1912.*

} S. C. GHOSE.

# INDIAN RAILWAY FINANCE.

AND

## INDIAN RAILWAY RATES.

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### I

#### **POLICY IN EXTENDING RAIL ROADS.**

In the Indian Budget speech for 1907, delivered by Lord Morley in the House of Commons in the month of July that year, the following remarks fell from the lips of that great statesman :—

“There is one very important subject which I wish also to press upon the attention of the House namely, the extension of the Railway system. Then, again, I am well aware of the enormous interest taken by traders in this country, and the interest taken, or not taken, but which ought to be taken, by people living in India in the extension of the railway enterprise in India.”

There are several interesting features in these few lines, and a great deal could be said

and written on each of these features. In the first place, it was said that the interest taken by the traders in England in the extension of railways in India was enormous, and the only one inference, that can be drawn therefrom, is that the traders of Great Britain are most anxious that the trade of that country with India should develop with the extension of railways. The traders in England have great influence in the House of Commons and consequently also on the doings of the India Office in White Hall and in India they are practically represented by the various Chambers of Commerce, which are to all intents and purposes Chambers of European merchants. The natural consequence, therefore, is that in Railway extensions, the interests of the export and import trade, carried on chiefly by the European mercantile community, are considered paramount. This bears out what the Hon'ble Mr. Gokhale C.I.E., said on the subject some seven years back. His remarks were :—

“Railway Construction has been going on for years past at a rapid pace, and with every mile of rail-road opened, new markets are

also thrown open to foreign manufacturers, which displace corresponding quantities of home made articles. This economic revolution, which has been going on for many years past and which is throwing the country more and more upon the single precarious resource of agriculture, is now reaching an acute stage, and is largely responsible for our growing imports."

With the return of comparatively better years, after periods of strain due to famine, the imports naturally increase, and the opinion expressed by many, therefore, is that the advance in the imports of India means prosperity of the country.

But the grave question is whether increase in the imports means the ultimate good of the people. Taking sugar alone, it is an admitted fact that owing to the heavy imports of foreign sugar the sugar manufacturing industry of the country is most seriously affected. In the past few years, the trade in sugar imported into India has considerably advanced, with an alarming contraction in the sugar-growing areas. There are several factors in connection with this industry, which operate against

the prosperity of the indigenous productions of the country. In some instances, the Railway rate for the imported commodity is 50 per cent., lower than that accepted by the same railways for the country-made article. An important problem in the sugar industry is the direct manufacture of the article from sugar-cane juice and the centralisation of the manufactories. In this connection, it would help the trade a great deal if the railway carried sugar-cane at a cheap rate, because of the reason that they would get return traffic for every maund of cane carried. The railways will say that they have no traffic offering in sugar-cane hence they have not granted cheap rates, but surely the railways should not wait for traffic to come before granting facilities. "Sprats must be thrown to catch mackerels." No one would ever think of carrying sugar-cane for distances of even 100 miles in wagon loads so long as the rate in the tariff remains at one-third pie per maund per mile, when some railways carry sugar even at rates below one-sixth pie per maund per mile. It cannot also be said that the cotton milling industry of India is in a prosperous condition, and a complaint was

made in the strongest terms the other day that while the Delhi Cotton Mills were starving and struggling for existence, owing to high railway freight on raw cotton from the cotton growing centres in the Punjab to Delhi, the railway rates from the same centres to Karachi for the cotton export trade were decidedly lower. The instances of sugar and cotton have been quoted by way of illustration. Page after page can be written showing that the policy of the railway companies in India is to encourage the foreign in preference to the inter-provincial trade of the country.

As already remarked, the traders of Great Britain are practically represented in India by the Chambers of Commerce, and Mr. Dinshaw Edulji Wacha, the most eminent writer on Indian economic questions, wrote as under, in his article headed, "The Case for Indian Financial Reform," which appeared in the "Indian Review" in April 1910:—

"Practically in four years, the interest charge on railways has increased by 1¼ crore rupees, while the normal growth of net revenue has been 80 lakhs only. This enormous expenditure on interest is undoubtedly the result of the



very extravagant railway policy of the Government, which has been in vogue during the last five years. It is entirely owing to the outcry of the purely European Chambers of Commerce."

If the European Chambers of Commerce have been successful in getting the railway magnates to meet their wishes and requirements a great deal of credit is due to the former, and it is but reasonable to expect that every community should work for its own interests. It is, however, expected that the Railway Department of the Government of India and the Ministers in charge of the Departments of Finance and of Commerce and Industry, in the Council of the Governor-General, should see that every pie spent on railways in India is for the benefit of the permanent population of the country, as the railways in India are the property of the State and consequently of the Indian tax-payer.

With the exception of Messrs. Gokhale, R. D. Mehta and Wacha, the interest taken by the leaders of the Indian community in railway questions has been practically insignificant, and however, able and sincere these three workers may

be in the cause of the country, it is most essential that a very wide interest should be taken in these matters by Indian public men, so that help and assistance might be rendered to great workers like Messrs. Gokhale, Mehta and Wacha. It was time that the broad hint thrown out by Lord Morley that "an interest ought to be taken by those living in India in railway matters" was acted upon and if the Indian people have not so far acted on this hint given by that great philosopher-statesman it is certainly the fault of the people themselves if their interests are overlooked.

The Indian population had to pay in the past and are still paying heavy sums as interest on British Capital utilised in Indian Railways at the outset, and it is felt that the sum 'spent like water on railways' is retarding expenditure in other directions where more money is most badly needed, *viz.*, on "education," "sanitation" and "irrigation." If railway expenditure from the Imperial Revenue is curtailed for the next few years and the saving thus effected is spent on "irrigation" the agriculturist will most directly and immediately benefit, and the railways in the long run will not be the

losers by such a course being adopted, because with the improvement in agricultural conditions all round, the extra traffic that must necessarily be stimulated will enable all railways to improve their revenue, instead of leaving them to fight between themselves for the traffic that is now carried on Indian railways (especially for the through traffic).

In the meanwhile, it does not necessarily follow that the railway extension in India would be seriously retarded in consequence of "Government grants" on railways being curtailed, if this was ever done. There is no reason why the construction and provision of railways in India by private enterprise should not be encouraged in every respect. With the 3 and  $3\frac{1}{2}$  per cent., Government Paper, the present Imperial Guaranteed interest of  $3\frac{1}{2}$  per cent., or the higher District Board Guarantee is not attractive for feeder railways to be taken up by private capitalists in India, when the investment in land, specially in Bengal, fetches much higher rate of interest. The introduction of foreign capital through Indian banks and the raising of Indian capital would not at all be a difficult matter if the rate of

guaranteed interest was raised to 5 per cent., at least for the next 10 or 12 years. With light gauge railways in outlying tracts (hitherto remaining unprovided with railways but shewing every sign of speedy improvement in agricultural conditions if the methods of transporting the produce are improved) there is no reason why such railways should not earn 5 per cent., dividend even in the first year, provided of course they are opened with judgment. In many instances, such railways would at once carry traffic, that is at present being carted or boated. With 5 per cent., (even  $4\frac{1}{2}$  per cent.) Imperial Government Guarantee (not District Board or the 'Rebate System' Guarantee) the Indian Railway Shares will be quite just as good in the market as Government Paper. Instead of going on adding branches or extensions to railways in tracts, already well provided with railways, if new districts are explored, extra traffic would be created, whereas a railway constructed to compete with another railway generally ends in the existing traffic being divided. It may be said that with competitive railways the facilities to the trade improve and the tendency to charge prohibitive rates is

checked. There is much force in this argument, but when it is remembered that it is the tax-payers who are interested in the railway earnings, and regard being had to the experience, which shews that with the opening of a new route there is competition for a short time, the rates go down for a while only but eventually the whole thing ends in traffic being pooled or territories divided and the rates levelled up it is not always that alternative routes mean that equal facilities can be had by all the routes, especially in the matter of railway freight, excepting in the case of coal traffic rates, which are in some cases the same by more than one route, but here, again, equalization of charges by alternative routes has been carried to extremes.

To an ordinary student of Political Economy competition between railways is healthy to trade, but when that competition is for export and import trade to the detriment of the interests of the inter-provincial trade and the local industries of the country and the Indian tax-payers' money is spent on extension of railways, such competition cannot always be said to be conducive to the interests of the permanent population of the country.

## **Liability of Government in Railway Capital and in interest charges thereon.**

When the late Mr. T. Robertson, C.V.O., Special Railway Commissioner for India, came out to this country nearly 10 years ago, and made a very exhaustive enquiry and submitted a most useful report in 1903 (the reading of which at once impresses one's mind with the fact that Mr. Robertson had the interests of the Indian people uppermost in his heart) there was no secrecy about it, for it was a report most fearlessly written by the greatest railway expert, that ever came out to India, with no tinge of bias in his writing. Another Committee lately come out to India with Lord Inchcape as its President and what the object and scope of this committee were and what was discussed and settled at the Conference with the Railway Board no one outside the official circle knows. The point is that the Indian Railways belong to the Government and the Companies in England are now merely Government Contractors for working the Railways and it is but right that the Indian people

should know something of the scope and object of the commission, the expenses of which will, it is supposed, be included in the "Home Charges" of the Indian Railways.

The total capital liability of the Government of India in Indian Railways was £282,498,342 in 1907, and the figure rose to £321,703,493 (or by nearly 59 crores of rupees) in 1910. Then, again, at the end of 1907, the net amount outstanding on account of capital to be paid off to the Companies' shareholders in England by annuities was £34,071,192, but in 1910 this net amount outstanding became £73,124,503, the rise being solely accounted for by the purchase of the Madras Railway. It is, therefore, to be noted here that while the net amount outstanding on account of the balance of capital to be redeemed by annuities is still £73,124,503 or 109 crores of rupees, on the other hand the actual State outlay on railways, which was recorded at £105,813,923 in 1907, went up to £123,188,783 in 1910 so that in the space of three years the State outlay has also increased by more than 23 crores of rupees. The Rail-

way expenditure, it will thus be seen, is heavy in every direction. So far for the present as to capital liability.

Now in regard to the Imperial Railway Revenue and the payments that have to be made in the way of interest out of the same:— during the year 1910, the gross earnings from the<sup>1</sup> State Railways (whether worked directly by the State or leased to companies for purposes of working) amounted to a little over 45 $\frac{3}{4}$  crores, but the net revenue, after deduction of working expenses, was about 20 $\frac{3}{4}$  crores, and out of this latter sum the following payments had to be made:—

Rs.	
(a) 2,63,61,795	As interest on debt for purchase of railways.
(b) 65,75,761	As interest on advances of capital to Railway Companies.
(c) 3,10,04,520	As interest on capital raised by Companies.
(d) 3,98,01,980	Portion of annuities in purchase of railways representing interest on capital.
<hr/>	
Rs. 10,37,44,056	

In addition to this sum, the Railway Companies were also paid a sum of Rs. 50,97,813



as the share of what is termed "surplus profits," but how anything on account of Imperial Railway earnings can yet be called "surplus" one fails to see. In any case, however, the payments in interest and in surplus profits amounted to Rs. 10,88,41,819, leaving a balance of Rs. 9,71,95,546, which works out to 2 per cent., on the total capital liability of £321,703,493 (or 482 crores of rupees.)

The amount, however, that was really taken to credit by the Railway Board in the Railway Accounts of the Government as Interest on actual State capital outlay was Rs. 5,93,10,170, which on the outlay of £123,188,783 (or say 184 crores) gives a return of 3·3 per cent., the figures being for the calendar year 1910.

The burden on the Indian people in interest charges alone on account of railways is nearly 11 crores a year and over and above this sum the liability on account of the railways purchased, which is being paid off by annuities, is 109 crores and this sum must be paid up before the Railways can be said to be the absolute property of the State.

In three years *viz.*, from 1907 to 1910 the State has spent 23 crores on Capital outlay on railways *i.e.*, say at the rate of  $8\frac{2}{3}$  crores per year, whereas the annual payments towards the 109 crores above referred to was very small. In 1910, the payment towards the annuity in redemption of capital was about  $1\frac{1}{3}$  crores and even at this rate of payment every year it will take 82 years more before the annuities are cleared.

But there still remain £57,489,672 or say 86 crores on account of debt incurred for purchase of railways. The interest on this sum amounts annually to Rs. 2,63,61,795, so that before the liabilities on account of the balance of the annuity payments, amounting to 109 crores, and the heavy sum of nearly 86 crores above referred to are reduced it does not seem to be a wise policy to go on incurring further heavy expenditure on account of railways from the Imperial Revenue. The recommendation of the late Mr. T. Robertson, C.V.O., in 1903 was that the capital for further Railway extension in India should be provided by private enterprise, the Government of India only guaranteeing a suitable rate of interest

on such capital. The reasons in favour of such a recommendation were very fully given by him as follows:—

“In the case of projects for new lines, if the Capital is provided by the Railway Board the whole amount there of should be a charge against the Railway Fund.”

“Where the Capital is provided by a Company under a guarantee the amount of the liability which the Railway Board incur for the payment of interest (not the amount of the Capital) should alone be a charge against the Railway Fund during the period that such liability continues; and the liability should cease when the income derived from the new line from its own and the main line's net earnings from traffic interchanged exceeds the guaranteed rate of interest. It is the liability alone which affects the question of possible additional taxation.”

His fear was that the provision of railways by the Government of India either from borrowings or from the Imperial Railway Revenue would mean heavy liability on the Indian taxpayers, and his fears have been fully realised.

Then again, the same great Railway expert also prophesied that "with the Government paper yielding nearly 3 per cent., and with Indian stock yielding nearly  $3\frac{1}{4}$  per cent., it is evident nothing less than 4 per cent., will suffice," and past experience has shown that 3 or  $3\frac{1}{2}$  per cent., guarantee or the 4 per cent. District Board guarantee have not been attractive. Nothing less than 5 per cent., Imperial Guarantee will be sufficiently attractive, and so long as the Railways are located with judgment in the outlying tracts, where they will be paying, the guarantee should be no burden. The Government are right in specifying that the capital raised in India should be in rupee. It will thus be seen that the recommendations of late Mr. T. Robertson, were on a very sound basis, whereas "the suggestions of the Mackay Committee (which went so far as to say that there was no limit to the money that could profitably be spent on Indian Railways and asked that continuous raid on account Railway expenditure should be made on the Gold Standard Reserve)" would have, if carried out, been disastrous to India. As already stated, the future of the

Indian Railway extension ought mostly to depend on private enterprise in India and more feeder railways on light gauge should be provided in this manner in preference to competitive railways or extensions to trunk lines on wider gauges.

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NOTE.—At one time it was hoped by some that it would be possible to provide District Board railways on a somewhat larger scale, but it is seen that this hope has not been realised. Sir F. J. Spring, in his Manual on "Railed-Roads," has observed that "trust money" cannot be legally invested in District Board loans although such money can be invested in debentures or other securities for money issued by, or on behalf of any municipal body under the authority of any act of a legislature established in British India." If 'trust money' can be invested in municipal loans, it does not seem reasonable that District Board loans cannot have the same privilege. In the Madras Presidency, "a tax not exceeding 3 pies in the rupee on the annual rent value of all occupied lands to be utilised solely on construction of railways and tramways" is levied, and this has helped towards provision of light Railways in that Presidency, especially in the Tanjore District. The tax is but a nominal one, but still it is an additional burden. Apart, however, from the question of introduction of a similar tax in other Provinces if "trust money" be allowed to be utilised in providing Railways under District Board guarantees, and if, in addition, the Presidency banks are also authorised to invest their money similarly, the provision of District Board Railways on a large scale would be more practicable.

### 3

#### **Expenditure on Goods Rolling Stock.**

The money spent on goods rolling stock for Indian railways is one of the heaviest items of railway expenditure every year, and seeing that a great deal depends on wagon supply the matter is one of great importance. In 1903, the late Mr. T. Robertson wrote on the subject as follows:—“An enormous amount of money could be saved by a better utilisation of the rolling stock and I am of opinion that before the Government sanction any increase to the present supply they should require very clear evidence that the difficulty in which the railways find themselves cannot be overcome in some less costly way.”

Seeing that in the last two budgets more than eleven crores were given for additional rolling stock for open lines (466 lakhs in the year 1910-11 and 650 lakhs in the year 1909-10) it seems that greater care should be exercised in this expenditure. In the last Administration Report the Railway Board, however, expressed the hope that “the decrease in the demand for rolling stock indicates that the

supplies of rolling stock have been more adequate to the needs of the various railways than they were in the previous years. It is earnestly to be hoped that the railway traffic, especially the inter-provincial traffic, will continue to expand, which will mean that the demand for rolling stock will increase, but it is to be borne in mind that the suggestion of the late Mr. T. Robertson was that the Government should require very clear evidence that the difficulty in working the traffic cannot be overcome in a less costly way before sanctioning extra expenditure on more wagons. Each Railway Manager can, perhaps, make a good case for more wagons for his railway basing his demand on the statistics of its traffic and on work done by each of its wagons, but the Railway Board ought to consider the interests of all railways together. At least in the matter of rolling stock the Railway Board should see that all the wagons of the same gauge are fully utilised, whether on the home line or elsewhere, before sanctioning expenditure of further sums on this account.

Now at the present time, while the Bombay, Baroda and Central India Railway appear to be

short of rolling stock on its broad gauge system, owing to the 'Guzrat famine traffic,' the Bengal Nagpur Railway is allowed to load wagons from the Bengal Coal-Fields to the United Provinces and the Punjab by a most circuitous route at admittedly non-paying rates. This particular coal traffic can very well be carried *via* Moghalserai and Saharanpore route in the wagons of the Oudh and Rohilkhund Railway, that return empty after discharging grain and seeds in Calcutta and the number of such wagons going back empty upcountry will be particularly heavy after March. Why cannot the wagons that are thus unnecessarily used on some Railways in carrying non-paying coal traffic by circuitous routes be utilised on railways where they can be more usefully employed? The ordinary practice is that the Railway on which the traffic originates supplies the wagons but when one particular railway is pressed for wagons and it knows that another railway on the same gauge, but perhaps not in immediate connection with it, can conveniently spare wagons, the Railway wanting more stock is not always inclined to borrow readily because of the heavy hire it has to pay. It is believed that



for cheaply carried traffic, like coal or grain, when hire has to be paid on borrowed wagons, the Railway borrowing the wagons gets very nominal profit out of the work done by such borrowed stock more especially when the borrowing Railway has to pay haulage to the intermediate lines.

It is for these reasons that one hardly hears of a Railway say in Madras borrowing wagons from a Railway in Northern India. The public are kept entirely in the dark as to the rules and payments under which railways interchange rolling stock between themselves. In the interests of the public, the hire and haulage payments on borrowed wagons ought to be as low as possible so as to encourage free interchange. Moreover (except during the slack season or when there is a slump in the coal trade, such as happened three years ago) the Railways it is feared, do not readily feel inclined to lend their wagons lest this may, in the near future, mean strain on one's own system, owing to certain unforeseen circumstances. It is also said that in case a Railway, (that can spare the wagons say, only for a month or six weeks), expects a rush of traffic

on its own line after this period, it would rather let its wagons lie idle and earn nothing, not even hire, than run the risk of being handicapped for want of wagons, in case the Railway taking over the wagons temporarily does not return them in time. Such a precaution on the part of a railway manager is quite justifiable from the individual railway company's point of view, but seeing that all the railways belong to the State—which is the greatest partner in Railways—it is not right that the interests of the greatest partner should be sacrificed to the interests of a particular Company, which is at present merely the working agent of the greatest partner. From the point of view of the Government of India and the tax-payers the control on rolling stock on the part of the Railway Board should be of a more detailed nature than of a merely superficial nature. It is, therefore, suggested that a small committee of three or four officers, not interested in any particular railway, should take over such detailed control with suitable office staff and travelling Inspectors, under the supervision of the Railway Board and be held responsible to the Railway Board. Whatever the initial expenditure may

be in organising and maintaining such a department, it will render immense service to the State in the long run and great economy will be effected in the expenditure in rolling stock. Such a department will require to be fully posted in the traffic and trade conditions and requirements, and wagon supply of every nook and corner of India.

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(Note by the Editor, Indian Daily News.)

(Our correspondent in this letter examines the question of wagon supply and suggests an economical mode of utilisation of existing rolling stock, in inter-provincial traffic. He suggests an inter-change of wagons between railways, and with a view to facilitate this inter-change, he contends that hire and haulage payments should be kept as low as possible. To ensure the more detailed control of rolling stock on the several systems, our correspondent suggests that a small expert committee, with a suitable staff, should assist the Railway Board.)

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(Note by the Author).

At a meeting of the Supreme Council on Friday, the 8th March 1912, the Hon'ble Sir T. R. Wynne, in his long explanation in connection with the Budget allotment on Railways, made the following observation under the head of "coal traffic difficulties."

"It is obvious that such longer journeys lock up a loaded wagon for a great many days and reduce its carrying capacity in any fixed time to a lesser tonnage than would be the case if it had been employed on the shorter run to Calcutta."

These remarks were obviously made in connection with the diversion of coal traffic for Bombay and Kurachee to the all-rail-route. It is a matter for great satisfaction that the President of the Railway Board has made this frank admission. Now, one of the conditions of the Schedule of "maxima and minima rates," sanctioned by the Government is that railway or railways forming longer routes are allowed to reckon the distance the same as by the shorter routes for purposes of equalizing the charges with the Railways forming the shortest route. The Bengal Nagpore Railway and the Great Indian Peninsula Railway offer alternative route *via* Katni to that *via* East Indian Railway to Agra, Delhi, Cawnpore and to the Punjab, but this alternative route *via* Katni is a very circuitous one. The distance from Jharia to Agra by the East Indian Railway is 626 miles, and that by the Bengal Nagpore Railway and G. I. P. Railway, *via* Katni, is 969 miles so that the latter route is 55 per cent. longer, and the wagons employed by this route incur an additional haulage by nearly 700 miles, taking the haul of wagon in both directions, and the rate charged is about  $\frac{1}{30}$ th pie per maund per mile. This method of carrying traffic by more than 50 per cent longer routes has not only the effect of reducing the capacity of wagons "in a fixed time." but increases the working expenses of the railway in the hauling of non-paying traffic, especially when it is borne in mind that for the charge of  $\frac{1}{30}$ th pie per maund per mile, wagons are hauled nearly 700 extra miles involving empty running of large number wagons in one direction. It may be said that the advantage of equal rates to those available by the shortest route is that the public have more than one string to the bow, but when the important factor that such a course means locking up wagons for a much longer period than on the shorter runs is taken into consideration it will at once be recognised that in these days of wagon scarcity and heavy expenditure in providing rolling stock, the luxury of having the most circuitous routes available at the rates fixed by the shortest route is not very desirable.

**RAILWAY RATES.****Foreign trade *versus* Local Interprovincial Trade.**

We now deal with the question of railway rates, which have such a direct bearing on railway earnings and consequently on railway finance. The position of the Railway Managers in India is becoming a difficult one. On the one hand, they have their responsibilities to the Board of Directors in England, while, on the other, they are equally responsible to the Railway Department of the Government of India. The position of the head of a Company's worked State line in India to-day is slightly different to that of the Railway Manager in England or in America. In those two countries "railways are practically private corporations working for dividends," the Manager there being responsible to the shareholders, through the Board of Directors, for the upkeep and maintenance of railway property and for earning a reasonable dividend. A few years ago, before the railways in this country came to be acquired by the Government of India, it could have

then perhaps been said that the Agent of a Company's line in India had a position somewhat analogous to that of a Railway General Manager in England. Since, however, the Railways of India have become State lines, and the Companies in England are but working agents of the Government and own but a portion of the Railway Capital, which also is being gradually redeemed, the Railways in India owe their first duty to the country. While it is only right that each railway should be so worked that it should be a commercially successful undertaking, it is also equally (if not more) essential that the interests of the permanent population of the country should be carefully studied by the Railway Traffic Manager and efforts made to assist them by extended facilities and fostering rates, it being the opinion of the greatest Railway expert that ever came to India and went into details of working of Indian railway administrations, that "the more numerous the local industries are along a line of railway, the greater always is the prosperity of that railway."

The charge is often laid against railway authorities that, by their action, the interests

of the home manufacturer are sacrificed to those of the foreign producer, and although it is undoubtedly true that the present state of affairs, in the matter of railway rates, have come about almost automatically and owing to peculiar circumstances, without the least intention on the part of railway magnates to stifle local industries, the fact remains that the Railway Goods Tariffs show numerous instances of rates that may be called preferential to either the export or the import trade. Firstly, it cannot be denied that no mercantile or public body in India exercises greater influence on railway matters than the Chambers of Commerce, however small the influence of the latter may be, and it is also true that this body, which discusses its interests with the Railways often, must hope to succeed sooner or later in preference to those who remain silent. Secondly, the Railway Manager of old held and also the Manager of the present day perhaps sincerely thinks that he is really benefiting the country by quoting low rates for foreign trade, because he was trained and brought up in the belief "that the strength of India, the prosperity and comfort of India, her trade and commerce hang on exports and

that if the market for her food stuffs and raw materials be not ample in volume she could ill bear the weight of her expenditure" and, therefore, much blame cannot be attached to the Railway Managers so long as they show their readiness to help the local enterprise of the country. Thirdly, the most important factor that has had a great deal to do with the preferential treatment given to the export and import traffic is that all the trunk lines (*viz.*, the East Indian, the Bengal Nagpore, the Great Indian Peninsula, the Bombay Baroda and Central India and the North Western) extend from one or other of the ports to the interior of the country for several hundreds of miles. The result is that if the produce of the interior districts is carried to the ports, the railways get a long lead, and it is recognised in the railway world that the longer the distance the traffic is carried the better it pays the railways, although it will be shewn later on that some railways earn more for shorter leads than for longer ones; hence the railway rates for the agricultural productions and for other articles of export, when carried from the producing centres to the ports of shipment, are fixed on a low basis. In regard



to imports as well, the traffic carried from the ports to upcountry not only gives the railways a long lead, but also provides return loads for wagons that are going back empty after discharging produce at the exporting ports, and, therefore, the railways feel that they are justified in encouraging this kind of traffic. Perhaps they are right from their own point of view. Then the next feature is that each railway is anxious to carry as much traffic as it can to and from the port it serves, and in this they are also influenced by the opinion of the Chamber of Commerce, of which the particular Railway is a member, and curiously enough the influential Chambers of Commerce are all at the ports, where are also the head-quarters of the important trunk lines. Each Chamber of Commerce must naturally try to draw as much business as it can to the port it serves, and therefore, it wants the railway, which serves the port, to join hands with it, and the two interests being identical, a combination is thus formed, which is to the benefit of the European mercantile community, chiefly carrying on the foreign trade of the country. Therefore, although at first sight it may appear that the railways purposely favour the European

merchants, it is seen that the combination is purely a circumstantial one. But what is especially to be regretted is that in his anxiety to promote the interests of his railway, of the port it serves and lastly of the Chamber of Commerce, of which he is a member, the Manager of an Indian Railway has created an anomalous position, from which he now finds it difficult to extricate himself.

The tract of the land in the United Provinces and in the Punjab, lying between say Allahabad and Umballa is a territory the traffic of which is competed for by the railways serving the Eastern and Western Ports, and similar competition is also noticed for the trade of some of the districts in the Central Provinces and Berars. At the competitive centres, the railway rates to and from the various ports are as cheap as can perhaps possibly be quoted, but the effect of such low rates is adversely felt by the local inter-provincial trade of the country, for which the rates are generally higher (except only where another railway or route comes in) and another effect of such a competition is that in most cases for the shorter distances,

even with equal traffic conditions so far as volume and continuity are concerned, the rates are unequal. On some railways, however, it is generally recognised that charge for the lesser distance should not be more than for the greater distance, although there are numerous exceptions to this rule, but on most railways this principle is altogether ignored in rates making, which accounts for many of the anomalies that are to be seen and which have a deterrent effect on the local enterprise of the country in some cases.

India was, in the years gone by, a great manufacturing country in its own way, but its industries gradually disappeared, and the people had to fall back on agriculture which has now become the only resource of the nation's income. Cultivation has undoubtedly advanced in some of the provinces in the past few years, with the advent of irrigation and railways, but at the same time, as Mr. Gokhale pointed out, "each railway extension has meant replacement of local goods by foreign imports," and it cannot be said that the expansion of cultivation has "made the people more prosperous, more resourceful and more secure

against famine, except perhaps in Bengal." As soon as a new railway extension is opened for traffic, the first step taken by a Railway Traffic Manager, in the matter of rates for merchandise, is to quote low special rates for grain and seeds and cotton from the places, newly provided with a railway, to the port for shipment, as well as for the imported commodities, such as sugar, piece goods, from the ports to those places. As to rates for the local interprovincial trade, if there is competition with another railway or with other methods of transport, special rates are arranged between the competitive points; otherwise merchants must approach railways and generally, in such cases, the rates are seldom so favourable as those to and from the ports for articles of export and import. It is, therefore, a matter for congratulation that in recent years there has been an undoubted awakening of interest amongst Indian people that the country should rise to its industrial development. Indian manufacturing industries are yet in their infancy, and judging from the present condition the time yet seems to be very distant when India could hope to be classed as one

of the important manufacturing countries of the world, but so long as it has to face strong competition from self supporting and flourishing milling industries of foreign countries, the fear is that the local enterprise of India might be nipped in the bud. It is true that some of the few cotton and other mills—for few they still are—have been paying concerns, but it must be admitted that so long as a country like India has to depend mostly on foreign manufacturers for its clothing and other necessaries of life, it cannot be said that it is to the benefit of its population that its raw productions should be so largely exported for the use of the manufacturing industries in prosperous foreign lands.

Taking the interests of the Indian continent as a whole and regard being had to the heavy imports of cotton goods and to the fact that the great mass of the Indian agriculturist and of the labouring and poor classes get hardly one full meal a day, it cannot but be admitted that the heavy exports of raw cotton (which could be manufactured in the country to the full extent of the present production if the clothing of the entire population were

to be produced in this country) and of wheat and rice, (especially of wheat) are not the surplus after meeting the requirements of the country. Apart from this aspect of the question, if the whole of the cotton, wheat and oil seeds were milled in the country, it would give employment and satisfactory wages to thousands of people, and the stress on land would also be reduced. Such a change of conditions will enable people to buy food stuffs at higher price in times of famine. But to effect such a revolution it is now being recognised and felt that a tariff reform is essential. There are various kinds of protection that have been and can be suggested to save and improve the local industries; one of them for instance, is that "as no country taxes its own articles of production the imposition of "excise duties is a great drawback to Indian trade," and it is further held by some that "as in France, protection cannot fail to produce some of the beneficial results achieved in that country." The object of this paper, however, is not to discuss the different kinds of protective measures but the question of treatment of the indigenous productions of India by the Railway Manager

in the way of railway rates being so manipulated as to be detrimental to the infant industries of the country. All that is, therefore, asked for is that the rate of freight on raw produce to the Indian mills and manufactories and for the indigenous productions should be as favourable (if not more) as those for the export and the import trade, and the sooner this is recognised and acted upon the better it will be for the country as well as for the Indian Railways in the long run.

In this paper, it is also not much use recapitulating the various specific instances or to quote further illustrations of railway rates that are distinctly favourable to foreign trade, as the local traders and manufacturers have already bitterly felt their effect, and the Railway Managers, who made the rates, know the same very well and it is time that the Hon'ble Member in charge of the Department of Commerce and Industry, and the Railway Board took early steps for the appointment of a strong Committee composed of both official and non-official members, equally divided, to enquire into and report on the whole question, after taking exhaustive evidence of the several

interests affected. As it has already been shewn, the capital liability of the Indian taxpayers and their burden of interest on account of railways have been great and onerous and had it not been for exceptionally heavy railway expenditure, both in capital outlay and in interest charges, there would have perhaps been relaxation of some of the taxes, and as it will take some time before relief could be afforded to the Indian people by reduction of the interest charges on railway account, it is but right that in the meanwhile the interests of the permanent population of the country should be paramount in all railway matters, not excluding the quotation of rates for merchandise, which should always be such as to be beneficial to India's local industries.



**Oudh and Rohilkhund Railway Rates.**

The Calcutta correspondent of the "Times of India" has made the following observations on the question of amalgamation of the Oudh and Rohilkhund with the East Indian Ry. :—

"Owing to the folly of the Government in allowing the Bengal and North-Western Railway to divert the traffic of the Oudh and Rohilkhund by constructing parallel lines, the unfortunate concern has been run at a very heavy loss. Whether the East Indian Railway can make it pay remains to be seen. For the present, however, our premier railway and the Bengal and North-Western are friends and presumably they have agreed to some working arrangements by which both will benefit."

The assertion has been made so boldly that one would be inclined to believe that these are the real causes of the Oudh and Rohilkhund Railway not being a very paying concern. The

Bengal and North-Western Railway in some parts runs parallel to the East Indian Railway and in some parts to the Oudh and Rnhilkhund Railway. The metre gauge system occupies the north bank of the Ganges directly opposite the East Indian Railway line on the south bank, extending from say Sahebganj to Mirzapore, over a distance of say 350 miles. First, therefore, in dealing with the East Indian Railway traffic, one cannot say that this State line has not benefited by extensions to the Bengal and North-Western Railway; the traffic that is taken over and handed over to the East Indian Railway at Mokamah Ghat, the main junction between the two Railways, is enormous. If this traffic from the B. and N.-W. Railway to Calcutta were to be carried *via* Katihar route it would have a serious effect on the earnings of the East Indian Railway. It is, however, not intended to imply that the East Indian Railway has not lost any of the traffic that was carried by them before the opening of the metre gauge system, but what is said is that the East Indian Railway has gained much more than it ever lost. Apart from this, the metre gauge lines have opened up fertile tracts, that were entirely unprovided with

railways, and the point is whether if the B. and N.-W. Railway had been constructed out of Government Funds or with Government guarantee the interests of the Indian tax-payers would have been better served. - It has already been shewn that the burden of interest and capital liability on the Indian tax-payers on account of railways owned and worked by the State or leased to Companies is still very heavy, and regard being had to this fact alone it should really be matter for congratulation that all the metre gauge railways on the north bank on the Ganges are not owned by the State; had it been so the Railway development in other directions would have perhaps been retarded for want of funds.

Now to deal with the O. and R. Railway traffic, it may be that the financial results of that Railway are, to a certain extent, affected by competition of the Bengal and North-Western and the Rohilkhund and Kumaon Railways, but it is suggested that the real causes working against the prosperity of the Oudh and Rohilkhund lie elsewhere. The main line of the Oudh and Rohilkhand runs from Moghalsarai to Saharanpore, and this system

affords the shortest route between Bengal and the Punjab, but never since its opening the traffic to the Punjab has been allowed to be carried by this route, although the rates have been nominally kept equal to those charged by the East Indian Railway route *viz* Umballa and *via* Ghaziabad. This is so because the East Indian Railway is interested in such traffic taking these latter two longer routes, and the bulk of this traffic is coal, which originates on the East Indian Railway. Then, again, the Oudh and Rohilkhund Railway would ordinarily appear to be as much interested as the E. I. Railway, in the produce of the districts served by the former, intended for shipment out of India, taking the Calcutta port. The Oudh and Rohilkhund gets a longer lead thereby, compared with what it would get if the traffic goes to the Western port of Bombay. The important question, therefore, is whether the Oudh and Rohilkhund has benefited by casting its lot with the East Indian Railway and whether the object of earning more money to the O. and R. Railway by carrying traffic over its system for a longer lead has been secured. The Oudh and Rohilkhund is a feeder to the East Indian Railway as well

as to the Bombay lines, but that system distinctly favours the Calcutta port in the matter of rates, and the point that now remains to be examined is whether if that railway had remained neutral, and simply quoted its scale rates on a sliding basis it would have acted wisely, instead of unduly lowering all its rates to Calcutta. Fyzabad and Chandausi are two of the most important grain marts on the Oudh and Rohilkhund Railway, the former in Oudh and the latter in Rohilkhund. The charge over the Oudh and Rohilkhund Railway from Fyzabad to Moghalsarai Junction on despatches of grain and seeds to Calcutta is but Re. 0-1-10 per maund, for a distance of 130 miles, whereas the charge over the same Railway from Fyzabad to Cawnpore Junction for 126 miles on Bombay despatches is Re. 0-2-8 per maund; or in other words, although the lead in the latter case is less the charge is double. Similarly, from Chandausi, the grain rate to Moghalsarai for traffic to Calcutta is Re. 0-3-9 per maund, over a lead of 387 miles but the Oudh and Rohilkhund Railway rate from Chandausi to Cawnpore, 236 miles, is Re. 0-3-2 per maund on Bombay traffic or for carrying the traffic, when it is

sent to Calcutta, for an extra distance of 151 miles the charge is but 7 pies or about  $\frac{1}{20}$ th of a pie per maund per mile, against the Government minimum of  $\frac{1}{10}$ th pie per maund per mile. One more instance; the rate on grain from say Daryabad to *via* Cawnpore, for 88 miles, is Re. 0-2-2 per maund on Bombay traffic, but the Calcutta despatches from Daryabad receive distinctly preferential treatment over the Oudh and Rohilkhund Railway in that the rate from that place to Moghalsarai is also Re. 0-2-2 for 168 miles. Just mark that for carrying the traffic for double the distance that Railway earns the same freight. The Goods tariffs of the Oudh and Rohilkhund Railway are full of numerous instances of this nature. The policy of quotation of such rates may be beneficial to the East Indian Railway, but the soundness of such a policy in the interests of the Oudh and Rohilkhund Railway and the Government is very questionable. The Railway Board have every right to examine the rates of State worked State railways at least from a financial point of view, but this not does appear to have been done in this case. The main reasons for the Oudh and Rohilkhund

Railway not being as good a profitable concern to the state as it ought to be, are (1) that it is entirely deprived of the important traffic in coal to the Punjab inspite of its being the shortest route and (2) that the Oudh and Rohilkhund proportion of the railway rates on traffic to Calcutta have been quoted at an unduly low figure in competition with the Bombay port. The heavy reductions in the rates for export and import traffic to and from Calcutta were made towards the middle of 1907, and it is seen that in the following years, *viz.* in 1908 and 1909, there was a serious decline in the gross earnings of the Oudh and Rohilkhund Railway, involving the state in a loss of about Rs. 40 lakhs. The point is how far these reductions were justified in the interests of the railway revenue and of the Indian ryots, and this is a very important factor which the Railway Board and the Department of Commerce and Industry would do well to investigate. The metre gauge systems *viz.* the Rohilkhund and Kumaon and the Bengal and North Western Railways no doubt run parallel to the Oudh and Rohilkhund Railway from Moradabad to Lucknow, from Lucknow to Fyzabad and also from Shahganj

to Benares and have filched some traffic from the Oudh and Rohilkhand Railway, the principal loss here being the diversion of the Bombay traffic to and from the Rohilkhand and Kumaon Railway, owing to the opening of the Kasganj-Soron line. This traffic from the Rohilkhand and Kumaon areas to Bombay used previously to be carried over the Oudh and Rohilkhand from Bareilly to Aligarh, but now the traffic follows the direct metre gauge route, without touching the Oudh and Rohilkhand Railway. The section of the metre gauge line from Lucknow to Bareilly belongs to the state, and a portion thereof was at one time worked as integral part of the Oudh and Rohilkhand, and why this portion of the metre gauge railway should now be used in competition with the Oudh and Rohilkhand Railway is another question, but there is nothing new in this, because all the state lines in India are competing with one another; in fact, instances have been known where more than one State railway has asked for branch lines, extensions or chord lines with this end in view.



NOTE.—It will be interesting in this connection to quote the following extract from a letter addressed by the author to the Assistant Secretary, Railway Board, on the 12th March 1912 :—

***Rates from the O. and R. Railway stations to  
Moghalsarai on Calcutta traffic and to  
Cawnpore on Bombay traffic.***

*Para : 1.* With reference to the correspondence ending with your letter dated the 8th instant, I beg to state that the following are some of the principal grain despatching stations of the O. and R. Railway :—

1. Shajahanpore.
2. Hardoi.
3. Bijohi.
4. Rudauli.
5. Tilhar.
6. Shahganj.
7. Rahimabad.
8. Sandila.

besides Chandausi, Fyzabad, and Daryabad already mentioned.

**Shajehanpore.**—From this station, the O. and R. Railway charge on Calcutta traffic is Rs. 0-3-2 per maund for 299 miles; but when the traffic is carried to Cawnpore junction for Bombay over the O. and R. Railway over a distance of 147 miles they levy a rate of Re. 0-2-11, or for an extra haulage of 152 miles, in the case of Calcutta despatches the O. and R. Railway get 3 pies only or '02 pie per maund per mile or  $\frac{1}{50}$ th pie per mile.

**Hardoi.**—On traffic to Calcutta, the rate from Hardoi to *via* Moghalsarai is Re. 0-2-9 for 261 miles, whereas for 108 miles the charge is Re. 0-2-7 on despatches to Bombay up to Cawnpore *i. e.*, for less than half the distance in the latter case the charge is practically the same.

**Rudauli.**—Here for 100 miles to Cawnpore for Bombay the O. and R. Railway take Re. 0-2-6, whereas for 154 miles to Moghalsarai for Calcutta the rate is but Re. 0-2-1 per maund. The charge for the lesser distance is more.

**Shahganj.**—For 66 miles from this station to Moghalsarai for Calcutta, the O. and R. Railway take Re. 0-1-0 or 18 pie per maund per mile, whereas on Bombay traffic the rate is 234 pie per maund per mile over a larger distance of 188 miles or this is quite opposed to the ordinary principle of rates making.

**Rahimabad.**—Although the traffic to Bombay is carried for 68 miles only to Cawnpore the O. and R. Railway levy a rate of Re. 0-2-7 whereas for 221 miles on Calcutta traffic the O. & R. Railway charge the same rate to Moghalsarai (*viz.*, Re. 0-2-7). Is this not treating the Bombay traffic very different and does not this amount to undue preference in favour of Calcutta ?

**Sandila.**—The results at Sandila are the same as at Rahimabad. When this station sends traffic to Bombay the O. and R. Railway make a tip top charge of Re. 0-2-7 per maund for 75 miles to Cawnpore, whereas the rate on Calcutta traffic to Moghalsarai for 228 miles, or more than three times the distance, is also Re. 0-2-7.

**Tilhar.**—Here for 311 miles to Moghalsarai, the O. and R. Railway take Re. 0-3-5 whereas to Cawnpore for Bombay traffic they levy Re. 0-3-2 for 158 miles or they carry for 153 extra miles to Moghalsarai for 3 pies only. Does it not, therefore, pay the O. and R. Railway to carry traffic to Cawnpore. 3 pies for 153 miles means 02 pie per maund per mile.

Similar results are also seen at other stations of importance such as Akbarpur, Baharamghat, Bindaura.

\* \* \* \* \*

*Para* : 4. Then again on wheat required for the flour mills at Allahabad the O. and R. Railway rate from Chandausi to Allahabad for 334 miles is Re. 0-4-2 per maund, whereas on

shipment traffic to Calcutta, the O. and R. Railway charge Re. 0-3-9 per maund for 387 miles from Chandausi to Moghalsarai.

\* \* \* \* \*

And for the information of the public, the following extract from another letter written to the Railway Board on 6th March 1912 is also given below :—

“*Para*: 9. The very fact of high rates being maintained at non-competitive points even for the export and import traffic (which have the effect of creating undue preference and unequal rates under equal conditions) shews that the low rates from competitive centres (I mean centres where state railways, serving different ports or routes and responsible for spending public money, compete with each other) are not actually needed by the foreign trade.”

“As Sir T. R. Wynne is undoubtedly taking a great deal of interest in these questions I would quote for him a concrete example. A reference to page 13 of Sir James Wilson’s Memorandum on Indian wheat for the British market will shew that this late Financial Commissioner of the Punjab has made the following observations :—

“The Railway freight of wheat from Amritsar, one of the principal Punjab markets, to Kurachee, a distance of 816 miles, is  $10\frac{1}{2}$  annas per maund or 5s.-3d. per quarter, and the freight by sea from Kurachee to London is about 16s. per ton of 18 cwts., or 3s.-10d. per quarter, so that the total cost of carriage would be 9s.-1d. per quarter, and allowing for insurance, profit &c., it would seem to pay to export wheat from the Punjab to London, whenever it can be bought in the Punjab at 11s. per quarter below the London price”.

If the  $10\frac{1}{2}$  annas rate per maund to Kurachee has been found suitable for the export wheat trade from Amritsar, from which large quantities of wheat are despatched to Kurachee for shipment, how is it that from Delhi and other stations, (nearer

Delhi but further off from Kurachee than Amritsar), lower rates by Re. 0-3-0 per maund (*i. e.* even Re. 0-7-6 per maund) have been quoted. This is what is done not only on the North Western but on the G. I. P., B., B. and C. I. and B. N. Railways as well; and this is one of the reasons for existence of anomalous rates, which harm the State railways generally and the traders at non-competitive points. In all these years, while reductions after reductions have been made for the export and import trade, especially from the competitive centres, the local interprovincial traffic has not received any such consideration except perhaps in competition between railways.

### **Great Indian Peninsula Railway Rates.**

It has often been said that the Great Indian Peninsula is another of the big trunk lines, which has been a burden to the finances of the Government of India, and for the information of the public it will, therefore, be interesting to examine the financial condition of this Railway system.

The Great Indian Peninsula Railway (proper), excluding the Indian Midland Railway has a capital outlay of over  $38\frac{2}{3}$  crores of rupees; in 1901, a year after this Railway was acquired by the Government, the capital was but  $30\frac{2}{3}$  crores, so that in the period of 10 years the capital liability has increased by 8 crores. And inspite of the fact that the net earnings of the railway amounted to 2 crores and 58 lakhs of rupees in 1910, which worked out to 6.67 per cent. on the capital, there was a net loss of 11 lakhs of rupees to the Government in that year on account of this railway alone. Further, taking the results of the last 10 years (1901 to 1910) the total loss comes to over 2 crores of rupees. When the railway was purchased by the state, there were

10 successive years of loss amounting to  $5\frac{1}{2}$  crores, and since the Railway has been a state line the asset to the Government of India was never more than 74 lakhs of rupees in a year till 1910. Although these are the results to the Government of India from the working of the Great Indian Peninsula Railway it cannot be said that the shareholders of the Company have suffered in any way; on the other hand their investment has been quite a profitable one. Besides paying the guaranteed interest on the capital laid out by the shareholders of this Railway Company, the Government had in the past and has even now under terms of the contract, to pay a share of what are known as "surplus profits," so that so far as the Indian people are concerned this particular railway has all along been a burden to the Government. At the time the Railway was acquired by the state in 1900, the purchase value was taken at £40,781,568, and the amount redeemed by annuity payments up to the end of the year 1910 was £3,944,427. The annual payment on account of annuity in redemption of capital out of the net earnings of the railway amounts to Rs. 1,90,28,355 and it will take another thirty five years before

the whole capital liability is paid off and this railway is a real asset to the tax payers; in the meanwhile, the shareholders are receiving interest at the rate of  $3\frac{1}{2}$  per cent. per annum, besides an additional payment of say  $4\frac{1}{2}$  lakhs of rupees per year over and above the interest charge. So that it will be seen that whatever may be the indirect benefits to the Indian people through the Great Indian Peninsula Railway, they are yet paying large sums every year, and the loss in 1908 amounted to over 82 lakhs. Yet the Railway Company, which has profited at the expense of the Indian taxpayers, has the entire voice in the matter of management of the railway and in the spending of very large sums of revenue.

Now in regard to the earnings. It is remarked that the Great Indian Peninsula Railway indulges in unprofitable competition, which has adverse effect not only on its own earnings but affects the other Railways as well, and it will, therefore, be useful to go into the policy adopted by this railway in the matter of manipulation of the rates charged by this system for the carriage of its merchandise traffic.

Coal is *not* an important source of revenue to this railway, but in its anxiety to secure any traffic it can, irrespective of whether such traffic pays the Railway or not, it has combined with the Bengal Nagpore Railway in carrying coal from the Bengal Coal Fields to the United Provinces and the Punjab, and, in most instances, this means an unnecessary haulage of 700 extra miles for wagons, that would, if sent by the natural routes, save this mileage. Moreover, the rate which the Railway gets for carrying such traffic is even less than  $\frac{1}{15}$ th pie per maund per mile and this is much below the cost of working the traffic, as published in the Railway Board's Administration Reports.

Then, again, in regard to grain and seeds, while on its local traffic the Railway does its best to keep as high rates as it possibly can, having regard to the fact that the rate must not however, be so high as to kill the existing traffic though it may not expand, the said Railway at once goes down to the absolute minimum the moment this company has something to filch from another railway. Perhaps acting on this principle, while it maintains rates of over 8 and 9 annas per maund on its



local grain traffic carried for distances of 400 and 500 miles, it has maintained rates at  $\frac{1}{10}$ th pie per maund per mile for traffic received *via* the junctions with the Railways in Northern India, and thus their charge for 840 miles from Agra and Cawnpore to Bombay is Re. 0-7-0 per maund against higher rates charged for half the distance on local traffic on its own line. This has the direct effect of restricting the development of local interprovincial trade, apart from the fact that owing to such an action on the part of the Great Indian Peninsula Railway, numerous cases of undue preference have been created and rates are in many cases unlike under like conditions. An argument may be brought forward by the Great Indian Peninsula Railway that it has to maintain a rate at the minimum figure from Cawnpore to Bombay, because the Oudh and Rohilkhund Railway penalise the Bombay traffic by levying relatively much higher rates for it than for the Calcutta despatches, but the main point for enquiry is whether the present anomalous position in the rates of the Oudh and Rohilkhund was created before or after the Great Indian Peninsula Railway came down heavily in their rates from all its junctions in

Northern India; it must, however, at once be admitted that there cannot be any justification for Oudh and Rohilkhund Railway to treat the Bombay despatches in the way it has done, especially when such treatment affects the earnings of the Oudh and Rohilkhund Railway as well.

It cannot be that it is in the interests of the expansion of the cultivation generally and of the export trade that such a method of rates quoting has been adopted, because had the principle been so broad the railway rates would have been lowered all round, and not from particular places only. The G. I. P. Railway charge  $\frac{1}{10}$ th on grain and seeds from the United Provinces and the greater number of wagons carrying produce to Bombay return empty, and if this factor is taken into consideration it is seen that the traffic is actually carried at a loss by that railway, and hence probably the rise in the working expenditure of the G. I. P. Railway, which on the average of 4 years (1907 to 1910) was at 57 per cent., of the gross earnings, against about 49 per cent. in 4 previous years. The reduction in the

rates for export and import traffic to and from the Northern India came about in 1906.

As "coal" is the main stay of the East Indian Railway and "wheat" of the North Western Railway, "cotton" is the principal traffic of the Great Indian Peninsula Railway and for this commodity the latter Railway has more or less monopoly, which has enabled it to maintain generally so high a classified rate as  $\cdot 80$  or  $\frac{4}{5}$ th pie per maund per mile against the maximum rate of  $\cdot 50$  ( $\frac{1}{2}$  pie) on other lines in India. Both Hinganghat and Akola are important cotton centres on the Nagpore-Bhusaval section of the Great Indian Peninsula Railway, and there is heavy traffic in cotton from these two places to Bombay. The distance from Hinganghat to Bombay is 503 miles and that from Akola to Bombay 364 miles, but while the rate on pressed cotton from Hinganghat over a longer distance is Re. 1-0-2 per maund, that from Akola for a shorter length of about 140 miles is Re. 1-6-2. This is because at Hinganghat, which is nearer Nagpore, the Great Indian Peninsula Railway apprehend competition with the Calcutta port, but they seem to have overlooked that whatever cotton

is brought down to Calcutta from the Berars is for use in the local milling industries in Bengal and not for export, and therefore, the fears of the Great Indian Peninsula Railway are not well founded, unless it is their intention that no cotton from Hinganghat should be used in the Bengal mills. Another instance; while the Great Indian Peninsula Railway are quite content to receive a rate of Re. 0-14-2 per maund on cotton from Jhansi to Bombay for a lead of 700 miles, their rate from Khandwa to Bombay for 354 miles or half the distance is Re. 1-0-1 on perhaps greater quantity of traffic carried from the latter place. If the Delhi Cotton Mills require any cotton from Akola, they will have to pay freight on it at the rate of Re. 1-10-10 per maund, over a distance of 767 miles, whereas if any cotton is taken from Delhi to Bombay, and thus carried for 957 miles the Great Indian Peninsula Railway charge Rs. 1-3-4 per maund. Is this fair to the Delhi Mills? The Delhi Mills must use the Great Indian Peninsula route in getting cotton from Akola, and, therefore, because here there is monopoly on the part of the Great Indian Peninsula Railway they think they are quite justified in maintaining a high rate,

whereas in respect to traffic from Delhi to Bombay, there is competition with the Calcutta and Kurachee ports, and hence the Bombay lines have reduced the rates. These few illustrations are quite enough to shew that in competition between state lines, in the capital liability of all of which the Government of India are most directly concerned, there are cutting down of rates at competitive points regardless of the interests of the Indian population, *and to pay for this unprofitable competition the local traffic is made to pay relatively much higher rate of freight.*

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# INDIAN RAILWAYS AND INDIAN TRADE

BY

S. C. GHOSE.

Price Rs. 2. Publisher H. K. Bose, 57, College Street, Calcutta.

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## Extracts from select opinions.

**"The Englishman."**— \* \* \*

\* \* \* In the interests of the public we welcome a most informing and useful little book that has just been brought out by Mr. S. C. Ghose entitled "Indian Railways and Indian Trade," which should be in the hands of everyone for in its pages will be found a great mass of information not easily accessible to the average person. The author has dealt with Railways and Trade from every point of view, and his comments are marked by an intelligent appreciation of the two interests concerned.

**"The Pioneer."**— \* \* \*

\* \* \* These alleged excessive Railway charges will have to be thoroughly tackled some day and the book before us, which is the first attempt of the kind to interest the public in a matter of very great importance, is likely to draw pointed attention to them.

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**"The Empire."**—"Indian Railways and Indian Trade" by Mr. S. C. Ghose is out. In it the author has made an attempt to place before the public the

**Extracts from select opinions.—Continued.**

position of Indian Railways in connection with the rates charged to the trade for conveyance of merchandise having regard to the interest of the development of trade and resources of the country. The author has evidently acquired technical knowledge in the matter of Railway rates and closely studied the subject with regard to its connection with trade. The book supplies a distinct want.

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**“Capital.”**—I have received a copy of a little work entitled “Indian Railways and Indian Trade” by S. C. Ghose. The author thinks that the railways of India ought to minister a great deal more than they do towards the development of the trade of the country by a wiser classification of the freight tariff than those now existing and he (with a considerable inside knowledge of the subject) shews how, in his opinion, this can be carried out. The book ought to be read by all interested in Railways and in trade.

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**“The Railway Gazette,” Queen Anne’s Chamber, London.**—This little book very fully illustrates the opinion expressed on the railway rates imposed in India by two of our correspondents. The facts on which the author grounds his complaints are very numerous indeed and have been very clearly and intelligently marshalled ” \* \* \*

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\* \* \* **Mr. Ghose** has studied widely and deeply, and the results, at which he arrives, will be difficult to controvert. \* \* \*