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EAST INDIA (RAILWAY COMMITTEE, 1920-21).

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Report of the Committee appointed by the Secretary of State for India to enquire into the administration and working of Indian Railways.

VOL. I.

REPORT.

LONDON:

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TERMS OF REFERENCE.

1. To consider, as regards railways owned by the State, the relative advantages, financial and administrative, in the special circumstances of India, of the following methods of management:—

(*a*) Direct State management;
(*b*) Management through a Company domiciled in England and with a Board sitting in London;
(*c*) Management through a Company domiciled in India and with a Board sitting in India;
(*d*) Management through a combination of (*b*) and (*c*);

and advise as to the policy to be adopted as and when the existing contracts with the several Railway Companies can be determined.

In considering the question of the East Indian Railway, the Committee will take note of the decision to remove the management of that railway to India, which was arrived at when the contract with the present Company was extended on the amended terms in 1919.

2. To examine the functions, status and constitution of the Railway Board, and the system of control exercised by the Government of India over the Railway Administration, and recommend such modifications, if any, as are necessary for the adequate disposal of the railway business of Government.

3. To consider arrangements for the financing of railways in India, and in particular the feasibility of the greater utilisation of private enterprise and capital in the construction of new lines.

4. To report whether the present system of control by Government of rates and fares and the machinery for deciding disputes between railways and traders are satisfactory, and, if not, to advise what modifications are desirable.

5. To make recommendations that may seem germane to the enquiry.

ESTIMATED COST OF THE COMMITTEE.

	£
(1) Honoraria, salaries and subsistence allowances - -	22,658
(2) Travelling, wages and contingencies - - -	7,262
(3) Printing - - - - - - - -	2,259
Total - - - -	£ 32,179

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INDIAN RAILWAY COMMITTEE, 1920-21.

VOL. I.—REPORT.

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(2) To examine the functions, status, and constitution of the Railway Board, and the system of control exercised by the Government of India over the railway administration, and to recommend such modifications, if any, as are necessary for the adequate disposal of the railway business of the Government.
(3) To consider arrangements for the financing of railways in India, and in particular the feasibility of the greater utilisation of private enterprise and capital in the construction of new lines.
(4) To report whether the present system of control by Government of rates and fares and the machinery for deciding disputes between railways and traders are satisfactory, and, if not, to advise what modifications are desirable.
(5) To make recommendations that may seem germane to the enquiry.

3. By a letter dated the 11th November 1920 from the India Office the Committee were authorised to read the first line of the reference as "To consider, more especially as regards the railways owned by the State, ..."; and to understand the phrase "the Government of India" in its widest meaning and not in the technical sense of the Governor-General in Council.

4. It will be observed that of the Members of the Committee three are English, with no previous knowledge of India, three represent life-long experience on Indian railways, three represent Indian opinion, while the tenth Member is a representative of the European commercial community in India.

Proceedings of Committee.

5. Five of the Members, including the Chairman, were in England at the time the Committee was appointed, and they proceeded at once to take preliminary and informal evidence from officials of the India Office and the London representatives of the Guaranteed Railway Companies. This evidence was printed and taken out to India for the information of the remaining Members of the Committee. It was subsequently accepted as part of the proceedings of the Committee, and now constitutes the first part of the evidence (Volume II.).

6. The Members who were in England sailed from Marseilles on the 27th November, and proceeded direct from Bombay to Calcutta, where the first formal meeting of the Committee was held on the 17th December. The Committee was, however, short of one of its Members, for Mr. Beadel, who had been originally appointed as representative of the European commercial community, found himself unable to serve, and Mr. White, who was nominated to succeed him, was taken seriously ill the day before the Committee sat. It was not until the 3rd day of January that the vacancy was filled by the appointment of Sir Henry Ledgard.

7. The Committee sat in India for 50 days and examined 142 witnesses. Of these, 48 were railwaymen and 19 Government officials. Of the non-official witnesses, 45 were Indians and 30 were Europeans. Most of the witnesses who were orally examined also submitted written statements. Numerous other statements were received from persons not called as witnesses. The volume of written matter thus placed at the Committee's disposal was so great that it has proved necessary to exclude a portion of it from the printed records of evidence. The excluded matter, however, was for the most part merely corroborative of evidence already fully recorded by the Committee, or otherwise of minor importance. It should be mentioned that before the Committee assembled in India the Government of India decided to publish a questionnaire with the object of drawing attention to some of the principal points arising from the terms of reference, and of obtaining for the Committee's use considered expressions of opinion on these from interested persons. An unforeseen result was that a large percentage of the written statements received were confined exclusively to the particular issues thus given prominence. Too many of the writers also considered themselves bound to attempt to answer all the questions, although a note in the questionnaire pointed out that this was unnecessary. To facilitate an understanding of the replies, a copy of the questionnaire has been prefixed to each of the volumes of the evidence taken in India (Volumes III. and IV.).

8. The Committee left Calcutta on the 14th January, and visited Madras, Bombay, Lucknow, Cawnpore, Lahore and Delhi. It was their intention to visit also Nagpur, the seat of Government of the Central Provinces, and Karachi; but lack of time compelled them to abandon this intention. Witnesses, however, from both these places appeared and were examined at Delhi.

9. The Committee reassembled in London on the 4th May, and received further evidence from the London Companies, from officials of the India Office, and others, before proceeding to consider their Report.

10. Throughout their proceedings the Committee received every assistance from the officials of the Government, both in England and in India, and of the railways. To these, as well as to the numerous representatives of non-official bodies, and private persons who devoted much valuable time to the preparation of written statements and submission of evidence, their best thanks are due.

11. After the close of the sittings in Delhi, the Finance Department forwarded to the Committee the following communication :— Interim reference from Government.

(Extract paras. 2 and 3 from a letter from the Bengal Chamber of Commerce to the Secretary to the Government of India, Finance Department, No. 636–1921, dated the 11th March 1921.)

"The Committee of the Bengal Chamber of Commerce have observed, from the speech of the Honourable the Finance Member when introducing the budget, that no larger provision than Rs. 15 crores can be made in respect of the railway capital programme for the year 1921–22.

"(2) This severe curtailment of capital expenditure on the Indian railway system has been received with deep regret by the Chamber. At the same time, the existing financial situation of the Government of India is not overlooked, and the very serious difficulties in the way of providing funds on a large scale are fully understood. The Honourable Member mentioned the Railway Committee, and expressed the willingness of the Government to consider any recommendation that that body may submit with the object of raising additional railway capital. In this connection I am to invite the urgent attention of the Government to the following suggestion which was made by the late President of this Chamber, Sir Alexander Murray, at the annual general meeting on the 25th February 1921 :—

"'It will be next month,' Sir Alexander Murray said, 'before this (the railway) Committee finish touring India, and after that they propose visiting England in order to hear further evidence. It will, therefore, be months yet before we can expect to receive the Committee's report, far less see any action taken on it. I am no pessimist, but I feel justified in warning the Government of India that this problem of railway transportation requires immediate attention, and I would respectfully suggest that they should call upon Sir William Acworth's Committee for an *ad interim* report on which action should be taken at once. Everybody knows that the main question is one of funds. Money must be found and spent on the railways, no matter whether we are to have direct State management, or management by boards sitting in London or in India. We can wait for the Committee's views on this latter part of the reference to them, but with new industries springing up and new coal areas waiting to be developed, it is absolutely necessary that the earliest possible steps should be taken to put the railways in a better position to deal with the traffic of the country.'

"(3) The railway position is so grave, and the need for very large capital expenditure is so urgent, that the Chamber has no hesitation in strongly supporting Sir Alexander Murray's suggestion. It may be that the Railway Committee is already in a position to make recommendations, and, even if these could not be brought into operation immediately, their consideration now would greatly expedite their adoption. And there is a precedent for the course proposed by Sir Alexander Murray, inasmuch as the Indian Railway Committee of 1908 presented an interim report some considerable time before the issue of its final report. The same procedure should, and the Chamber trusts will, be followed by the present Railway Committee."

12. The Committee at once met and unanimously passed the following resolution :—

"The Railway Committee, while fully agreeing with the Bengal Chamber of Commerce as to the urgent need of the provision of additional capital on a large scale, feel that the duty imposed upon them by the Secretary of State is to report, not upon a temporary but upon a permanent financial policy. This they are not in a position to do till they have completed their enquiry in London. They, therefore, feel that it would be beyond their province to encroach upon the responsibility of the Finance Member and the Government of India for any emergency measures which may be required to deal with the present critical situation." Committee's reply.

13. We have set out this communication and our reply to it in full at this early stage in our Report, not only because it is part of the record of our proceedings, but also because we think it desirable to emphasise the position we then assumed. Our duty, as we understand it, is to report "not upon a temporary but upon a permanent financial policy." It has been urged upon us more than once, and not by the Bengal Chamber of Commerce only, that the question we have to deal with is mainly, some have said wholly, "how is money to be raised?" In our view, the answer to this question involves our whole reference. That the system, not only financial, but administrative, as it at present exists has resulted in grave failure to raise the necessary funds is not disputed. Any recommendation, therefore, which we may make as to raising money in future involves full consideration of the methods of the past and discussion of the reasons why they failed to produce the desired result, and what changes are necessary to secure a different result in the future. That result we take to be not merely the raising of a certain number of million pounds to meet the present emergency, but the constitution of a system which will secure orderly and continuous progress in the development of the Indian railway system in the future as far as it can at present be foreseen.

Outline of Committee's Report.

14. The reference to the Committee may be summarised under five main heads :—

(A) Management, whether directly by the State or by Companies in England or in India.

(B) The constitution, status and functions of the Government organ of administrative control.

(C) Finance and financial control.

(D) The relations between the railways and their customers.

(E) Miscellaneous cognate questions.

15. The Report which we now have the honour to present contains the unanimous answer of the Committee on the majority of these subjects.

16. On Question A (management) we are unable wholly to agree. We are unanimous in thinking that Indian railways should be managed not from London but in India, and in recommending that the existing contracts with the English Guaranteed Companies should be permitted to expire at their respective dates and should not be renewed. But on the question of the method of management in India the Committee are divided. Some of us consider that the undertakings should be transferred to the direct management of the State, while others consider that some at least of the undertakings should be entrusted to the management of Companies domiciled in India.

17. On Question B (the constitution, status and functions of the Government organ of administrative control) the Committee are unanimous.

18. On Question C (finance and financial control) the Committee are unanimous, except in so far as the answer to this question depends on the answer to Question A. We unanimously recommend a complete revision of the present financial methods and the separation of the railway budget from the general budget of the State. We are also in general agreement as to the methods which should be adopted by the Government for raising new capital. Additional methods of raising capital are also recommended by those members who are in favour of the retention of private management through companies domiciled in India.

19. On Questions D (the relations between the railways and their customers) and E (miscellaneous cognate questions) the Committee are unanimous.

20. We therefore think that the most convenient course will be to forsake the order of subjects in our reference, and to deal first with the matters on which the Committee are agreed, postponing to a later stage matters on which our recommendations diverge.

21. We accordingly submit our Report under the following heads :—

Chapter II.—Present situation of the Indian railways.

Chapter III.—Finance and financial control.

Chapter IV.—The constitution, status and functions of the controlling authority.

Chapter V.—The relations between the railways and their customers.

Chapter VI.—Miscellaneous cognate questions.

Chapter VII.—Management, whether directly by the State or by companies ; and the methods of raising additional capital.

Chapter VIII.—Summary of recommendations, and Conclusion.

CHAPTER II.

PRESENT SITUATION OF THE INDIAN RAILWAYS.

Classification of Railways.

22. According to the Administration Report on Railways there were in India, at the 31st March 1920, 36,735 route miles of railway. These may be divided into five classes :—

(I) State lines worked by the State.

(II) State lines worked by (*a*) Guaranteed, and (*b*) Independent Companies.

(III) Company lines worked by Companies.

(IV) Lines belonging to Indian States.

(V) Miscellaneous.

23. Class I (State lines worked by the State, 7,369 miles) and Class II (*a*) (State lines worked by Guaranteed Companies, 17,768 miles) between them comprise more than two-thirds in mileage of the total 36,735 miles of railway in the country, and very much more than two-thirds in importance. At a later stage we shall refer specifically to the case of the less important systems, but the Committee have devoted their attention chiefly to the case of the main railway system, and it is to this that the evidence taken by them principally relates. Except therefore so far as the contrary may be clearly indicated it should be understood that the recommendations made refer only to classes I and II (*a*).

24. It has been mentioned that the present enquiry was the direct outcome of the consideration of the case of the East Indian Railway necessitated by the approaching termination—in December 1919—of the contract; but it is clear that in any case the time had arrived for a general examination of the whole Indian railway situation.

Evidence as to present situation.

25. For years past, even long before the war, public opinion in India has constantly complained of the entire inadequacy of the Indian railway system to meet the needs of the country. It has been expressed not only in the newspapers but by Chambers of Commerce and in discussions in the Legislative Council at Delhi. The evidence given before us in all parts of the country and on behalf of all sections of the community was overwhelmingly strong as to the urgent need of drastic measures of reform and reconstruction of the entire railway machine. We do not think that any general statement would be sufficient to enable non-Indian readers adequately to appreciate what the real situation is. We therefore summarize extracts from the mass of evidence we have received, showing that the failure to meet the needs of the country is not temporary and not confined to certain places or to certain periods, but universal and permanent.

EVIDENCE TAKEN AT CALCUTTA.

Calcutta Evidence.

MR. INNES, SECRETARY TO GOVERNMENT OF INDIA, DEPARTMENT OF COMMERCE. (Vol. V. paras. 3867 and 3873.)

(There is a large demand for Indian coal for export, but in the absence of adequate transport facilities for meeting it India is missing an exceptional opportunity of establishing itself in the foreign markets where its coal is in great demand. If adequate railway facilities were provided the production of coal could be increased.)

MR. CHURCH, MINING ENGINEER TO RAILWAY BOARD. (Vol. III., paras. 3902 and 3903; and Vol. V., para. 3910.)

There is a rapidly increasing demand for Indian coal, and output could keep pace with it, but is blocked by the limitations of the railway capacity. The railway difficulty in carrying coal is due to a general incapacity to handle the traffic.

Shortage of facilities is manifest at junctions where coal is taken over from the East Indian Railway and Bengal-Nagpur Railway, *e.g.*, at Jubbulpore, where the Great Indian Peninsula Railway takes over trains and has to break them up.

MR. LEGGE, COAL TRANSPORTATION OFFICER (COAL CONTROLLER). (Vol. III., paras. 3914 and 3915).

The supply of wagons for coal traffic has long been inadequate. It is necessary to retain for some time to come the post of Coal Controller, an official who, owing to the shortage of facilities, has to apportion the available wagons under a priority classification.

MR. BELL, MEMBER OF THE RAILWAY BOARD. (Vol. V., para. 3969.)

The capital provided is not sufficient. All the funds likely to be provided by Government for the next few years might be easily absorbed in meeting a single demand (provision of adequate facilities for coal transport).

MR. CARR, ACTING AGENT, AND OTHER REPRESENTATIVES OF THE BENGAL-NAGPUR RAILWAY. (Vol. III., paras. 4051 and 4061.)

Boilers and permanent way materials, which should have been replaced, are kept in service, leading to undue expense in frequent repairs.

The growing trade of India and development of the iron and steel industry is hampered by lack of railway facilities and new lines; 1,100 wagons a day would ultimately be required to meet the total requirements of existing and new works at Jamshedpur and Kulti, as against the present demand of about 350.

MR. HINDLEY, AGENT, EAST INDIAN RAILWAY. (Vol. III., paras. 4138, 4161, 4162, 4165, 4166, 4167, 4185, 4308, and 4323; and Vol. IV., pages 79 *et seq.*)

Overcrowding is the principal source of all difficulties and inconvenience to passengers, which the railways would gladly remedy but for inadequacy of funds. To put on an extra passenger train, the goods service would have to be reduced.

Owing to budget restrictions, the Railway Board had to eliminate from the programme some extremely urgent works, such as the doubling of the Grand Chord, and had definitely instructed the Agent that owing to the shortage of funds new works must be restricted to those required for providing increased traffic facilities, &c.

It is impossible to estimate the loss to trade which would be brought about by the delay in providing essential facilities and the persistent failure to keep the capacity of the lines up to the demands for transportation. The position is already so bad that at times the railway has to restrict or even entirely to close down the acceptance of goods traffic. Only one half of the demand for wagons for merchandise can be met. For the past 26 years there has always been an inability to provide transportation to the extent demanded, and the position is getting worse day by day.

At times when the demands for coal reach their maximum the capacity available for ordinary goods is considerably less than is required—large quantities of merchandise offered for transportation have frequently to be refused. Improved facilities are necessary, not only on the East Indian Railway, but especially on the adjoining lines and junctions.

In one case the European oil seed market was lost definitely owing to lack of railway transport.

That the railway would "muddle through" in the current year as it had in the past was the only hope.

Small stations in the vicinity of the larger centres are closed in order to obtain relief by forcing short lead traffic to the road.

Running of work and van goods trains (station to station pick up goods trains) is suspended when necessary to limit the traffic to the present capacity of the sections.

Bookings of merchandise traffic in the upward direction is restricted even when stock is available in order to leave room for coal traffic.

MR. OSWALD MARTIN, OF MESSRS. MARTIN & CO., CALCUTTA. (Vol. III., para. 4174.)

The sum and substance of the present problem is want of money.

MR. GODFREY, OF MESSRS. MCLEOD & CO., CALCUTTA. (Vol. III., para. 4247.)

Cases are known of country carts carrying, in addition to what the railway carries, jute to Calcutta from distances of 70 or 80 miles.

MR. PATTINSON, CHAIRMAN, INDIAN MINING ASSOCIATION. (Vol. III., paras. 4412, 4413, 4416, 4421, 4422, and 4423.)

Owing to transport difficulties and delays, entirely due to inadequate finance, the coal trade has suffered for years.

The transport difficulty has been constant from about 1905, when the coal output reached 8,000,000 tons in the year. At the present time there are about 10,000,000 tons of exportable coal available at the coalfields per annum, and allowing for the interim increase of transport facilities, the coal trade is handicapped about to the same degree as in 1905, but, of course, on a much larger scale.

Owing to want of transport facilities coal raisings have frequently had to be curtailed.

Many instances of collieries being fully equipped, but unable to despatch coal for want of sidings and with no hope of getting these within the next year or so. One siding had been applied for in April 1918, but was not sanctioned until 1920. This siding, about 17 miles long, will serve a number of collieries; construction will take about a year, but difficulty exists in getting rails moved from Delhi; meanwhile, Rs. 30,00,000 of the coal company's capital is lying idle waiting completion of the siding.

The Rana Colliery is waiting to despatch coal; a siding about a mile long was asked for in 1914, but although sanctioned the work has not yet been begun.

The Chapui and Chalbalpur sidings, applied for in March 1919, have not been sanctioned. Coal is being carted across a river ford, but the output is restricted to a nominal figure for want of facilities.

MR. WALSH, SECRETARY TO THE GOVERNMENT OF BENGAL, PUBLIC WORKS DEPARTMENT. (Vol. III., para. 4474.)

The Government of Bengal lays stress upon the deficiency of transport facilities. Being affected by the carriage of coal and building materials, they found the construction of public works greatly hindered and only done at excessive cost.

MR. BAXTER, REPRESENTING THE NARAYANGANJ CHAMBER OF COMMERCE. (Vol. III., para. 4505.)

There was recently an acute scarcity of wagons for conveying coal for the use of jute-baling firms.

MESSRS. MARSHALL, DODS, FAIRHURST, BURY AND MARTIN. (Vol. III., pages 61 to 68.)

These gentlemen appeared as representatives of some of the principal firms engaged in the metallurgical industries of India. These are the industries established and under development in an area served by the Bengal-Nagpur Railway to the south-west of Calcutta; they include the important iron, steel and copper works, together with numerous associated enterprises specialising in such products as refined zinc and sulphuric acid, jute mill machinery, wire and pressed metal articles, concrete reinforcing material, enamelled hollow ware, electric cables, tinplate, &c.

The outstanding importance of the interests represented and the magnitude of their probable development within the immediate future may be gauged from the following particulars which were placed before the Committee :—

Name of Firm.	Present Annual Freight Movement.		Estimated Freight Movement in 1926.	
	Tons.	Ton Miles.	Tons.	Ton Miles.
Tata Iron and Steel Company (Jamshedpur).	1,760,700	257,316,000	4,137,700	651,665,000
Bengal Iron Company (Kulti) -	433,500	89,080,000	887,000	182,160,000
Indian Iron and Steel Company (Burnpore).	—	—	2,278,000	316,730,000
Eastern Iron Company (Chandal) -	—	—	7,372,000	987,200,000
Cape Copper Company - -	57,500	5,780,000	115,000	11,560,000
Subsidiary companies - - -	—	—	389,400	50,895,000
Totals - - -	2,251,700	352,176,000	15,179,100	2,200,210,000

The approximate investments, labour and pay roll of the above-mentioned companies, their position in 1920, and their estimated position in 1926 were stated as follows :—

——	Investment.	Labour employed.	Annual Pay Roll.
	Rs.		Rs.
Existing - -	10,00,00,000	47,500	2,00,00,000
1926 (*estimated*) -	44,40,00,000	125,000	6,00,00,000

In support of the strikingly high estimate of future expansion Mr. Marshall explained that, of the 15 million tons estimated, 8 millions are practically assured by construction already being carried out with funds that have been provided, while finance has been arranged for a large part of the 7 millions balance. Even making an allowance for uncertainties it was held that the estimate might safely be relied upon to the extent at least of 11 or even 12 million tons.

The evidence showed clearly that the existing railway facilities are entirely inadequate to cope with even the present traffic. There is a serious shortage both of wagons and locomotives for transport of coal and other raw materials as well as of the finished products; and of facilities for moving the wagons which are available. During the good coal mining season the wagon supply is usually so inadequate that the full supply cannot be shipped to the works. It was mentioned in particular that the Tata Iron and Steel Company had probably lost from 3 to 5 per cent. of production during the year 1920 because of the shortage of wagons and of congestion on the railway, a percentage which would be increased when new extensions are put into operation. It was pointed out that if the consequent pecuniary loss were to amount only to 1½ or 2½ per cent. the sum involved would still be very large.[1]

[1] In this connection may be read the following extract from the report of the Tata Iron and Steel Company, Ltd., for the year ending 31st March 1921 :—

"We are now, however, faced with the very serious position regarding the railway transport to which the attention of the Indian public has been drawn in the last few months by the evidence given before the Railway Committee. We have repeatedly pressed this upon the attention of the railways and Government, and although the Bengal-Nagpur Railway has made certain additions to its equipment and has done all it can to help in this direction, the additions are not adequate to handle the traffic which we shall require when the extensions are in full operation. The directors have considered, and are considering, the effect of this restricted development upon the progress of the greater extensions, and will retard these if it appears likely that the railways will not be able to handle the raw materials and finished products, as it would be no advantage to the Steel Company to erect plant that would stand idle for want of railway facilities. But they are pressing, and will continue to press, that the development of the lines serving the works should coincide with our expansion, and we have recently offered to arrange for a loan of four crores of rupees to the Bengal-Nagpur Railway in order to ensure this."

The witnesses, who had prepared their report in consultation with the Bengal-Nagpur Railway officials, calculated that to meet the requirements of the case it would be necessary to double-track 133 miles of the Bengal-Nagpur Railway, while to the existing rolling-stock of all the railways serving the industries in question an addition is necessary of about 13,000 four-wheeled vehicles (or half the number if bogie wagons), and of 322 engines, to meet the anticipated developments of traffic during the next five years. Some 75 per cent. of the increase in rolling-stock would have to be made on the Bengal-Nagpur Railway system.

The evidence was referred to Sir George Godfrey, as Agent of the Bengal-Nagpur Railway, who furnished the Committee in reply with particulars generally bearing out these conclusions, and giving details of the Bengal-Nagpur Railway programme, which provides for completing the line facilities in four years, and explained that the extra locomotives and wagons already under supply out of the existing grants together with the numbers included in the four-year programme practically equalise with the foregoing estimate.

At a late stage of the Committee's deliberations a communication was received on the same subject from Messrs. Bird & Co., in connection with the traffic which they estimated would have to be handled by the Bengal-Nagpur Railway for the purposes of the United Steel Corporation of Asia, Limited, which is to be undertaken by that firm in conjunction with Messrs. Cammell, Laird & Co. Details of the estimated traffic, in three stages of development, were given, working up to the following figures :—

Stage.	Ton Mileage.	Estimated additional Rolling-stock required.	
		Wagons. (4 wheel units.)	Locomotives.
1st - - -	70,838,000	492	9
2nd - - -	592,365,000	4,113	74
3rd - - -	1,112,132,000	7,723	139

The Bengal-Nagpur Railway are in possession of these figures, and it is understood that they will be able to deal with the traffic of the first stage with their four-year programme, but an essential subsequent requirement will be a new outlet for Bengal-Nagpur Railway coal traffic from the coalfields by a new line *viâ* Karanpura to a point on their main line near Manharpur, in the neighbourhood of which the new works are likely to be situated.

MR. NOLAN, ACTING AGENT, ASSAM-BENGAL RAILWAY. (Vol. III., paras. 4555 and 4569.)

The Assam-Bengal Railway has been starved. During the 25 years it has been open it has only been able to construct 90 miles of extensions from money provided by the Government.

The Capital July Forecast of requirements for 1921-22 was Rs. 79·63 lakhs ; 64·80 lakhs was provisionally sanctioned, but in December cut down to Rs. 15 lakhs, which had been increased to Rs. 25 lakhs on pointing out that his home commitments already amounted to Rs. 28 lakhs. Home indents and certain contracts have had to be cancelled and Rs. 43·19 lakhs worth of material will lie in stock in default of an allotment of Rs. 8·33 lakhs for cost of erection in India.

MR. PEAT, CHAIRMAN, INDIAN JUTE MILL ASSOCIATION. (Vol. III., paras. 4596 and 4598.)

Because of lack of railway facilities for the carriage of coal seven large jute mills, employing 40,000 workers, had completely stopped on the 14th January 1921.

There was also a deficiency of wagons for bringing down the jute. Frequently no wagons at all were available at despatching points in the northern jute districts.

MR. WATSON SMYTH, VICE-PRESIDENT, BENGAL CHAMBER OF COMMERCE. (Vol. III., paras. 4602, 4603, 4605, 4609, 4642 and 4643.)

For many years the imperative necessity for a more liberal allotment of funds had been urged. In 1908 representations were made regarding the insufficiency of allotments and grave complaints of inadequacy of facilities for the carriage of coal to Calcutta, and the scarcity of rolling-stock since 1894. The general situation is now worse than in 1908, seven important jute mills being actually closed and the position showing every sign of becoming worse.

Lack of transport has led Government to prohibit the export of shipment coal, causing loss to the shippers, and the movement of general merchandise is delayed and hampered, causing great hardship and reducing business operations to a gamble, *e.g.* :—

One firm trading in linseed, with a good demand and prices high for early shipment, found shipping available, but it was too risky to undertake business because no reliance could be placed upon getting the seed to the port within a reasonable time. The firm had in one case some 700 tons of linseed held up at an up-country station for over four months. The movement of the linseed crop was so impeded that seed from the River Plate filled the demand and India lost the opportunity of selling the seed. Stocks accumulated between April and June were not commenced to be despatched before August, and only 698 tons were cleared in the following two months.

A manganese firm could without any difficulty dispose of double the quantity of manganese if the railways were in a position to move the ore. They have 300,000 tons of ore

in stock. To instance the congestion, at one station there are 70,000 tons, which are only being despatched at the rate of about 3,000 tons per mensem. This station is already two years in arrears with its despatches—at other stations there are large quantities also waiting to be railed, viz. :—South Tirody, 70,000 tons; Balaghat, 60,000 tons; Ramtek, 45,000 tons; Tumsar Road, 20,000 tons; and various quantities elsewhere.

The import of salt into Calcutta is 500,000 tons annually, and owing to lack of wagons to convey the salt up country one firm alone has lakhs of rupees locked up. Owing to the difficulty of getting it away by rail there was not sufficient accommodation for the salt coming in. Recently a ship with 1,400 tons of salt had to take it back again to Liverpool. Another steamer which brought 6,000 tons, after over a month had only unloaded about half its cargo.

Another firm has a sugar refinery in Calcutta which bought several thousand tons of semi refined sugar in Cawnpore deliverable by a specific date, but 600 tons had not yet been delivered. The market has now fallen and the firm has had to refuse to accept delivery, with the result that the sellers must lose heavily because of the railway's failure to perform its duties.

A tar refining industry, opened two and a half years ago, is unable to work at its full capacity owing to the inability of the railways to supply tank wagons. If it had been an independent company it would have failed by now.

The foregoing are merely typical instances of what is constantly happening. Not only do consumers suffer, but the uncertainty of adequate transport is paralysing trade. It is obvious that the whole railway machine is inadequate. What is necessary is an all-round enlargement of the carrying capacity of the railways.

EVIDENCE TAKEN AT MADRAS.

LIEUT.-COL. BARNARDISTON, SECRETARY TO GOVERNMENT OF MADRAS, RAILWAY DEPARTMENT. (Vol. III., paras. 4683, 4684, 4693 and 4701.) Madras Evidence.

Erode Junction is a particularly bad case; facilities are inadequate and nothing can be done until a decision is given as to the arrangements to be made at Erode in connection with the question of the location of the broad gauge South Indian Railway workshops, which has been under discussion for some 10 or 15 years without a decision being arrived at. Further, nothing can be done, pending the Railway's Board decision, with regard to the reconversion of the Trichinopoly-Erode line to broad gauge; this line urgently needs renewal as the rails are worn out and train speeds have been limited to 22 miles per hour. This work is now held up because of the locomotive workshop question, but the question of renewals is one which should have been faced many years ago.

The Government of Madras estimates an expenditure of some Rs. 30 crores as being required to bring railway communications in Southern India to a state of reasonable efficiency. During the 14 years prior to the creation of the Railway Board, 1,200 miles of new railway were built in the Madras Presidency, but in the 14 years of the Railway Board's existence only 535 miles of new lines have been opened, of which 200 were in course of construction when the Board was formed, and 142 were constructed by district boards or other agencies, leaving an annual average of only about 14 miles to the credit of the Railway Board.

MR. MOIR, LATE DIRECTOR OF CIVIL SUPPLIES, MADRAS. (Vol. III., paras. 4733 and 4736.)

There had been a great shortage of rolling-stock, and, he understood, of engine power on the railways, while there was an exceptional scarcity of food over a large part of the Presidency. Many complaints were received from licensed exporters that they could not get their rice carried.

LIEUT.-COL. MAGNIAC, AGENT, MADRAS AND SOUTHERN MAHRATTA RAILWAY. (Vol. III., paras. 4774–4777, 4781, 4800, 4826 and 5125.)

Frequently, for want of sufficient rolling-stock, traffic is delayed in transit. At present the Madras and Southern Mahratta Railway is not refusing traffic because it has fallen off considerably of late. Locomotive coal, formerly taken by sea, from Bezwada to the metre gauge lines in the West, has to be carried over a light section of the line on which heavy engines cannot run, thus causing congestion during the heavy traffic season. Colonel Magniac had never known sufficient rolling-stock to be in existence at times of pressure on the Eastern Bengal, the North-Western, or the Madras and Southern Mahratta Railways, on all of which he had served. His experience was that at certain times public demands could not be fully met, and from the beginning of March to the end of June it is impossible to comply in full with the demands of the merchants on the Madras and Southern Mahratta line. It therefore follows that a priority register for wagon supply is maintained as a matter of course on Indian railways.

The existing lines must be brought up to standard before extensions can be contemplated. The strengthening of bridges is very important, as heavy engines cannot run over many of the existing bridges. The Godavari bridge, for example, is not up to the present standard; it was built some 22 years ago to take a calculated train load of 344 tons, the present trains being over 544 tons.

For the years 1912–13 to 1918–19, Rs. 506·11 lakhs had been asked for on capital account to bring open lines and equipment up to a suitable standard, but only Rs. 269·45 lakhs had been allotted by Government; in 1919–20 the railway got Rs. 18 lakhs more than had been asked for; in 1920–21 the demand was for Rs. 145 lakhs and the sanctioned grant was Rs. 161 lakhs; for the year 1921–22 the demand was for Rs. 164 and the preliminary sanction Rs. 67 lakhs only, necessitating the abandoning of all new projects during the coming year. This is not conducive to economy and makes it impossible to make up existing arrears of works. The Government had refused to allow the companies to raise additional capital as desired by them, and had failed to supply funds for expenditure on rolling-stock and other improvements

THE HON. MR. SIMPSON, CHAIRMAN, AND TWO MEMBERS OF THE MADRAS CHAMBER OF COMMERCE. (Vol. III., paras. 4850 and 4856.)

The Chamber of Commerce are of opinion that it is an absolute necessity for many years to come to improve the existing facilities on and equipment of open lines, and that new construction should be held in abeyance for the present.

The Cochin Chamber of Commerce (who had desired to be associated with the representation of the Madras Chamber) drew attention to the disabilities at present existing through the break of gauge from the South Indian Railway to the narrow gauge of the Shoranur Cochin Railway and the serious shortage of rolling-stock on that line.

Mr. Simpson stated that they had got along fairly well up to 1914, although at certain seasons difficulty had been experienced, but the daily recurrent maintenance had fallen behindhand, and the public are now suffering greatly from the inadequate carrying capacity of the lines. Traffic is growing and must continue to grow. Railway stations are crowded with merchandise, lying frequently for days awaiting transport. It is a matter of urgent necessity to improve the carrying capacity.

REPRESENTATIVES OF THE SOUTHERN INDIA SKIN AND HIDE MERCHANTS' ASSOCIATION. (Vol. III., paras. 4877, 4883 and 4889.)

Better communications are needed between Madras and Pallavaram or Chingleput. There is an urgent demand for the railway to be doubled to enable it to cope with the heavy traffic on it. Merchants, as matters stand, are always afraid of being unable to fulfil their contracts owing to delays caused by the railways.

Piece goods merchants complain that they are kept waiting for weeks together for wagons; even when they get these, consignees cannot count on prompt delivery of goods.

MR. C. DURAISWAMY AYYANGAR, REPRESENTATIVE OF THE MADRAS LIBERAL LEAGUE. (Vol. III., para. 4965.)

There is no disputing the fact that there is great congestion on the railways, and that large sum of money will have to be spent to bring these to a proper standard.

MR. MITCHELL, CHAIRMAN OF THE MADRAS PORT TRUST. (Vol. III., paras. 4988, 4990 and 4992, and page 123.)

Mr. Mitchell emphasised the "utter inadequacy" of the supply of funds for railway purposes; of this, he said, there could be no possible question.

Nobody differed from the Port Trustees' opinion that the carrying capacity of the railways is not adequate. At least at periods of pressure, the railways have been unable to cope with the whole of the traffic offering through the port.

Improvements should be made by duplicating congested portions of the line and by providing more rolling-stock—there are cases in which the full use of the existing rolling-stock is prevented by inadequacy of the line carrying capacity. The largest bogie wagons cannot be fully loaded because of the light standard of certain bridges.

Mr. Mitchell furnished statements comparing the numbers of wagons applied for by the harbour authorities with the numbers supplied by the railways during the six months ending September 1918. The totals are :—

Broad Gauge Wagons—	
Applied for	18,424
Supplied	3,016
Metre Gauge Wagons—	
Applied for	9,846
Supplied	1,617

The figures show that, during the period, the average daily ratio of supply to demand was slightly over 16 per cent. That is to say that only one was furnished out of every six wagons applied for. It is of course not to be understood that only one-sixth of the traffic offered was ever carried.

MR. K. PARTHASARATHY IYENGAR, RAILWAY PASSENGERS' ASSOCIATION, MADRAS. (Vol. III. para. 5009.)

Instances of overcrowding were given, showing :—

	(1)	(2)	(3)
Average number of travellers on a specific train per day	865	842	835
Average accommodation provided	553	297	564

MR. ROSS LOGAN, ACTING AGENT, SOUTH INDIAN RAILWAY. (Vol. III., paras. 5070, 5079, 5080, 5100 and 5110; and page 133.)

Overcrowding is serious on certain sections of the railway, and the line has access to Madras only by a single line which runs over a number of level crossings within the city boundaries. Mr. Logan had no doubt that the line ought to be doubled and the level crossings obviated. There is a deficiency of rolling stock as well as of engines. The railway facilities are inadequate; he could point to no important direction in which the facilities of the railway for dealing with its increasing traffic are sufficient.

There is a good deal of overcrowding on certain parts of the line, and in certain cases it is necessary for passengers to alight and entrain otherwise than at platforms; the railway has been suffering from the shortage of coal. They have about 15 days' stock of coal on hand, but before the war used to have a two months' stock.

The Coleroon bridge was built about 40 years ago. It is now proposed to rebuild it to the 1908 standard.

A detailed statement is submitted showing that, during the years 1910–11 to 1920–21, Rs. 830.89 lakhs had been asked for on capital account by the South Indian Railway Company in the July Forecasts, and only Rs. 646.66 lakhs had been allotted.

The witness stated the company had done all that it could reasonably do to induce Government to provide the necessary funds, and that the public have no serious grievances except such as are due to lack of facilities, and this is due entirely to the Railway Board's failure to supply the necessary money.

EVIDENCE TAKEN AT BOMBAY.

Bombay Evidence.

MR. LLOYD JONES, AGENT OF HIS EXALTED HIGHNESS THE NIZAM'S GUARANTEED STATE RAILWAY COMPANY. (Vol. III., paras. 5155–5157 and 5165.)

The Nizam's Railway is in a position to give 900 tons of traffic daily to the Great Indian Peninsula Railway at Manmad, but has frequently been restricted to 200 tons. For this reason the Nizam's Railway desired to find another outlet, but were prevented by the claim for protection of the Great Indian Peninsula Railway from making lines to take the traffic elsewhere.

For some years past the cotton seed traffic offering has been many thousand tons more than could be carried during the season, and there have been constant complaints from merchants that they cannot move their crops. Mr. Lloyd Jones could recall one occasion when it had been necessary to burn cotton seed owing to the inability of the railways to carry it; in many cases, the movement of the crops to the railway stations did not take place owing to the known inability of the railways to take them away. In 1919 the Nizam's Railway was involved in heavy losses on account of damage to cotton bales which could not be moved until the beginning of August, and the losses to the merchants would probably be more than those of the railway. The railway had insufficient shed accommodation to stock the goods, which were left in the open.

There were also restrictions at Wadi, on the Great Indian Peninsula Railway, which had affected the castor seed traffic to Bombay.

MR. MACNAGHTEN, DEPUTY CHAIRMAN OF THE CHAMBER OF COMMERCE, BOMBAY. (Vol. III., para. 5206.)

The railways having access to Bombay have not provided adequate facilities in recent years. Delays in transport are considerably greater than they were eight or ten years ago. The Chamber of Commerce receives a very large number of complaints from its members.

KHAN BAHADUR A. M. DALAL, PRESIDENT, DISTRICT BOARD, BROACH. (Vol. III., para. 5253.)

The industrial development of India is likely to be throttled for want of adequate railway facilities.

Merchants experience the greatest difficulty through traffic to Bombay being frequently stopped for days together. Trade suffers all round as the unreliability of railway communication interferes with merchants' ability to make or fulfil contracts.

It is a matter of common experience, happening almost every other year, that heavy losses are incurred through damage to cotton seed and cotton bales, which deteriorate owing to their having to be left in the open in the rains for want of railway transport.

Carts sent to the railway station have frequently to take goods back because booking is stopped.

MR. RUMBOLL, AGENT, GREAT INDIAN PENINSULA RAILWAY. (Vol. III., para. 5278.)

Thirty-one years ago the then railway authorities said that the railways ought to adopt the vacuum brake, and now 31 years later at least 20–30 per cent. of the stock is not fitted with it, and even where the stock is fitted the equipment is often not used, and the equipment therefore deteriorates owing, for instance, to the rubber fittings perishing. The consequence is that money has been wasted on machinery of which full use is not made.

DEWAN BAHADUR K. R. GODBOLE. (Vol. III., para. 5343.)

Recently he had seen on one of the lines managed by the Great Indian Peninsula Railway Company a number of passengers who had had to wait one or even two days for a train; they were compelled to remain on the platforms as there was no accommodation in the trains.

MR. RAMJI BHARMAL, OF MESSRS. BHARMAL, SHRIPAL & CO., BOMBAY, REPRESENTING THE GRAIN MERCHANTS' ASSOCIATION, BOMBAY. (Vol. III., paras. 5488 and 5492.)

Goods brought to the railway station lie there sometimes for months before receipts can be obtained, as the railway companies do not issue receipts until wagons are available.

As regards an accident, mentioned in the written evidence, in which several deaths and cases of injury were occasioned by passengers having to travel on the footboards of the train, owing to the carriages being overcrowded, the witness stated that this had happened about six months ago on a train from Thana to Bombay. It was due to the fact that the railway was not using sufficient carriages on the suburban trains.

EVIDENCE TAKEN AT LUCKNOW.

Lucknow Evidence.

MR. HARVEY, AGENT, OUDH AND ROHILKHAND RAILWAY. (Vol. III., paras. 5743, 5744, 5751, 5752 and 5930.)

The carrying capacity of the Oudh and Rohilkhand and connected railways is inadequate owing to want of facilities for handling, sorting yards and the like; as a result traffic cannot be handled efficiently.

Restrictions had to be imposed on the movement of traffic owing to the weakness of the road.

The railway is very short of coal—stocks being as low as six days' supply on the whole line and three in Lucknow. Last Christmas they had to cancel something like 20 passenger trains, and now the position is much worse. The coal supply is dependent on junction facilities.

Recently the Oudh and Rohilkhand Railway had had to clear, in connection with *mela* traffic, some 50,000 passengers from Allahabad, who were left behind because the ordinary trains had not been able to carry them. These might have been brought by the East Indian, or the Bengal and North-Western Railway.

At the present time, if the Oudh and Rohilkhand Railway were asked to take another two trains from Moghal Serai to Saharanpur these could not be hauled for want of locomotives. In no case could more than two extra trains be run, as they would be blocked at Lucknow and at other stations owing to there not being sufficient accommodation.

LIEUT.-COL. ANDERSON, TRAFFIC MANAGER, OUDH AND ROHILKHAND RAILWAY. (Vol. III., paras. 5932 and 5933.)

Colonel Anderson said that 16 trains could be run each way as a maximum, that is, nearly double the present number. It was done once in connection with through *mela* traffic, which involved little marshalling work, but threw the whole line into confusion for two or three days. At the most, two more trains could be run each way—the capacity of the line was limited as they had not sufficient yards and crossing places.

As only part of the goods stock is fitted with the vacuum brake, rapidity of movement is impaired, since braked vehicles have to be picked out and put in front when making up trains.

LIEUT.-COL. IZAT, AGENT, BENGAL AND NORTH-WESTERN RAILWAY. (Vol. III., para. 5767; and Vol. IV., page 219.)

The extent to which traffic can be transhipped at junctions, from the Bengal and North-Western Railway to the adjoining State and company worked lines, is seriously limited by the lack of capacity of these. Even before the war this congestion occurred at busy seasons to such an extent that the company had had strongly to represent to the Secretary of State the difficulties experienced by the railway and the need for extensions. Restriction of traffic is typical of the post-war situation; the Bengal and North-Western Railway would normally be able to offer adjoining lines—

via Bari Banki, 600 tons daily (now limited to 150 tons).
via Benares, 250 tons daily (maximum, now limited to 50 tons).
via Mokameh Ghat, 2,000 tons daily (now limited to 600 tons).
via Allahabad City, 120 tons daily (now limited to 30 tons).

MR. MUMME, AGENT, ROHILKUND AND KUMAON RAILWAY. (Vol. III., para. 5795; and pages 239 and 240.)

Traffic to adjoining lines is restricted in the same way as from the Bengal and North-Western Railway. Details were given showing restrictions of traffic *via* Kashganj, varying from an absolute refusal to accept any merchandise to the prescription of different limits of quantity, from December 1919 to February 1920, during which period about 1,500 tons daily might have been loaded in the absence of restriction. From 21st February 1920 to 29th May 1920, traffic *via* Lucknow was restricted by the Oudh and Rohilkhand Railway to 50 tons daily, whereas double the quantity was available for despatch

Similarly traffic *via* Moradabad was restricted at various periods to from one-eighth to two-thirds of the available goods.

If the railway presses foreign lines for the return of its stock, restrictions are immediately placed on the receipt of traffic by those lines from the Rohilkund and Kumaon Railway. He did not think this unreasonable from the point of view of the railways concerned; it meant that they had to return stock in a hurry, which would lead to uneconomical working.

MESSRS. VERRIERES AND BILLSON, REPRESENTATIVES OF THE GOVERNMENT OF THE UNITED PROVINCES. (Vol. III., paras. 5912, 5915 and 5920.)

Complaints are general about the blocks in traffic. The main difficulty experienced is that of the blocking of traffic at the junctions between the metre and broad gauge lines.

The policy of the Railway Board appeared to be that main line communications should be broad gauge, although the companies were prepared to make metre gauge connections.

EVIDENCE TAKEN AT CAWNPORE.

Cawnpore Evidence.

SIR THOMAS SMITH, PRESIDENT, UPPER INDIA CHAMBER OF COMMERCE. (Vol. III., paras. 5830-5.)

In 1920 the average time taken in transport of goods between Calcutta and Cawnpore was 14–15 days, and between Bombay and Cawnpore about 24 days. It was observed that though in each specific case of delay some special reason might be adduced, the fact was that little traffic got through without encountering some special difficulty.

MR. SHAKESPEAR, MEMBER OF THE UPPER INDIA CHAMBER OF COMMERCE. (Vol. III., paras. 5835 and 5836.)

Mr. Shakespear observed that it was a common practice for railways to shut down acceptance of goods, perhaps for 10 days together, without even giving notice to the trade.

He had known of cases of thousands of tons of tobacco lying exposed to the weather and being damaged owing to the inability of the railways to transport it. The sugar industry had been much hampered by restrictions on bookings.

EVIDENCE TAKEN AT LAHORE.

MR. C. A. H. TOWNSEND, DIRECTOR OF AGRICULTURE, PUNJAB. (Vol. III., paras. 5955, 5957, 5961–4, 5956 and 5967.) Lahore Evidence.

Third-class passengers are undoubtedly overcrowded. It is specially noticeable in the more populous districts of the Punjab; so much so, that practically free fights take place between would-be passengers and those already travelling who do not desire others to get into the carriages. He observed that the railway staff maintain an air of majestic aloofness.

Something should be done to ensure greater consideration of the views of the Local Government. A case within his experience occurred some four years ago, when it was a matter of urgent necessity that cotton seed should be moved in time to permit of sowing. The matter was so urgent that the Punjab Government Financial Secretary interviewed the North-Western Railway Traffic Manager and Agent, but was told, although they were very sympathetic, they could do nothing, being bound by orders received from the Traffic Controller in the Railway Board's offices. The matter was so serious that the Lieut.-Governor wrote to Delhi, with the result that after a member of the Railway Board had visited Lahore it was ultimately set right.

Referring to instances of delays in the carriage of traffic offering, this had happened at all stations in the canal colonies and was especially noticeable in the winter and spring of 1918, during which period hundreds of bales of cotton lay about waiting for wagons.

In the case of the attempt to introduce Punjab-American cotton—a new variety of cotton which the Agricultural Department had been pushing during the past eight years—the management of the Empress Mills at Nagpur bought a fairly substantial quantity of this cotton in December 1917. In the following winter the witness happened to visit Nagpur and went over the mills. He asked the manager how he liked the Punjab-American cotton. His reply was, "We like it all right, but we are not going to buy any more" He gave as his reason the fact that the cotton bought in December 1917 had not reached Nagpur until July 1918, and they could not afford to have their money locked up in that manner. These mills had purchased no more Punjab-American cotton.

During the long period of delay the coverings of the bales had been torn off and it had been found difficult to identify the consignments. The cotton is going at present largely to Japan and is shipped from Karachi and Bombay. Experience was that it was easier to carry the goods to Karachi than to Nagpur.

Some 20,000 acres of land were under Punjab-American cotton last autumn where practically none had been grown before. In this case, the proprietors of cotton ginning factories some 100 miles away by rail purchased a large quantity of the cotton, one of them having bought about 40 wagon loads. When Mr. Townsend visited the locality about a fortnight ago the cotton was still lying in the goods stations and the merchant asked for his assistance in securing its transport, complaining that his money was locked up and, while the cotton lay at the stations, his ginning factories were unemployed. This merchant had refused to buy more cotton during the recent sales. The North-Western Railway Traffic Manager was written to but was unable to help owing to lack of coal, which in turn was ascribed to the shortage of railway transport facilities from the colliery.

Mr. Townsend said that the proprietor of a glass and flour mill factory at Ambala had told him that for want of coal he has occasionally to shut down his factory for two or three days.

Mr. Townsend mentioned that serious damage is caused to goods, lying unprotected from the weather, by rain, owing to the lack of adequate covered accommodation at the railway stations, especially on the Lahore-Karachi main line. Annually in the winter rains *toria*, a delicate grain, gets damaged by lying in the open yards.

In 1907 the heavy rains in May and June caught the congested accumulation of wheat on the colony stations and these were again rained upon in July and August. When it was finally moved, owing to the stench becoming intolerable, many firms found that they had lost all the bottom bags and sometimes two rows of bags. A special staff had to be employed to clear the stations of the rotten wheat, which was caked into the mud of the open goods yards and probably a cholera epidemic was only narrowly avoided.

Mr. Townsend said that he attached most importance at the present time to the lack of proper storage accommodation on the line serving the Montgomery colony, where the railway facilities are not keeping pace with its development, with the consequence that goods are damaged. The North-Western Railway Agent was anxious to help, but was hampered from want of funds.

Mr. Townsend said that the present time traffic can only be got through by special appeals and applications, instead of being accepted, as it should be, as a matter of course when offered.

MR. WATTS, MANAGER, BHUPENDRA FLOUR MILLS, BHATINDA. (Vol. III., paras. 5979 and 5986.)

During the past four years, through the inability of the North-Western Railway to handle their goods, the Bhupendra Flour Mills had on an average lost six working days in a month. This was largely due to the practice of the railway taking possession of coal sent to the mills with the consequence that the mills frequently ran short of it. The mills had recently been burned down, but just before that happened they were so short that they would have had to shut down altogether. The position was generally so bad that he asks for compensation to be made by actual replacement of the coal and not by paying a sum of money.

Mr. Watts said that on the North-Western Railway booking is at present closed for certain goods, including the classes of goods he turns out in his mills.

Bhatinda is capable of handling only one-third of the local traffic that offers there. From Bhatinda his mills could only send two-thirds of what they are capable of producing. The mills had at no time handled more than 65,000 maunds though they could deal with 100,000, and this fact gave them no encouragement to increase their capacity.

They made *besn* (a special wheat flour), and though prices for this are high in Bombay, could not take advantage of them as the railway could not carry the maximum quantity they could

produce. Without further extension the mills could double the output—if there were greater railway facilities more could be manufactured and thus the price to the poorer Hindu population would be reduced.

LALA MULK RAJ BHALLA, PUNJAB CO-OPERATIVE BANK. (Vol. III., paras. 6000 and 6001.)

Overcrowding is serious in all classes on the railway, excepting the first class. He had travelled, in one case, in a second-class compartment which was so crowded that he wanted to leave it to change his ticket and get into the first class, but had been unable to get out owing to the crush in the carriage.

Goods wagons are used for passengers on many branches, quite apart from special conditions of pressure due to pilgrimage traffic.

SETH PRABHU DAYAL, MILLOWNER OF MULTAN. (Vol. III., paras. 6010-13, and 6022.)

The position is very serious as instanced by the fact that for the past month not a single wagon load has been carried from any station in the Multan district and two or three other districts. His factory at Gojra has had to close down on account of shortage of coal.

A fortnight hence the cotton sowing season will commence, and at present the seed is lying at stations waiting to go to its destination; sometimes bags of seed rot while waiting for transport and become completely useless.

Mr. Scott, the Director of Industries, had recently induced the Agent of the North-Western Railway to supply 200 wagons daily to take pressed cotton to Karachi. The North-Western Railway would take it only to Karachi and not allow transport off its own line. It goes ultimately from Karachi to Bombay by sea. As merchants make forward contracts they lose heavily owing to their inability to deliver to time.

The position is that, whether it is a matter of transporting seed to growers, cotton to presses, coal to the factories or pressed cotton to the consumers, blocks constantly occur everywhere on the railways.

As an example of the ill-effects of the uncertainty with regard to wagon supply the witness's factory at Gojra, which is now working, will be closed next week for want of trucks for coal or wood fuel, as loading in several districts on the North-Western Railway is stopped—cotton worth lakhs of rupees is lying in the factory compound.

MR. BOALTH, TRAFFIC MANAGER, NORTH-WESTERN RAILWAY. (Vol. III., para. 6014.)

For the last month there has been an absolute stoppage in the matter of carriage of goods, and from the 29th January onwards the orders were to stop all booking, the coal situation being critical.

MR. SCOTT, DIRECTOR OF INDUSTRIES, PUNJAB. (Vol. III., paras. 6047, 6049 and 6050.)

The witness cited the following merely as examples :—

On the main line in the Lahore district speed was reduced to 25 miles an hour due to bad sleepers.

Owing to bad track speed was restricted to 5 miles an hour for down trains entering "A" platform from Lahore and Kasur side at Amritsar.

In Saharanpur district the speed of trains was restricted to 10 miles an hour because of a defect in the masonry of a bridge.

In Lyallpur district the speed of all trains was restricted to 20 miles an hour, and the running of heavy class engines on the section stopped.

With regard to traffic restrictions the public are at the mercy of the railway staff, as it is impossible for them to familiarise themselves with all the details.

It is quite reasonable to give preference to the movement of foodstuffs; it is not necessarily reasonable to restrict traffic in materials, upon which a man may be dependent for his livelihood and without which he cannot purchase the foodstuffs for his use, *e.g.*, if undue restrictions were imposed on the carriage of cotton, factories would close down, resulting in a large force of labour being thrown out of work and deprived of the means wherewith to buy their food.

MR. BANFIELD, PUNJAB TRADES ASSOCIATION. (Vol. III., para. 6071.)

Referring to parcels sent by passenger train, he did not think that more than 10 per cent. of the traffic from Howrah gets through to Lahore (1176 miles) in the 2½ days which might reasonably be allowed for its transport by ordinary passenger trains. Normally it takes from three to eight days. In many cases it takes much longer.

It had taken 31 days for 195 cases of whisky to be transported from Karachi to Lahore, about March 1920.

MR. HADOW, AGENT, AND OTHER REPRESENTATIVES OF THE NORTH-WESTERN RAILWAY. (Vol. III., paras. 6131, 6180 and 6189.)

Wagon shortage is due not to shortage of rolling-stock, but to the lack of facilities for moving it. The North-Western Railway is badly off in the matter of station facilities; if he had money he would use it to improve these.

The railway representatives were invited to discuss the following note, which had been given by the Director of Agriculture to the Committee :—

"On 27th February 1921 I saw 40 camels taking unginned cotton from Chichawatni to Montgomery, 25 miles, moving parallel with the railway to the Japan Company's ginning factory at Montgomery.

"This was done as cotton could not be booked by rail.

"They were being paid 7 annas per maund for this. It would be interesting to see how this compares with railway freight for that distance. If in excess, it is waste which somebody must pay for—the railway there is working nothing like up to its maximum capacity."

Mr. Boalth said that the rail freight would have been about two annas a maund, and admitted that unginned cotton had been refused owing to the difficulty of moving this kind of traffic on account of shortage of coal. Mr. Hadow mentioned the railway is so deficient of facilities that it could not move everything it would wish to carry.

There had been great delay in doubling the line between Rohri and Kotri, a length of about 200 miles. The work was begun in 1913 and had been completed only a few months ago. Equally serious delays had occurred in the strengthening of bridges, due to difficulty of obtaining material.

LALA KASHI RAM, SUTLEJ FLOUR MILLS, FEROZEPORE. (Vol. III., paras. 6146 and 6149.)

The witness laid stress upon the overcrowding of passengers in the third-class carriages and in women's compartments.

His firm had suffered heavily from stoppage of bookings, sometimes for months together. It would not help him to tell the purchaser of his goods that the railway to which he consigned them refused to carry them. He is bound to pay compensation, and yet has no claim against the railway.

EVIDENCE TAKEN AT DELHI.

MR. COLLINS, DIRECTOR OF INDUSTRIES, BIHAR AND ORISSA. (Vol. III., paras. 6361, 6363 and 6378.) Delhi Evidence.

The country in general, and Bihar and Orissa in particular, is suffering for lack of railways and railway development.

As a result of the lack of coal which has been brought about by the present unsatisfactory railway transport conditions, oil seed crushing mills in Bihar and Orissa are in difficulties. Some of them use wood and some even had to close down altogether. He had received a letter from the management of a mill at Katihar complaining that they had been unable to get coal for three weeks and had to stop work. He furnished the Committee with copy of a letter, said to be typical of several others received, from which the following is an extract :—" . . . in " Bhagalpur last rains, I found that of four or five oil mills there, one was closed down and three " others were only being kept going by the use of wood as fuel."

He had lately heard that a copper smelting works and refinery at Rakha near Jamshedpur had closed down for about a fortnight for the same reason.

No single concern is getting all the coal it would like, many do not get the minimum they require, while all live in a constant state of apprehension of failure of supplies. Mr. Collins said that coal supply had always been bad, and though the situation varies from time to time it is only a question of the relative degree of badness.

If coal companies could be sure of wagon supply they would put in labour-saving devices such as electric cutters and increase the output.

THE HON. SIR MANECKJEE DADABHOY, MEMBER OF THE COUNCIL OF STATE. (Vol. III., paras. 6496, 6497 and 6499.)

Delays up to six weeks or two months are not uncommon.

At the present moment large quantities of manganese are awaiting shipment because they cannot be moved to Bombay, the position being that there is plenty of manganese available, plenty of shipping at the port, and a good market in the United Kingdom; but the business is hampered by the impossibility of getting wagons to convey the material from the Central Provinces to the port. 40 per cent. more manganese might be despatched but for the shortage of railway facilities.

REPRESENTATIVES OF THE MUNICIPALITY OF KARACHI. (Vol. III., para. 6592.)

The inadequacy of funds for railway purposes in the past has been so obvious that the answer to the enquiry on this point in the questionnaire was a foregone conclusion. Funds have been inadequate all round. No railway extensions should be undertaken until open lines have been put in order.

EVIDENCE TAKEN IN LONDON.

SIR JOHN HEWETT, LATE LIEUTENANT-GOVERNOR OF THE UNITED PROVINCES. (Vol. II., paras. 8423 and 8441 ; *see* also note on page 266.) London Evidence.

Sir John Hewett placed at the disposal of the Committee copy of a letter, dated the 13th July 1912, from the Government of the United Provinces to the Government of India, from which the following extracts are quoted :—

" I am directed to address you regarding the congested state of traffic on railways which has caused, and is continuing to cause, immense loss to the agricultural and trading communities in this province and has also seriously affected the administration of forests.

* * * * *

" 2. From enquiries which have been made it appears that the block first became noticeable in December 1911, when all goods traffic passing from the Bengal and North-Western Railway *viâ* Anwarganj (Cawnpore) to the Bombay, Baroda and Central India Railway was stopped for four days. In January 1912 also bookings by this route were much restricted, while the transfer of goods from the Bengal and North-Western Railway at Bara Banki for broad gauge lines was still more hampered. Owing to the accumulation of metre gauge wagons at that station, the contents of which could not be taken over, the Bengal and North-Western Railway was compelled to suspend all bookings on its line for Bara Banki from 11th January to 23rd January, and again from 1st February to 14th February, and 18th February to 7th March.

* * * * *

"3. From the statement made by the President, Railway Board, in the Legislative Council of the Governor General on 8th March 1912, it would appear that the causes of the block are the want of facilities at ports, the incapacity of various lines leading to the ports, and the coincidence of a large export trade, a congestion in coal traffic and a special press of traffic in connection with the supply of grain and fodder to the tract in Western India affected by famine.

* * * * *

"On 1st March the quantity of grain lying at railway stations on the Bengal and North-Western Railway in a single district (Gonda) amounted to 132,922 maunds, while 87,586 maunds were awaiting despatch in bazars close by. In the middle of April the Deputy Commissioner of Kheri saw hundreds of bags of maize which had been lying on a station platform exposed to the weather since December and January. The bags had rotted and could not be lifted. The maize was musty, badly attacked by weevils and probably unfit for human food. In March last the Lieutenant-Governor himself saw considerable accumulations of jagri at the goods station of the Rohilkund and Kumaon Railway Company at Bareilly which had been lying there for a long time intended for despatch to Rajputana by the Jodhpur-Bikaner line, but detained at Bareilly because it could not be booked beyond Kashganj. This jagri had nearly all been spoilt and become unfit for consumption. There was at one time some danger of a failure in the supply of coal for the large municipal waterworks, only averted by a direct appeal to the railway authorities, who were able to spare sufficient to keep the engines going. The collection of metal for road repairs has been much delayed, and the trade in timber and bamboos has been seriously hampered.

* * * * *

"The Lieutenant-Governor has made an enquiry as to the amount of produce awaiting despatch at railway stations on 15th June and lying in bazars close to stations. The results of this are shown in the two statements, copies of which are attached, showing the amount of produce by civil divisions and by railways. They show that the weight of grain alone at stations on that date was 3,800,000 maunds or nearly 140,000 tons. In bazars the amount exceeded 5½ million maunds or 200,000 tons. According to the latest information received there has been some improvement, but this is mainly due to the fact that owing to the weakness of the monsoon there has been a tendency to hold up the new crop. This will no doubt be counteracted by the news in the telegram issued by the Meteorological Department on 11th July that monsoon conditions have now extended over practically the whole country. And that congestion still exists is shown by a report from the Commissioner, Jhansi, dated 8th July, which states that at Kalpi in the Jalaun district 173,500 bags, each containing two maunds of grain, were actually counted, chiefly in the bazar.

"5. His Honour wishes to lay stress on the fact that in spite of the special circumstances referred to in para. 3 the traffic offering in the present year is a fair guide to what may be expected in the future.

* * * * *

"The province has now (1912) recovered from the effects of the three bad seasons 1905–6 to 1907–8. Fresh markets have been opened, and there is a greater demand for the export of certain kinds of produce. The cultivation in the submontane tracts is extending, especially in the large areas lying between our boundaries and the Nepal hills. The Lieutenant-Governor anticipates that, given good seasons, the demands on the railways are not likely to be less in future years than in the present one.

* * * * *

"I am to draw special attention to the statistics of gur (raw sugar). Nearly 45,000 maunds of this article were lying at stations on 15th June, while 188,000 more (including sugar) were waiting in bazars. The problem of improving the condition of the sugar industry is engaging the earnest attention of the Government of India and of Local Governments. In the Gorakhpur district the difficulties of disposing of the produce was so great that cane was actually grazed by cattle this year to avoid the expense of cutting and manufacturing. The Lieutenant-Governor has under consideration projects to assist the foundation of a modern factory in that district, and to establish there a farm for the propagation and distribution of improved canes. But such projects will fail at the outset if railways are unable to provide the necessary facilities for export to Western India, which is the chief market."

Embargoes on traffic.

26. The meaning, in daily experience, of such defects as these, extending over a series of years, will be more fully appreciated from a perusal of the statement given in Appendix No. 1 of the traffic restrictions in force on the principal railways on the 1st April 1921. There were scores of embargoes all over the country, affecting all classes of traffic, and many of them of long standing. The Committee, of course, recognise that some of the restrictions enumerated exist for reasons other than the inadequacy of railway equipment, but the greater number, and the most important, of them are unquestionably due to the absence or inadequacy of facilities and rolling-stock—the result of insufficiency of funds. We quote the following examples as being specially noteworthy :—

Burma Railways.—There is a general shortage of stock and consequent difficulty in meeting demands for wagons.

East Indian Railway.—The acceptance of all goods traffic was suspended from the 24th March 1921 to stations on the Bengal and North-Western Railway *vid* Mokameh Ghat, and from the 29th March 1911 to the Oudh and Rohilkhand Railway *vid* Moghal Serai.

Bengal-Nagpur Railway.—Capacity is inadequate in general, both as regards rolling-stock and other facilities.

South Indian Railway.—There are 11 specific restrictions in traffic, *viâ* the principal junctions, affecting both local and through traffic.

Great Indian Peninsula Railway.—Inwards traffic from the East Indian ; Bengal-Nagpur ; Bombay, Baroda and Central India ; Madras and Southern Mahratta ; Nizam's Guaranteed State ; and other railways is restricted at 15 junctions to from 600 to 30 wagons daily. Local traffic is also severely restricted.

Bombay, Baroda and Central India Railway.—Numerous restrictions are specifically ascribed to such causes as want of transhipment facilities ; insufficient locomotive power ; and paucity of wagons.

Jodhpur Bikaner Railway.—Traffic *viâ* Kuchaman Road is limited to one-half of what could be accepted were it not for the coal shortage.

North-Western Railway.—To accommodate the passenger traffic offering it would be necessary to run four additional mail trains and 55 additional passenger trains on various sections. The existing restrictions are due chiefly to a shortage of coaching stock.

Conditions described neither new nor local.

27. It will be remarked that the evidence summarised in this chapter relates to the railways of the north equally with those of the south, of the east as of the west ; that the tale of inability to cope with the traffic relates alike to lines managed through companies and those directly administered by the State ; and that many of the complaints made date from long before the war period, though they have naturally been intensified by the abnormal conditions of recent years.[1] (Congestion at some time or at some place is a commonplace of railway management in every part of the globe. But in India for years past it has recurred each season ; it has now become normal and will become permanent unless bold measures are taken to deal with the situation.)

[1] It is fair to say that during the war the congestion has been heightened by the transfer of coal traffic from water carriage to the railways. In the pre-war year 1913–14 the freight ton mileage of goods traffic was approximately 15,623 millions. In 1918–19 the figure had risen to 22,140 millions, representing an increase of 42 per cent. For coal alone the ton mileage increased during the same period from 5,203 millions to 9,987 millions or by 92 per cent., and the carriage of coal monopolised practically one-half of the broad gauge stock. This sudden and unexpected increase in the coal traffic was largely due to the complete cessation of coastal shipping services.

CHAPTER III.

Finance and Financial Control.

Demand for financial reform.

28. The defects mentioned in the last chapter are due primarily to the failure of Government to provide the railways with adequate funds for capital expenditure on development and extensions, and even for the essential operations of renewal and repairs. They are the inevitable results of a paralysing system which has not been adapted and developed to meet the requirements of what is essentially a commercial enterprise of the first magnitude.

29. As to the necessity for great financial reforms, the evidence placed before the Committee is practically unanimous.

30. Witness after witness told us that the present financial methods need drastic revision, and that the basis of the reform is the complete separation of the railway budget, in respect both of capital and revenue, from the general budget of the country. The Associated Chambers of Commerce of India and Ceylon expressed the general opinion in the following resolution, which they passed at their annual meeting held in Calcutta on the 24th and 25th January 1921 :—

> "That this Association is strongly of opinion that the present method of financing the annual capital expenditure programme of railways in this country, and the general system of control exercised by Government over their administration, are in urgent need of revision and reform. This Conference further considers that, as an essential condition precedent to such reform, immediate steps should be taken to render the railway administrations independent of the provisions of the general budget and to secure for them a separate budget of their own."

31. This resolution under both its heads embodies conclusions at which we have independently and unanimously arrived. To explain our reasons, it is necessary to describe the system that has hitherto prevailed and the results to which it has led.

Description of present methods.

32. The financial methods of the Government of India are closely modelled on their English prototype. The English Government, as is well known, does not present a balance-sheet comparable to that of an ordinary business. The Budget is merely what an accountant would call a cash statement. It is on the one side a summary of the actual money received, and, on the other side, of the actual money paid out, during the financial year. It takes no account of monies receivable on the one hand nor of accounts due on the other in respect of transactions closed within the current year. Further, the Budget appropriates to each Department of Government a certain sum ; and whatever portion of this appropriation is not spent within the year automatically lapses, and the power of the Department to spend only arises afresh when a new appropriation for the ensuing year is made. We need hardly emphasise the difference between this system and the methods of a commercial company, which takes stock of the position year by year in its revenue account and balance-sheet. A company treats its business as a continuously going concern with a carefully thought out programme, both of revenue and capital expenditure, for years ahead, and with provisional financial arrangements calculated to correspond.

33. The total Budget receipts of the Indian Government for the year just closed, leaving out railways, were in round figures 180 crores[1] of rupees ; the revenue receipts of the railways were Rs. 82 crores. In other words, the railway receipts were nearly half as large as all the other items of receipts in the Budget put together. And while the receipts from ordinary taxation vary only slightly and slowly from year to year—unless of course old taxes are reduced or abolished or new taxes imposed, the effect of which is readily calculable in advance—railway receipts vary abruptly from time to time in accordance with harvest results and trade fluctuations. And alongside of the increase or decrease in traffic which the gross earnings connote, comes usually a smaller expansion or contraction of working

[1] One hundred thousand rupees (written Rs. 1,00,000) = one lakh. Ten million rupees (written Rs. 1,00,00,000) = 100 lakhs = 1 crore. The rupee par of exchange was till the war 1*s.* 4*d.*, *i.e.*, Rs. 1 lakh equalled 6,666*l.* ; Rs. 1 crore equalled 666,000*l.* In 1919 the exchange value of the rupee ran up at one time as high as 2*s.* 11*d.* At the time of writing it is about 1*s.* 3½*d.* For the purpose of this year's Budget the Indian Government is assuming the figure of 1*s.* 8*d.*

expenses. Consequently the railway net receipts, *i.e.*, the money left after paying working expenses, fluctuate from year to year. The following table shows the gross receipts, working expenses, and net receipts of the Indian railways back to the year before the war:—

Table showing Gross Receipts, Working Expenses and Net Receipts—State Railways (worked by the State and by Companies).

	Gross receipts.	Working expenses.	Net receipts.
	Rs. crores	Rs. crores	Rs. crores
1913–14 - -	56·32	29·36	26·96
1914–15 - -	54·16	29·53	24·63
1915–16 - -	57·26	29·53	27·73
1916–17 - -	62·95	29·97	32·98
1917–18 - -	68·92	31·36	37·56
1918–19 - -	76·26	37·08	39·18
1919–20 - -	79·06	45·52	33·54
1920–21 (estimate) -	81·32	54·22	27·10
1921–22 (estimate) -	87·06	58·70	28·36

34. Now, it is the prime duty of the Indian Chancellor of the Exchequer, the Finance Member of Council, to balance his Budget. In times of bad harvests and bad trade receipts fall off. The Finance Member is constrained to economise. He cannot reduce the army or the civil services wholesale at short notice. Nor can he refuse to pay railway wages or to provide currently consumable stores. He can and does curtail his appropriation to railways for renewals and betterment works. And he cuts down still more drastically expenditure on new works and extensions, even though they may be in process of execution. The Mackay Committee of 1907 considered that the Government should fix periodically a standard of annual capital expenditure which at that time they thought might be taken as 12,500,000*l.* = Rs. 18·75 crores,[1] and they laid stress on the desirability of Government adopting a steady annual rate of expenditure which they might reasonably hope to maintain even in times of difficulty. In practice the Government did not see their way either to attain the modest standard recommended by the Committee, or to adhere over a series of years to any uniform rate, as is seen from the following figures at which the capital programmes from 1908–09 were fixed:—

Year.	Capital programme.	Year.	Capital programme.	Year.	Capital programme.
	Rs. crores.		Rs. crores.		Rs. crores.
1908–09 -	15·00	1913–14 -	18·00	1918–19 -	6·30
1909–10 -	15·00	1914–15 -	18·00	1919–20 -	26·55
1910–11 -	16·30	1915–16 -	12·00	1920–21 -	21·98
1911–12 -	14·25	1916–17 -	4·50	1921–22 -	17·82[2]
1912–13 -	13·50	1917–18 -	5·40		

35. It was of course inevitable that the outbreak of the war should lead to a stoppage of railway development, but the failure to which we refer to carry into effect either of the recommendations of the Mackay Committee is sufficiently obvious from the figures prior to 1915–16.

The system of "allotments."

36. The effect of this policy of inadequate allotments, varying irregularly up and down from year to year, would have been bad enough in any case. But it is made worse when, as not infrequently happens, the allotment is suddenly cut down during the currency of the year to which it relates, and works in progress are suspended, staff are disbanded at a moment's notice, and materials are left lying on the ground for an indefinite period. An almost equally bad effect is produced when late on in the year, the general financial position having unexpectedly improved, the Finance Member with equal suddenness lifts his hand and thus encourages the railways to spend more freely. For then, in fear of the guillotine of "lapse" which must descend on 31st March, in eager haste the railway officials start to spend, with inadequate staff and hurriedly collected materials, the money unexpectedly thrust upon them.

[1] The evidence of Lord Inchcape before us in London is interesting in this connection:—

"What we would have liked to have done would have been to have spent not 12,500,000*l.*—Abrahams cut me down, you will remember, he was the Financial Secretary here—we would like to have spent 20,000,000*l.* if we had had our way. I did not like to press him too much, he was more or less responsible as Financial Secretary to the Secretary of State."

[2] Includes a sum of Rs. 2·82 crores to cover loss by exchange.

Its practical effect.

37. A good instance of the unbusinesslike system of doling out funds for railw capital purposes, as and when there is a little money to spare, is afforded by a let sent by the Railway Board to the Great Indian Peninsula Railway Company December 1920. It runs as follows:—

> "I am directed to inform you that five lakhs have been allotted in the six months' estimates w a view to making a commencement on the construction of the Warora-Pisgaon Railway from M to Rajur. I am to request that you will make arrangements for construction to proceed as quic as possible with preliminaries up to the limit of this allotment. There is no expectation at pres of any money being available for this line in next year and work may have to be tempora suspended."

Our attention was drawn by the Company's Agent (*see* Volume III., para. 52 to the unreasonableness of thus granting money a few months before the end of t year, when there was too little time to spend it advantageously; and to the unwisd of proposing the commencement of a railway when the prospects of being able continue it were so uncertain.[1]

38. Another example on a larger scale is afforded by the history of t Itarsi-Nagpur Railway. This line is 238 miles in length; it presents no seric engineering difficulties; and its importance as a new connection from nor to south is not disputed. Its construction was begun in 1908. It is not y completed. Apparently construction was about half finished in the six years befc the war; even during the war it was not wholly suspended, and since the war has been taken up again. For the current year an allotment of Rs. 10 lakhs, 66,000*l.*, has been made. We were given to understand that, if everything went w and allotments continued to be made as at present the line would be opened t through traffic in 1925 or 1926, 17 or 18 years after construction was begun. T total cost of the line will then be Rs. 4¾ crores out of which Rs. 3¼ crores will be actual construction and Rs. 1½ crores for interest on the capital which lay idle wh the line was still under construction.

39. We need not here enlarge further upon the practical effect which the pres system of financial control has produced. The evidence which we have summaris in Chapter II. is sufficient. We now proceed to describe in detail the mechani through which this control operates.

40. The administration of each railway, whether worked by the State or by Guaranteed Company, submits each year to the controlling authority, the Railw Board, two sets of statements. These overlap and are to some extent combined the same printed documents, but can best be considered separately.

"Programmes."

41. First there is a statement relating both to "Programme" Capital Expenditu and "Programme" or "Special" Revenue Expenditure which the Agent of ea railway is required to submit to the Railway Board in or about the month of Ju in each year. This is known as the "July Forecast." It is a provisional combinati of the two programmes, and sets out the amount the Agent desires to have allotted him for expenditure on renewals, betterments, additions and extensions during t year commencing on the following 1st of April. This statement has to speci separately all works estimated to cost more than Rs. 25,000 (say 1,650*l.*).

42. Nominally, this "Programme" deals not only with the ensuing year, but wi the two years next following it. But the figures for the latter years are practica meaningless. The Agent has not attempted to make them accurate, for he kno that circumstances over which he has no control will entirely alter conditions befo his forecast can possibly take effect. This system of forecasting for three years ahe was introduced in 1904. It was in the direction of an improvement evident desirable. At that time people were sanguine enough to imagine that

[1] Compare also the evidence of Mr. Nolan, Acting Agent, Assam Bengal Railway, who, referring the inadequate provisional allotment of Rs. 25 lakhs to his line for capital expenditure in 1921–22, s that in consequence of this he had had to cancel many of his requisitions for stores and had telegraph to his Board of Directors to cancel certain contracts if possible. One result would be that a Rs. 43 lakhs worth of rolling-stock materials from England would lie idle for want of about Rs. 8 la for the cost of erection in India. (Para. 4569, Vol. III.)

Colonel Cameron, Agent of the Eastern Bengal Railway, gave similar evidence. He observed t dependence on the general financial position of Government from year to year causes embarrassm money sometimes not being available when required and at other times being extravagantly expende a rush to avoid a lapse. He told the Committee that at the time of his evidence there was a cer amount of rolling-stock due for replacement, a number of engines had been ordered from home, but ow to the difficulty of financing the payment for them he had suggested their being transferred elsewh (Paras. 3885 and 3959, Vol. III.)

would be possible to secure some continuity in Indian railway financial policy under the existing system. That hope having been subsequently abandoned, the second and third year forecasts, though the figures still continue to be inserted in order to comply with regulations, are treated by both sides as negligible. The Railway Board ignores them; and we need not refer to them further.

43. The Programme of which the July Forecasts may be regarded as the first edition deals with an expenditure a part of which is for renewals, a part for betterments, and a part for additions and extensions. It is in the main a programme of capital expenditure, but is, in fact, a programme in which Revenue and Capital expenditure are closely associated. If 10 miles of 75 lb. rail is taken up and replaced with new 75 lb. rail, the whole is obviously a charge on Revenue. If, on the other hand, when the 75 lb. rails are taken up, they are replaced with new 90 lb. rails, the extra weight of rail, being an addition to the assets of the undertaking, is—from the strict accountant's point of view—a legitimate charge to Capital. If an engine or a carriage or a wagon is replaced by a similar one, the whole cost is chargeable to Revenue. If a more powerful engine, or a larger vehicle, is provided in substitution, the cost of the extra tractive power, or the greater capacity, can be legitimately debited to Capital.

44. We now return to the history of the July Forecast as submitted by the Agent. It by no means represents all the money which he thinks he ought to spend on his railway in the coming year, though it will certainly represent a larger sum than, judging by previous experience, he has any hope of getting. The Agent's demand is kept down not only by his feeling that it is useless to ask for the unattainable, but also by his knowledge that, in default of a settled programme of uninterrupted construction resting on secured finance, his power of spending is restricted to that with which his existing engineering organisation can cope.

Their various stages.

45. Shortly after sending in his Forecast in July each Agent follows it to Government headquarters and discusses it with the Railway Board. In these discussions the Railway Board arrives at a preliminary agreement with each Agent as to the sums which might reasonably be allotted to him for expenditure in the ensuing financial year on (*a*) *Capital Account* (this includes the whole cost of new works, and such portion of the cost of substitutions or replacements as represents betterments and additions); and (*b*) *Revenue (Programme) Account* (this includes so much of the cost of such works of renewals and replacements as is chargeable to Revenue, but excludes all revenue expenditure of the nature of wages, current working expenses and ordinary day-to-day repairs).

46. The Railway Board, having before it all the Forecasts as amended—the amendment is always in one direction, downwards—in these discussions, is now in a position to add them up, and to place before the Finance Department the consolidated estimate of the railways' Capital and (Programme) Revenue requirements, and to ascertain to what extent the Finance Member considers himself likely to be in a position to supply the requisite funds in the ensuing year.[1]

47. The Railway Board, having found, let us say, that the Agents' total demands reach Rs. 30 crores for Capital and Rs. 11 crores for (Programme) Revenue Expenditure; having itself in discussion with the respective Agents reduced the figure, to say, Rs. 28 crores and Rs. 10 crores respectively; and being advised that the Finance Department is not likely to find more than Rs. 20 crores for Capital and Rs. 8 crores for (Programme) Revenue Expenditure, again re-examines the Forecasts and thereupon intimates to each Agent, about the month of August, the extent to which it now hopes to be able to meet his requirements, and instructs him to revise his programme of works on this basis.[2]

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[1] We are describing the procedure now in force. The Railway Board informed us that the practice prior to 1920–21 was to inform the Finance Department of the total demand by railways before details had been scrutinized, and subsequently to go through the programmes and reduce them to the limits prescribed.

[2] We endeavoured to ascertain whether each Agent's demands suffered a *pro rata* reduction, or whether, on the other hand, priority was conceded as between one undertaking and another for the most urgent works. We were told by well-informed witnesses that, if a community is more than usually clamorous, if a district is easily accessible from Delhi, or even if an Agent is more than usually persuasive, that community, district, or Agent tends to get an unfair share at the expense of the others. The members of the Railway Board, on the other hand, were of opinion that, as in fact no project ever reaches the stage of having a prospect of money forthcoming for it till it has been discussed and re-discussed for a long series of years, they were in a position to decide with reasonable certainty as to the respective urgencies of priority. In view of the Railway Board's lack of machinery to keep them in touch with local conditions, a point with which we deal at length elsewhere, we think their opinion errs on the side of optimism.

48. A consolidated triennial railway programme of capital expenditure is at this stage compiled by the Railway Board, by combining the accepted portion of the programme for new works with the Capital figures associated with the Programme Revenue Expenditure. It is submitted to the Secretary of State for his approval by the Government of India under cover of a Despatch, sent by mail usually in November, in which they explain the considerations which have influenced them in determining the total amount, and in which they set out their proposals for financing the proposed expenditure.

49. Subject to any special modification which the circumstances of the particular year may necessitate, the programme is usually approved by him, and the figures in it are thereafter in due course incorporated in the regular budget documents. As soon as the Secretary of State's cabled approval has been received, the Railway Board communicates to each railway Agent the Provisional Grant, that is the sum which he may expect to have placed at his disposal in the ensuing financial year. It will be observed that this grant is provisional only; that it is made about four months before the commencement of the financial year to which alone it applies; and that money allotted for expenditure, as we have said, "lapses" at the end of the year for which it is granted. But important works, renewal of bridges, doubling or electrification of lines, remodelling of stations, &c., cannot possibly be completed within the year; and rolling stock, and especially locomotives, ordered in England, particularly where new designs and working drawings have to be got out, can hardly be delivered within the same period.[1]

The final grant.

50. Finally, in the last week of March, a few days before the new financial year begins, the Capital Grant, also called the Final Allotment, for that year is definitely made to each railway. The grant may or may not be the same as the provisional grant of the previous December. It may be expected to differ very substantially from the preliminary verbal agreement with the Railway Board in the autumn, and to have even slighter connection with the Agent's forecast of his actual requirements made in the previous July.

51. We give in tabular form the various stages of the process in respect of the Capital Grant for the year now current as well, for comparison, as for a pre-war year. It should be premised that the Agents had been warned at an early stage that the amount of capital available during the year 1921–22 was likely to be very seriously restricted, and that therefore their demands as set forth in the July Forecasts were already restricted to what each regarded as absolutely essential:—

——	Year 1913–14.	Year 1921–22.
	Rs.	Rs.
Amount asked for by railways in the forecasts submitted in July of the previous year.	19,98,38,000	35,70,00,000
Amount approved by the Railway Board, in August - -	19,98,38,000	28,00,00,000
Amount provisionally accepted by the Finance Department, in August.	18,75,00,000	12,00,00,000
Budget Allotment (end March) - - - - -	18,00,00,000	17,82,00,000[2]

52. On receipt of the final allotment each railway draws up the "final issue" of the Budget estimate, showing in detail each work individually costing over Rs. 25,000 (say 1,650*l.*) and submits it to the Railway Board in the course of the following month.

Revenue estimates.

53. The Preliminary Revenue Estimates for the ensuing financial year are not submitted by the Agents till about November of each year; they comprise forecasts of the probable receipts from traffic under various heads and of the probable expenditure which will be necessary to earn them. Salaries and wages, consumable stores, and day-to-day repairs are the main items of what are usually called the "ordinary working expenses," and to these is added the figure which, as will be seen from the previous pages, has independently been accepted as the

[1] In the case of expenditure in England there has grown up an elaborate system of "advance indents," in effect orders for goods which it is expected will not be delivered and be paid for until the grant for the succeeding year has been determined. This system we do not think it necessary to discuss in detail.

[2] It will be observed that in the figures for the current financial year the budget grant is considerably greater than the amount at first provisionally approved by the Finance Department. In the interval some railway agents had protested that it would be impossible for them to carry on without more money.

probable grant on account of "Special" Revenue Expenditure. This estimate, dealing as it does mainly with figures of receipts and expenditure that necessarily continue year after year, is normally accepted without much discussion by the Railway Board. The combined revenue estimates of all the railways are then forwarded to the Finance Department in December for inclusion in the Budget. On the basis of the estimates thus submitted the final budget orders are issued at the end of March annually. Each railway administration has thereupon to prepare and submit detailed and voluminous "Establishment and Authorisation Rolls" covering the whole of the expenditure chargeable to revenue, in agreement with the grants thus fixed for what has now become the current financial year. It has been made ground of complaint that the Finance Department sometimes alters the revenue estimates when submitted to it. The reply is, we think, adequate: that the officials of the Finance Department, with their long experience, their access to past records and to statistics and information obtained from many quarters and in many ways, are able to make a better estimate of future probabilities than any individual railway Agent. We do not think the existing practice in this matter, except that an unnecessary amount of detail is required, is any hindrance to efficient railway management. After all, the Finance Department only calls for revenue estimates such as would naturally be prepared for the use of the governing body in any commercial concern.

54. Apart from the successive stages of discussion and estimating already indicated, there are frequent revisions and reviews of the figures and estimates, which are necessitated mainly by the inclusion of the railway figures in the general budget of the country. The grants intimated to the railways at the end of March, that is just before the commencement of the year to which they relate, are far from being "final" except in name. Changes are frequent throughout the year; they are sometimes necessitated by developments in the railway position which lead to increased demands which could not have been foreseen, or to surrenders of funds which for one reason or another it has proved impracticable to spend advantageously within the period covered by the grant. But they are also occasioned by considerations of a quite extraneous nature; grants may be cut down during the year because the Finance Department has to meet increased demands from other departments, or they may be increased unexpectedly at a late stage in the year because of some unforeseen windfall.[1]

The system of "lapse."

55. The question of "lapse" was fully discussed by the Mackay Committee in 1908. They came to the conclusion that the objections taken to the system were largely due to misconception. They pointed out that, if to a certain railway there had been allotted during a given financial year the sum of, say, Rs. 100 lakhs for improvements and extensions, and of that sum only 80 lakhs had actually been spent, technically the 20 lakhs would lapse. But they thought that the resources of the Government of India at the opening of the new year would have been increased by this 20 lakhs surplus from the preceding year, and that they would thus be able to allot to the railway for the ensuing year 20 lakhs more than they otherwise could have supplied. The reply is obvious, not only in theory, but on the basis of actual experience: the 20 lakhs may be re-allotted to the same railway, or may be allotted to another railway, or may not be allotted to railways at all.

56. The Mackay Committee accepted the system of lapse as unavoidable, summing up the whole case in these words:—"The whole arrangement works back to the "fundamental principle that the Government of India provides as much money in "each year as it possibly can, all things considered, for expenditure on railways, "and distributes that money in the way which it conceives to be most advantageous "for the country as a whole."

57. If the matter were purely one of finance we should hesitate to disagree with the opinion of so authoritative a Committee. But we would observe that the Mackay Committee was appointed to report not on Indian Railways, but on Indian Railway Finance and Administration: and that it did not include among its members anyone with experience of practical railway management.

Need for radical reform of system.

58. In the circumstances it is perhaps permissible to say that the Committee was appointed to consider, and did in fact consider, not so much what form of financial administration was best adapted to the needs of a great commercial enterprise, as

[1] We can hardly expect that this necessarily brief summary of an extraordinarily complicated system will be sufficient for readers who desire to understand it fully. A valuable and exhaustive statement, marked Statement No. 57, furnished to us by Major-General Sir Henry Freeland, Agent of the Bombay, Baroda and Central India Railway, and formerly a temporary member of the Railway Board, will be found at page 197 in Vol. IV.

how best railway management could be fitted into the rigid framework of the existing financial system of the Government of India. We have said that we do not believe that it is possible so to fit it. We do not think that the Indian railways can be modernised, improved and enlarged, so as to give to India the service of which it is in crying need at the moment, nor that the railways can yield to the Indian public the financial return which they are entitled to expect from so valuable a property, until the whole financial methods are radically reformed. And the essence of this reform is contained in two things: (1) the complete separation of the Railway Budget from the general Budget of the country, and its reconstruction in a form which frees a great commercial business from the trammels of a system which assumes that the concern goes out of business on each 31st of March and recommences *de novo* on the 1st of April; and (2) the emancipation of the railway management from the control of the Finance Department. The primary function of any such Department is to reduce to a minimum expenditure in order to keep at the minimum the corresponding taxation. Its officials are not qualified either by training or experience to judge the essentially commercial and technical question where and when the circumstances of a railway undertaking justify bold expenditure of large sums, having regard not merely to the actual conditions of the physical machine at the moment, but to the prospects of development and the requirements of the future.

59. We think that the sentence which we have quoted above from the Report of the Mackay Committee, to the effect that the Government of India provides all the money it can and distributes it in the manner which it conceives to be most advantageous, is based on a misconception of the real position. It confuses two different things: the functions of the Government as a Government, and the functions of the Government as the owner of a great commercial undertaking. A Government as a Government always has before it many objects for which it would gladly spend money were the money available. No one will question that the expenditure of large sums on, for instance, sanitation and education would be greatly to the benefit of the people of India. Neither of these services are, however, directly remunerative. Their cost can only be met by taxation. The question for the Government is whether, especially having regard to the attitude of the taxpayer, the object is so essential and so urgent as to justify the imposition of new taxation. The railways are in an entirely different position. It is no question of new taxation. It is merely a question of allowing the railway undertaking to finance its own requirements out of its own resources and at its own time. There has been no need for many years past to call upon the taxpayer to come to its assistance. On the contrary, year after year the railway revenues have been applied for his relief. Since the beginning of the present century the Finance Member has always budgeted for a considerable contribution from the railway net revenues towards the general expenses of Government. Of recent years that contribution has been quite large. In his budget speech of March last the Finance Member complained that for the current year the contribution would be only Rs. 4 crores, which he said would not be sufficient. This contribution, be it observed, is made by the railways after they have paid their own working expenses, full interest on all debt outstanding on their account, and the further sum of about Rs. 1 crore per annum in redemption of the principal.

60. To say, as the Mackay Report does, that the Government provides such money as it possibly can is to confuse the issue. Had the Railway Budget been separate from the general Budget when that Report was written, there would have been no difficulty in providing all the money the railways needed on terms which would have secured for them a handsome profit after payment of interest on the loan. And its provision would have done nothing to check, would indeed have done much to promote, the growth of the ordinary revenue of the Government available for such purposes as sanitation and education.[1] The Indian Government is now

[1] The following extract is from a statement submitted to the Committee by a very experienced official, Sir Reginald Craddock, now Lieutenant-Governor of Burma:—

"During the decade preceding the war the various Finance Ministers of the Government of India found themselves with large surpluses from which, after making liberal grants for education and sanitation, they still had large balances left which they disposed of by the remission of taxation. To my mind they would have done very much better for the country if they had devoted those surpluses to railways and irrigation. Windfalls of this kind could best be utilised on works of capital construction, which will add to the resources of the country, from which resources again improvements in education and sanitation of a recurring nature can best be carried on. If you have a tract of country which is thinly populated and poor, but which admits of great improvement by means of railways and irrigation, you will have far greater success with your education and sanitation if you first devote your resources to the material improvement of the backward tract. To put it somewhat crudely, you must fill the stomachs of the people, and then you will have much greater success in filling their minds."

compelled—the further postponement of expenditure being impossible—to pay as high as 7 per cent. for money which before the war could have been had at or under 4 per cent.

61. We have traced, from the point of view of the Agent entrusted with the management of a great commercial undertaking, the system, and its annual progress of steady *diminuendo* from the least sum that is commercially reasonable through the various reductions made by the Railway Board and the Finance Department, culminating now and then in a *crescendo* of hasty spending to evade lapses. On the face of it, it does not look businesslike. What it means in practice to the public, which railways exist to serve, has been seen in the particulars set forth in Chapter II. of this Report.

62. We cannot but feel that the authorities ultimately responsible for Indian railway finance—how far that responsibility was located in Whitehall, and how far in India, we cannot say—have entirely failed to appreciate the position of the Indian railways as a commercial undertaking. The owner of a factory, with a record of success behind it, who found his entire output reduced and slowed down for lack of a certain new machine costing, say, 10,000*l.*, and refused to buy this new machine, saying he could not raise more than 3,000*l.* to pay for it except at a rate of interest to which he was unaccustomed, would ere long find himself in the Bankruptcy Court. And his fellow business men would say he had deserved his fate. This is in effect what has been happening in India from a date long before the war. With this difference: the manufacturer only brings down a single factory. The Indian case is that railway undertakings, in which a great capital has been invested all over the country, have been held up for lack of the relatively small new investment in new machinery required year by year to make the whole of the plant efficient and economically productive. And there is another difference. If the single factory goes down, the customers can go elsewhere to fill their wants. The unfortunate customers of the Indian railways have nowhere else to go to. They merely suffer. They are ceasing to suffer in silence.

Railway investment directly profitable.

63. How much the economic development of India has suffered, not from hesitation to provide for the future—no attempt has been made to do this—but from the utter failure even to keep abreast of the day-to-day requirements of the traffic actually in sight and clamouring to be carried, it is impossible to say. Had the Government thought fit to borrow money even at a rate considerably higher than the rate of net return that the railways could earn on it, we believe its action would have been abundantly justified.[1] But in fact the Indian Government never needed for many years previous to 1914 to face this position. A reference to the curve of net revenue given in the Administration Report on Railways in India will show that, though in the earlier years the interest on railway capital had to be met partly out of taxation, for the last 45 years the net earnings of the capital invested in Indian Railways has never sunk below 4 per cent. For the last 20 years it has only three times sunk below 5 per cent., and this result was attained though a substantial sum had been charged against revenue for repayment of capital and in spite of the fact that a not inconsiderable part of the total mileage had been built not on commercial grounds but for strategic purposes. Now the average rate payable by the Government of India on this borrowed money is about $3\frac{3}{4}$ per cent. We are unable with these figures before us to find any justification for the policy which has been persistently pursued of starving the development of Indian Railways.

Estimate of indirect profits.

64. Evidence was given to us from various quarters tending to show the indirect benefits to the economic development of the country—and this must always imply a corresponding increase of taxable capacity—to be obtained from extension of railway facilities. We have endeavoured to obtain from Land Settlement officers in different parts of the country precise figures on this point, not, however, with much success. When conditions change in the 20 or 30 years' period between one settlement and the

[1] We give extracts from Lord Inchcape's evidence before us on this point:—

"I forget what the rate of interest was 13 years ago, probably $3\frac{1}{2}$ or 4 per cent. We advocated, if I remember rightly, not to stick for 1 per cent. but to get the money and invest it in the railways. . . . We said, 'Get your money if you are going to pay another 1 or $1\frac{1}{2}$ per cent. for your railways.'"

Q. "You still hold to that view?—*A.* I am a little doubtful now that it has gone up to $7\frac{1}{2}$ or 8 per cent. . . . If I had a railway, and wanted the money, and saw the trade there, I should raise the money, even if I had to pay $7\frac{1}{2}$ or 8 per cent."

next, it is not easy to isolate a single cause and to say how much of the change is due to that single cause. But we give here not only such statistical evidence as we have been able to obtain, but also what is perhaps more valuable, the testimony of experienced officials.[1]

Settlement Commissioner and Director of Land Records, Bombay.

In Bombay our land revenue was assessed almost before the railway was thought of, and it was then assessed with reference to what was vaguely termed "the profits of agriculture." It is difficult to analyse rental value into its elements. The opening of new high roads, still more of a new railway, brings the tract within the reach of markets from which it was before separated by heavy cost of transit. This will also send up the rents and increase the number of people willing to settle on the land, and encourage them to apply capital and enterprise to its development. The following remarks apply to a few selected tracts :—

In Bijapur District the railway was opened in 1884. The district had suffered terribly from famine in 1876–77, so much so that it was almost depopulated, and not enough people were left to recommence cultivation in 1877–78. About 1884 several talukas[2] were resettled, just before the railway was opened, though in the settlement proposals the fact that the railway would be there was taken into account. For instance in Bagalkot, though its settlement was revised just after the big famine, the revenue increased 27·9 per cent., and in the settlement of 1914, 30 years after the opening of the railway, a further increase of over 23 per cent. was sanctioned. In the similar case of Badami, the assessment was increased by 15 per cent. in 1884, and again by 10 per cent. in 1915. On the other hand—taking talukas which are not affected by the railway—Sindgi, adjoining Bijapur, was first settled in 1874–76 just before the famine, it was revised in 1907 and found to be still very poor, and no increase was recommended. Similarly, the assessment of Muddebihal, another taluka without a railway, was revised after 30 years in 1908, and no increase was found possible.

In the Dharwar District the railway was opened through Gadag taluka in 1884, and 22 years later the assessment was revised. In the case of villages near the railway there was an increase of from 24·6 to 27·8 per cent. The Ron and Karajgi talukas were also affected by the Madras and Southern Mahratta Railway. In Ron the assessment was revised 22 years after the railway was opened, and an increase of 30·8 per cent. was obtained. In Karajgi the increase after 33 years was only 18·5 per cent., but in this case a substantial part of the taluka lies a very long way from the railway. In the Hangal and Kod talukas only those groups fairly near the railways were enhanced.

There are, of course, instances in which tracts quite unaffected by a railway have been substantially enhanced, but there is no doubt that as a broad principle the advent of a railway is universally admitted to justify substantial increases in the rental value.

Mr. Lloyd-Jones, Agent, H.E.H. the Nizam's Guaranteed State Railway.

The total revenue of the Hyderabad State has increased from 3½ crores in 1899 to 6½ crores to-day. It is estimated that the indirect benefits accruing from the railway accounts for over 1 crore of rupees per annum. During the same period the gross earnings of the railway has increased by 98 lakhs, approximately the same figure as the estimated indirect benefit of the railway to the State. In one particular district—Nanded—the land revenue has increased from 15½ lakhs in 1900 to 19½ lakhs to-day; this figure including only land revenue, not excise and customs. The earnings of the railway stations serving this district have increased in the same period by 9 lakhs. In addition to the land revenue of this area it is estimated that the Customs and Excise have certainly doubled in the same period. It appears from these figures that the increase of Government revenue resulting from the railway is roughly equal in amount to the increase in the gross earnings of the railways.

Mr. Townsend, Director of Agriculture, Punjab.

Tahsils[2] are reassessed to land revenue every 20 or 30 years.

Number of tahsils.	Increase of land revenue at last readjustment.	Extension of railways.
9	10 per cent. or less	No extension of railways between assessments.
18	10 per cent. and less than 20 per cent.	In 5 extensions, in 13 no extensions.
29	20 per cent. and less than 30 per cent.	In 10 extensions, in 19 no extensions.
22	30 per cent. and less than 40 per cent.	In 9 extensions, in 13 no extensions.
3	40 per cent. to 50 per cent.	In 1 extension, in 2 no extensions.
25	Over 50 per cent.	2½ extensions, 1 no extension.

The tahsils which show increases in assessment of over 30 per cent. are generally those in which canal irrigation on a considerable scale had been extended in the interval. In itself this is a more important factor in deciding what assessment land can pay than is improvement in railway facilities. But the latter comes high on the list of these factors.

So far as these figures go, they certainly show that improved communications send up prices, thus causing the agriculturist to get a better price for his produce and to pay a heavier assessment to Government. This is indeed a commonplace of revenue administration and reassessment in the Punjab.

Sir Reginald Craddock, K.C.S.I., I.C.S., Lieutenant-Governor of Burma.

The railways of India have conferred an immense benefit upon the people and have proved a very valuable asset to the State. The actual return which they have given in direct earnings upon the capital invested has been a very small part of the benefits enjoyed by the country as reflected in the revenue returns.

[1] Statements bearing specially on this point will be found at pages 345 *et seq.* of Vol. IV.
[2] Talukas and tahsils are both sub-areas of a district.

One has only to look at the expansion of the revenues of the country since railways were constructed, and to imagine what would have happened if they had not been constructed, to realise this.

In earlier days Government was somewhat bolder than it is now in these matters, and there are many important lines in India which might never have been constructed if the test had been the immediate net earnings of the project undertaken.

Khan Bahadur Adarji Mancherji Dalal, President, District Local Board, Broach.

The Broach-Jambusar Railway, which was built some six or seven years ago, after nearly 40 years of pressure for its construction, resulted in a great improvement of land revenue, and trade has become much more prosperous in that part of the country through which it passes, while famine conditions are rarer.

The Broach-Jambusar Railway was opened in 1913-14 and it taps the talukas of Jambusar, Amod, Wagra and part of Broach.

In all departments a noticeable and healthy advancement is made, such as income tax, excise, stamps, land revenue, and area under cultivation.

In regard to relieving distress during famines and scarcity years, comparative statistics are not available, but as I have been associated with campaigns of relief measures since 1877-78 I can emphatically say that had this railway not been built the severe famine conditions of 1918-19 would have resulted in appalling mortality of cattle and human beings which was wholly absent—because of the facilities for transporting grass and fodder for cattle and food for human beings in this tract.

In regard to vital statistics and sanitary improvement, reliable data are not available, but the improvement in the economic conditions of the people by facilities for quick locomotion has taught the people to avail themselves of medical relief.

The Agent of the Assam-Bengal Railway.

An examination of the graphs (not reproduced) for Chittagong, Noakhali and Tipera districts, which are the most important of those through which the railway passes, indicates a distinct rise in the revenue curve following the opening of the railway. In the case of the Sylhet and Cachar districts this rise is particularly noticeable and also in that of the Sibsagar district.

Survey and Settlement Department, Government of the Central Provinces.

A rise in the prices of agricultural produce, as a matter of course, always follows the opening up of a district by rail.

Mr. D. M. Stewart, Deputy Commissioner, Gorakhpur District, United Provinces.

I consider that a suitable standard of the benefit conferred by the railway construction can be obtained by a comparison of the rate of enhancement of revenue in the Northern as compared with the Southern and Central tahsils. Now, in the case of these latter, while the rate of enhancement is somewhat under 40 per cent., in the case of the Northern tahsil the final enhancement of revenue is close on 70 per cent. The difference between the enhancement actually made in the Northern tahsil and that which would have been obtained on the same scale as in the other two tahsils is no less than Rs. 130,000, and when other influences are eliminated it would appear that one would be justified in saying that the introduction of railway communications into the neighbourhood of this tract had certainly resulted in an enhancement of the Government revenue in this tahsil by not less than one lakh of rupees.

Sir T. R. Wynne, Managing Director of the Bengal-Nagpur Railway Company, and late President of the Railway Board.

General revenues are largely increased by the indirect results of constructing railways in India. For instance, railway construction increases the sale of salt, which brings in revenue to the Imperial budget; it increases imports on which the Customs revenue benefits; and it increases land revenue. As an instance, before the Bengal-Nagpur Railway was built the Sambalpur district was a land-locked area, where rice and other grain could be had for the asking, as there was no means of export. Knowing that the railway was being made the authorities felt justified in raising the land assessment very considerably, and this was done to the extent, in some cases, of 300 per cent.

Sir John Hewett, late Lieutenant-Governor of the United Provinces.

Sir John Hewett expressed the opinion that the introduction of a railway into a district must inevitably tend to an increase and a growth of land revenue. He agreed with the view of Sir Reginald Craddock, that instead of trying to take revenue from the railways for the purposes of sanitation and education it should be used to build up the railways, thus leading to the production of a much larger revenue that could be so applied. He held that the country should be developed so as to be able to bear taxation for purposes such as sanitation.

65. We are aware that those responsible for Indian finance are impressed with the idea that borrowing must be restricted lest the rate of interest be advanced, and the credit of the Government of India be thereby impaired. Speaking with all modesty on a matter on which the bulk of the Committee have no expert knowledge, we are unable to agree. So long as the solvency of the borrower remains unquestioned, all experience shows that the rate of interest the borrower has to pay depends not on the amount of his borrowing, but on the market value of money at the date of the issue. First-class English railway debentures are quoted to-day at, roughly, two-thirds of their pre-war price. The companies have not borrowed in the interval; the security

of the debentures remains unquestioned; it is only the value of money which has changed.

Comparative borrowings, India and elsewhere.

66. India has a population of 300,000,000. It has an area of 1,800,000 square miles, and it is under the British Flag. Argentina has a population of 8,000,000, an area of 1,150,000 square miles, and it is not under the British Flag. At the time when the Mackay Committee reported that it might be possible to borrow up to 9,000,000*l.* per annum in the London market for the extension of Indian Railways, the Argentine railway companies were raising money in the same market at an average rate of about 11,000,000*l.* per annum, solely on the security of the railway earnings; and the credit of the Argentine railway companies was not impaired. We are not aware that there has been any suggestion that the Argentine railways were extended with undue haste. India has, as we have said, a population of 300,000,000. It has to-day 36,700 miles of railway. In railway mileage it stands intermediate between Canada, with 39,000 miles for a population of 8,000,000, and Australasia with 29,000 miles for a population of 6,000,000. We cannot believe that India would have occupied so humble a position had the railway management not been fettered by a policy which has constantly restricted the raising of new capital for improvement and development.[1]

Inadequacy of maintenance and renewals.

67. That the railway development and therefore the economic development of India has been starved, is not the only charge which we are compelled to bring against the system of financial control to which the railways have been subjected. It might have been expected that control purely from the financial point of view would at least have resulted in correct and unimpeachable financial orthodoxy. This has not proved so in practice. We have spoken above of the "Programme" expenditure and the method by which its amount is determined. Now in every commercial concern Capital expenditure and Revenue expenditure are constantly intermixed. And a prudent board of directors, especially when the concern which they are managing is prosperous and paying substantial dividends, takes very good care that Revenue is debited with its full share. The principle is clear that by the time the useful life of an asset or a building has expired, its full original cost should have been written off out of Revenue.

68. This has not been the case on the Indian Railways. There are scores of bridges with girders unfit to carry train loads up to modern requirements; there are many miles of rails, hundreds of engines, and thousands of wagons, whose rightful

[1] Through the courtesy of the Editor of the *Economist*, we are able to give the following table of the money raised in the London market in the years preceding and following the issue of the Mackay Report by the Argentine, Australasian and Canadian Railways and Governments. The corresponding figures relating to India have been furnished by the India Office:—

Borrowings in London by Railway Companies and Governments.

Year.	Argentina.			Australasia.	Canada.			India.		
	Railways.	Government.	Total.	Government.	Railways.	Government.	Total.	Railways.	Government.	Total
	£	£	£	£	£	£	£	£	£	£
1900	925,100	Nil	925,100	4,076,000	1,380,000	Nil	1,380,000	3,237,000	5,357,000	8,594
1901	4,465,000	Nil	4,465,000	11,146,400	1,152,600	432,500	1,585,100	3,021,800	971,500	3,993
1902	3,166,200	Nil	3,166,200	7,146,300	255,500	336,000	591,500	2,570,000	1,018,700	3,588
1903	732,500	3,683,800	4,416,300	1,901,200	4,065,600	Nil	4,065,600	−80,000	−20,100	−100
1904	3,331,200	Nil	3,331,200	3,850,000	4,086,800	611,000	4,697,800	2,403,700	892,800	3,296
1905	11,896,600	Nil	11,896,600	3,341,000	11,519,400	374,900	11,894,300	1,401,200	11,138,100	12,539
1906	10,585,200	Nil	10,585,200	1,090,000	6,923,500	1,182,000	8,105,500	−303,000	1,892,600	1,589
1907	9,802,700	2,515,500	12,318,200	1,658,700	1,726,100	1,500,000	3,226,100	2,240,700	8,518,300	10,759
1908	13,257,100	Nil	13,257,100	2,667,000	13,355,500	5,934,900	19,290,400	5,238,600	10,335,600	15,574
1909	11,948,000	3,532,900	15,480,900	9,517,400	8,060,500	9,892,900	17,953,400	2,404,900	9,069,800	11,474
1910	12,240,000	2,232,600	14,472,600	10,029,600	6,425,900	11,755,000	18,180,900	44,300	4,200,800	4,245
1911	10,025,000	Nil	10,025,000	1,950,000	19,608,300	505,000	20,113,300	−40,000	1,856,100	1,816
1912	9,226,700	Nil	9,226,700	10,541,100	7,971,600	970,000	8,941,600	495,000	2,248,900	2,743
1913	6,077,500	1,324,900	7,402,400	13,910,200	9,491,000	7,893,600	17,384,600	4,552,800	−500,000	4,052
1914	8,903,500	Nil	8,903,500	16,980,500	18,502,600	15,199,600	33,702,200	3,882,600	6,500,000	10,382

(The figures show the actual money raised, not the nominal amount of the issue. Issues made to repay maturing obligations are excluded).

For the 15 years the respective averages of the three countries are:— £

Argentina	8,658,133
Australasia	6,713,693
Canada	11,407,486

For India the corresponding average figure is £6,303,233.

date for renewal is long overpast. Their cost has not been written off.[1] They stand in the books at the original figure. The Government has formed no replacement reserve. It is not now physically possible within a short period of one or two years to replace all the plant of which the economic life is exhausted. If it were possible, it would be a burden upon current revenue too heavy to be borne without upsetting the normal railway finance. The position due to the unwise methods of the past must be redressed gradually. It will never be redressed under the present system of programmes and annual grants and lapses, but only when commercial accounting methods are introduced in the management of a commercial undertaking.

69. In our judgment, a financial system which produces these results stands self-condemned. We are far from desiring to suggest that blame attaches to the distinguished men who have held office for years past both at the India Office and in the position of Finance Member of Council or to the able and conscientious officials who have served them. From one point of view at least their financial management can be described as meritorious. Throughout history the capital which has been put into the Indian railways has been raised by entirely honest and straightforward methods of finance. The booked capital outlay of these railways, so far as we are aware, represents nothing but sovereigns and rupees actually put into the property. We have nowhere found any trace of what is commonly called "water." We doubt whether any other great railway system, with so long a history behind it—the pioneer company, the East India Railway, has just issued its one hundred and fiftieth half-yearly report—could say as much. Further, on the whole such capital as has been provided has been economically spent. After making all allowances for low cost of Indian labour, for the generally easy nature of the country, and for the under equipment of the lines, on the one hand, and for the high cost of imported materials and the large amount of very expensive bridge work on the other, we think the capital cost per mile of the Indian railways must be regarded as very moderate. But the faults on which we lay stress outweigh the merits, and in our judgment they are inherent in the existing financial system. Railway management is a highly technical business. It should be placed in the hands of those who understand it. It has little in common with the raising of taxation on the one hand or with the control of the expenditure of ordinary Public Departments on the other.

70. The Great War is an explanation, if not an excuse, for many practices which no one would defend under normal circumstances. We cannot think that even the war is sufficient to explain the treatment of Indian railway revenue in the last few years. Till quite recently India produced hardly any of the supplies that her railways require. Locomotives, carriages, wagons, or at least their component parts, rails, signalling work, bridge work—all were imported from Europe. Even now India produces only a very small part of what she needs. At an early stage of the war it became difficult to obtain from Europe the customary supplies. Later on it became practically impossible. The inevitable result was that maintenance and renewals fell seriously into arrears from 1914 to 1918, as is shown by the percentage of expenditure on programme revenue works to gross earnings:—

1913–14 - -	6·1 per cent.	1916–17 - -	3·3 per cent.
1914–15 - -	5·7 „	1917–18 - -	2·1 „
1915–16 - -	4·6 „	1918–19 - -	2·4 „

(*Evidence of the Accountant-General, Railways, Vol. III. para.* 6512.)

Diversion of reserves.

71. Obviously the expenditure was only postponed, and had to be faced later on. An ordinary commercial concern would, as a matter of course, have carried the money so underspent to a reserve for renewals, to be spent when the materials were again available. The independent railway companies did this. Not so the State. The money was treated as part of the ordinary revenue of the Government in the year in which it was not spent, with the result that the net profits of the State railways are shown in the official returns as having risen steadily from 4·54 per cent. in 1914 to 7·07 per cent. in 1918–19. The apparent gain was not real. Had there been a separate railway budget the money underspent would have been earmarked in it as advanced to the Government for general purposes. It was indeed announced at one time that a reserve was being made, or would be made. The end of the war has come, and the money is not there; other liabilities had been too strong for the

[1] A full statement as to the position of one guaranteed company, the Great Indian Peninsula, was furnished to us. The figures, quoted in para. 5606 in Volume III., show that the policy of undue postponement of revenue renewals, which in fact has meant taking as net revenue money that should properly have been treated as working expenses, is of long standing and not merely the result of the exigencies of the war period.

Government of India and so the reserve fund vanished. The railway machine is in urgent need of repair, and funds to put it right are not forthcoming. The position at present is this: maintenance is lamentably in arrears. The cost of materials of all kinds is far above pre-war level. Wages likewise have advanced steeply.

Need for increased rates and fares.

72. Indian railway rates and fares have always been among the lowest, if not actually the lowest, in the world. They have only been advanced in the last few years very slightly as compared with the rest of the world. A general and substantial increase is overdue. Witnesses from all parts of India have agreed in recognising that rates and fares should be increased, and saying that they will be ready to pay the increases, provided a reasonably efficient service is given in return. One of the most important railway companies applied many months ago to the Railway Board for permission to increase its rates beyond the maximum hitherto authorised. It met with a refusal.

The surtax on traffic and objections to it.

73. In March the Finance Minister presented his budget to the Legislative Assembly at Delhi, showing on the basis of the then existing taxation a deficit of over 19 crores. He pointed out that the State railways, after defraying working expenses and all interest and sinking fund charges, would only contribute towards the general expenses of the Government 4 crores as against nearly 16 crores in 1918–19. This was not sufficient. To increase railway rates would, he said, take time, and the matter was urgent. As to the urgency we agree. For the statement that "it is not possible "to readjust the various rates in time enough to give us the money we need during the "next financial year" only a perfunctory, and in our opinion an inadequate, reason was given. The feat has certainly been accomplished during or since the war in almost every other country in the world. He accordingly proposed, not to increase the railway rates—the proceeds of which would naturally have gone in the first place to the railways, and which, at a time when the general revenue owes to the railways the many millions diverted from them during the war, should certainly have been retained for railway purposes—but to increase the small existing surtaxes on railway goods traffic, which had been introduced only as a war measure, to an extent estimated to amount on the average to 12½ per cent. of the freight on the goods, and to produce, not for the railways, but for the general expenditure of the country, an additional revenue of Rs. 5½ crores. The proposed surtaxes have, we understand, been considerably modified as the result of discussion in the Council of State (the Indian Upper House); but they still remain as surtaxes, and in our judgment any such tax, whatever the amount, is bad in principle. All economists agree that taxes on transport are an undesirable method of raising revenue. There is a further and very serious objection to imposing a surtax on railway receipts instead of increasing railway charges which is peculiar to India—that it is unfair to the shareholders of the Companies which divide profits with the Government. Had the railway rates been raised the Government would have taken, in the case of the Guaranteed Companies, about nine-tenths of the additional net revenue. But the shareholders would have obtained, what they are unquestionably entitled to, the remaining tenth. As it is, the Government takes the whole.

Need for separate railway budget.

74. We now proceed to discuss the manner in which reform should be carried out. At the outset we wish to disclaim any idea that the railway organisation should be independent, an *imperium in imperio*. This is quite out of the question. The Indian Government owns the railways; the Indian Government must control them. But that is no reason why the control should take the form which is found suitable in respect of other departments of the State. What we propose is in outline that the railways should have a separate budget of their own and assume the responsibilities for earning and expending their own income. The first charge on that income, after paying working expenses, is interest on the debt incurred by the State for railway purposes. The amount of this debt is known—we may call it roughly 252,000,000*l*. The annual liability of the Indian Government for the interest is 8,700,000*l*. Whether the railways should pay precisely this amount, or a larger amount, in consideration of the fact that in early years taxation had to be imposed to meet that portion of the interest which the railway receipts did not then cover, or a smaller amount, in consideration of the expenditure which the railways have since incurred for non-railway purposes, is a matter for argument. We have no wish to express a positive opinion, though we think there is much to be said for letting bygones be bygones and fixing the payment to the Government at the same sum that the Government has itself to find at the present time for interest on the railway debt. The point is that the Railway Department,

Government control must remain.

subject to the general control of Government, once it has met its liability to its creditors, should itself regulate the disposal of the balance, and should be free to devote it to new capital purposes (whether directly or as security for new debt incurred) or to reserves or to dissipate it in the form either of reduction of rates or improvement of services.

75. We have expressed our own view that the only payment by the railways to the general Exchequer should be the interest at a fixed rate on the capital advanced. But we desire to point out that this is not necessarily involved in the separation of the railway budget. It would be possible, however undesirable, for the Government to impose a surtax on railway traffic such as is now in force, or even to call upon the railways for an emergency contribution to the necessities of the State. Neither method would involve interference by the Finance Department with the Railway Department's control of its own internal finance.

76. Naturally, the steps taken to raise new capital and in general the large questions of policy must continue to be controlled by the Government, *i.e.*, by the Viceroy's Council and the Legislative Assembly, and in the last resort by the Secretary of State and the House of Commons. But there must be a Member in charge of railways, taking part in the Council deliberations, and able to discuss with his fellow Members railway questions equally where they concern finance as where they are management questions proper. Under the new constitution the Budget is to be voted by the Legislative Assembly. This right must, of course, be preserved. But there is no reason why the Railway Budget should not be submitted by the Railway Member as an annex to the general Budget instead of by the Finance Member himself. Even in England, though departmental estimates have to be approved by the Treasury, and the Treasury control over them is undoubted, the estimates for the War Department are submitted to Parliament, not by the Chancellor of the Exchequer, but by the Secretary of State for War.

History of separation question in India.

77. Though the Mackay Committee did not allude to the fact, the question of the separation of the railway finance from the general finances of India was discussed as long ago as 1899, during the Viceroyalty of Lord Curzon. Colonel Gardiner, then in charge of the Public Works Department, to which at that time the railways were attached, proposed in a Minute dated the 16th October 1899 and forwarded to the Secretary of State on the 29th March in the following year:—

> "that the financing of the Public Works Department should be a distinct branch of the Imperial finance, that the capital borrowed for it should be earmarked, and that the amount to be raised should be regulated on a commercial basis depending (subject to the general condition of the possible effect on the credit of the country looking to whatever other borrowings may be necessary and may be considered of prior importance) on the amount it is desirable to spend (*a*) in developing the country; and (*b*) on meeting the requirements of already developed and paying projects. . . . .
>
> "I am unable to see the objections to the proposed departure from the present practice, nor so far have I heard any of the arguments there may be against it. The only objection I have heard raised is the general, and it seems to me rather doubtful, objection that it is a new departure."

78. Lord Curzon, on the 18th February 1900, in a Minute which was also forwarded to the Secretary of State with the above, wrote:—

> "The system under which our railways are now financed seems to me to be a faulty system, and to be fatal to development at the very time when development may be most needed. As long as the system continues, the Finance Department have no alternative but to adopt the attitude, *e.g.*, that they have done with reference to next year's programme. But neither their orthodoxy nor the stern compulsion of immediate facts makes me any more in love with a system which renders our railway policy wholly subordinate to the exigencies of our general financial position."

79. Another Minute was also sent, prepared jointly by Lord Curzon and the Hon. Sir A. C. Trevor, then Member in charge of the Public Works Department, of which the following is an extract:—

> "By that time we hope the way will be clear for the adoption of measures for the separation of moneys raised or granted for productive works from the general finances of the Empire and for their future administration on the lines indicated by Colonel Gardiner, with whose views we are in substantial accord."

80. The Secretary of State, however, expressed the opinion that, as long as the railways depended for money on the Government, they must share in the vicissitudes of the public finances.

81. The question was again raised by Sir John Hewett, the Commerce Member of Council, in 1906. Sir John only occupied this office for a short time, being appointed Lieutenant-Governor of the United Provinces in 1907. Unfortunately no trace of the draft minute prepared by Mr. Harvey, then Secretary in the Department, but who died shortly afterwards, can be found. Sir John, however, has been good enough to give evidence before us and it appears that his proposal was substantially the same as that made by Colonel Gardiner and that he has not changed his views as to the desirability and practicability of adopting the course which he then advocated.

Its history in other countries.

Prussia.

82. The question of the separation of the railway finances from the general Budget of the country has quite a long history in other countries. When Bismarck nationalised the railways in Prussia in or about 1878, the scheme as originally put forward provided for a separate railway budget. But when the scheme came to be embodied in an Act, this provision was omitted. Its absence was a constant ground of complaint by Liberal members in the Prussian Parliament. The common phrase was that the railways were treated as "the milch cow of the Treasury." The Prussian bureaucrats, who appreciated the advantages of possessing an income, which in some years ran as high as 20,000,000*l*., non-votable by Parliament, were too strong for the Prussian Liberals; and the milch cow remained in charge of the Treasury up to the outbreak of war. It was not denied, however, that the sharp variations in receipts between years of good and years of bad trade introduced an undesirable element of uncertainty into Prussian public finance.

Switzerland.

83. The Swiss people voted in 1908 to nationalise their railways. The Purchase Act provides—and it was common knowledge at the time that the provision was the result of Prussian experience—that "the railway accounts shall be kept separate from "the other Federal accounts so that the financial position of the railways can at all times "be clearly ascertained, and that railway earnings shall be devoted only to railway "purposes." The control of new railway capital issues, of railway tariffs, and the voting of the railway budget, are reserved to the Swiss Parliament. Any surplus of railway revenue, after meeting working expenses, interest and sinking funds, is devoted to railway purposes. Should the revenue fall short of meeting expenses, the deficit is to be met by the State. The railway budget is compiled by the Railway Board of Management and submitted to the Council of Ministers. The Council, after discussing it with the Railway Minister, forwards it with a covering report to the two Chambers. In each Chamber it is referred to a special Committee and thence reported to the full body. If in either Chamber further information is required, the Railway Minister gives it. Very rarely are the proposals of the Budget altered by the Chambers.[1]

Belgium, Italy, France.

84. In Belgium there has never been a separate railway budget, and for years past there has been an agitation in Parliament for a reform in this respect. A Bill carrying out this object, at least in some degree, has been prepared as the result of a Committee Report and submitted by the Government to the Chamber of Deputies. It is at present under discussion. It is criticised, however, on the ground that it does not go far enough and still leaves the Government too great powers of interference. In Italy the railways have a separate budget. In France the budget of the railways which are worked by the State is treated as an "annexe" to the general budget.

South Africa.

85. The Act constituting the South Africa Union, which brought together Cape Colony, Natal, the Transvaal and the Orange River Free State, each with its own railway system, provides that the railways of the Union shall be so worked that the gross receipts shall not be more than sufficient to cover working expenses, reserves, and the interest on capital. If there is a surplus, it is to be devoted either to improvements in facilities or reduction in rates. If, on the other hand, there is a deficit, rates and charges shall be increased to cover it. It is specially provided that, if Parliament shall require the Railway Commissioners to fix rates or to construct new lines or extend facilities which in the opinion of the Railway Commissioners will

[1] We are indebted to the courtesy of the Swiss Railway Administration for the information on which this paragraph is founded.

not be commercially justifiable, the Commissioners may appeal to the Auditor-General, who, if he agrees with their opinion, may demand that Parliament shall vote to the Commissioners such a sum as in his judgment is sufficient to meet the cost of the requirements of Parliament.

86. In Japan, also, the railway budget is entirely separate. The official Report of the Japanese Government, dated May 1919, sets out so clearly the grounds for the separation of the two budgets, the gradual process by which it was accomplished and the benefits which have resulted from the reform, that we quote it here at full length :— Japan.

Railway Special Account Act, 1909.

"According to the established rules that govern the framing of the Imperial Budget, an undertaking carried on by a Government office is set apart as a special account, the earnings of which are, in principle, to meet the disbursements. Any balance accruing is to be turned over to the General Account. The finance of the Government railways before the nationalisation was no exception to this general arrangement. Hence, any surplus of the total receipts over the total expenses was surrendered to the Treasury, instead of being placed at the disposal of the railways. On the other hand, all expenses involved on the work of extensions and improvements were met by the proceeds of loans or of taxation.

"This accounting system was modified in 1906, and the new method was put into force from the fiscal year 1907–8, when a new *régime* came into being with the suddenly expanded business of the railways, in consequence of the State acquisition of the 17 private railways. According to this system, all the money already invested, or to be invested, in the railways (together with interest thereon computed at 5 per cent.) from the inception of the railway service to March 1907, less the sum surrendered to the Treasury during the period, was set apart as railway debt. The distinction between the capital and the revenue accounts was clearly established, and the annual revenue was divided into two parts, one destined for the payment of interest on the liabilities and the other for the redemption of the principal.

"The revision of 1906 placed the net revenue accruing from railway operation beyond the disposal of the Treasury, and was undoubtedly a great improvement on the superseded system, but it effected nothing in the way of putting the Railway Budget on an independent footing, so far as concerned the financing of railway extensions and improvements. They were open, as before, to the influences of the variable financial situation of the State.

"The complete divorcement of the Railway Budget from the General Account, with a view to removing this perennial cause of uncertainty in the continued prosecution of the programme, was brought about in 1909 by the promulgation of the Railway Special Account Law, which has continued in force down to this day.

"In consequence of the drastic renovation effected in its financial arrangement in 1909, as outlined above, the Railway Account has become a special account entirely distinct in its essential features from the General Account. It is needless to add that this financial independence has given very great conveniences and facilities in the management of the Imperial Railways, as, indeed, it has made the railway finance one of special character among all the special accounts created by the Imperial Treasury. In short, the change has made the railway finance a financial agency specially adapted for the management of railway business."

(Railway Nationalisation in Japan.)

The position of the Japanese railways under the Act of 1909 may be summarised as follows :—

(1) The railways have a separate Capital Account.
(2) Railway profits are devoted to extensions and improvements, and may be supplemented by Government loans.
(3) The whole of the loans issued for railway purposes are charged against the railway account, and the railways pay over each year to the National Debt Consolidation Fund the money required for interest and sinking fund on these loans.
(4) Temporary advances may be made by the Treasury if required to meet railway current expenses.

87. We have still to make recommendations as to the raising of railway capital in the future. Those Members of the Committee who consider that State management should be definitely adopted as the permanent policy for India naturally contemplate that capital will in future be raised wholly by the State. Those Members, on the other hand, who think that Indian companies should be constituted will equally naturally make recommendations as to the method of raising such portion of the capital as the new companies will be responsible for. We therefore postpone the consideration of this matter to a later stage of this Report and now proceed to discuss the further questions on which the opinion of the Committee is unanimous.

CHAPTER IV.

The Constitution, Status, and Functions of the Controlling Authority.

88. Our Reference instructs us to report upon the constitution, status, and functions of the body exercising control over the railways on behalf of the Government. We have given this matter our best consideration. We had the benefit of long discussions at Delhi with the members of the present controlling authority, the Railway Board. And of all the witnesses who appeared before us there were few who did not offer criticisms and make suggestions on the subject. As the result of our investigations we recommend great changes alike in the constitution, the status, and the functions of the Railway Board. But before proceeding to make them we wish to emphasise what we have indicated in Chapter III. of the Report, that in our judgment the controlling authority must be single and self-contained. The recommendations which follow are based on the assumption that the railway authority is master in its own house, not sharing its responsibility with any other department, but answerable directly through its own chief to the Governor-General in Council and the Legislative Assembly.

Financial importance of railways.

89. We have been impressed with the disproportion between the importance of the railways financially and economically, and the position which the existing Government organisation assigns to the Department charged with their administration. The Government railways, as we have said, bring in one-third of the total Government receipts. Their working expenses amount to about one-quarter of the total Government expenditure. Their net receipts cover not only the interest on the total railway debt incurred by the Indian Government and a substantial contribution to sinking funds,[1] but leave a substantial sum over in relief of general taxation. In the Budget Statement, however, the railways occupy a much more modest position.

90. The estimate for the current year enumerates 10 "principal heads" of revenue. The total amount estimated to be obtained under these 10 heads by the Central Government is Rs. 69½ crores. Of the principal heads, six bring in less than one crore. Down below the principal heads in the Statement come the railways. Their net receipts are stated at Rs. 27¼ crores. Customs, estimated to yield Rs. 37¾ crores, forms the only item in the Budget exceeding the railway net revenue in importance. We give this as an illustration, for it appears to us typical.

Subordinate administrative position.

91. Administratively the railways are only regarded as of sufficient importance to be entrusted to the control of a Member of Council who takes his title from his other functions. In former years they were in charge of the Member for Public Works; of recent years their administration has been one of the functions of the Member for Commerce, who (except for a brief interval during the past year or two) has also been in charge of Industries. The responsibility of the Member in charge of Railways for their supervision has certainly been in recent years more nominal than real. There has been furnished to us a list of the subjects which were assigned to the Department of Commerce. It is as follows:—

> Company Law; Customs; Excise; Shipping; Posts and Telegraphs; Emigration; Indian labour questions such as Assam migration; Peace Treaty affairs such as collection of debts and other matters relating to enemy firms.

92. The Department of Industries is responsible, in addition to the general subject of the development of industries, for controlling the Indian Salt Department, the Geological Survey, Stationery and Printing, Patents and Designs; the administration of the Factories, Mines and Electricity Acts; and other miscellaneous subjects.

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[1] The annuity payments made to the shareholders of the original East Indian, Great Indian Peninsula, and Madras Railway Companies, up to the end of the year 1920–21, included not only the interest on the capital outstanding but the redemption of 17,467,953*l.* of capital.

93. Having regard to their number, their diversity, and the delicacy of some of the subjects—as, for instance, Indian emigration, and the rapidly growing importance of others such as the development of Industries—which must necessitate the Member's attention at every stage, it is quite evident that the Member for Commerce and Industry cannot personally keep in touch with the railway business which he nominally supervises. In fact, it is hardly expected that he will do so; for while he controls the Commerce and Industries Departments each through the normal departmental organisation of a Secretary to Government at the head of a clerical staff, on the railway side there is a Board of three Members which occupies a position of what may be called semi-independence.

94. Briefly the administrative position is this. The ultimate authority for the Government of India rests with the Secretary of State as representing the House of Commons. He delegates to the Governor-General in Council—commonly spoken of as the Government of India—certain powers, reserving others, a matter with which we shall have to deal more fully at a later stage. The Government of India in turn delegates some, or some portion, of these powers to the Railway Board. Official communications from the Board are headed—

Government of India (Railway Board), Railway Department.

Within the scope of these powers the Railway Board are free to act, subject always to the Finance Department. Even in cases beyond the Board's powers of sanction they frequently make references to the other Departments concerned without troubling their own Member, though if any decision is likely to have far-reaching consequences the Board are expected to refer to him before acting. Cases which are likely to engage the attention of the Executive Council must necessarily be taken to the Member, for while the President of the Board has the status of a Secretary to Government, and therefore the right of direct access to the Viceroy, he cannot take part in discussions of the Council, attending there only to give information and explanations when called upon.[1]

95. Now the natural effect of the interposition of this semi-independent Board is that the Member responsible for it is not in constant touch with its work. When questions which have to be submitted to the Council are brought to him, it is necessary for the Board to "coach" him. He may not agree with them, and yet may hesitate to override those much more conversant with the matter than he can possibly be. Even if, after hearing the case as put forward by them, he does agree with them, he can only deal with the matter, which may be highly technical, before the Council with second-hand and incomplete knowledge. It would, moreover, be in accordance with human nature if he supported a policy not his own less resolutely than a policy of the side of the office of which he is the real and not merely the titular head; and if, when the Railway Board's proposals met with serious opposition at the Council, he attached more weight to the arguments of colleagues, with whom he is in constant and intimate relations, than to those of a Board which brings before him, not their everyday work, but only such portions of it as are important and likely to be contentious. The Railway Board is in effect in the position of a stepchild, and, like most stepchildren, tends to be less well treated than the other children of the family. We are convinced that the Indian railways will never be able to give a satisfactory account of themselves, to earn the revenue which they should earn, and to render to the public the service which they ought to render, until they are represented in the Viceroy's Council by a Member who is fully in touch with their daily work.

96. Were there no other way of securing it we should feel constrained to urge that this representation should be provided by the appointment of a Member of Council solely for railways. But we do not think it necessary to recommend this.

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[1] A Secretary to Government corresponds to an English Permanent Under Secretary in that he is the official Head of his Department under the Member of Council, that is the Cabinet Minister, responsible for it. But his status is higher than that of a Permanent Under Secretary in that he has direct access to the Viceroy—in effect the Prime Minister—with whom he has a fixed meeting once a week, and to whom he is entitled to express, if he thinks fit, his disagreement with the policy of his chief. If the Viceroy thinks proper, the full Council can then be invited to discuss the matter in question. Further, under the new Constitution he is a nominated Member of the Council of State or of the Legislative Assembly, where he speaks and votes on a footing of full equality with the other Members. A Secretary to Government, however, attends meetings of the Executive Council of the Governor-General only to give information if called upon to do so, and to record decisions.

Proposed Member of Council for Communications.

97. All we ask is that there shall be a Member of Council in constant touch with railway affairs, and who feels that railways are entitled to his full attention. And this can, we think, be secured by a rearrangement of work among the Members. Within the last few months the number of Members of Council has been reduced by recombining Commerce and Industry. We recommend that the former number be restored, and that there be a Member of Council in charge of Communications, whose portfolio should comprise Railways, Ports, and Inland Navigation, Road Transport (so far as it is under the control of the Government of India) and Posts and Telegraphs.[1] Perhaps in making this recommendation we are going beyond the strict terms of our Reference, which is concerned only with railways, but the connection of railways with other forms of communication is so close that we think we are entitled to make it.

98. The advantages of a close relationship between railways, ports, water transport and road transport are obvious. They need correlation by a common controlling authority; they are feeders to each other, but at the same time their conflicting interests as carriers necessitate expert supervision and protection: all methods of transport are necessary for the development of India, and all new schemes, whether for transport by rail, road or water, require to be considered by the same authority as a part of a well-ordered general programme. Only Imperial questions connected with road transport would, under our scheme, come under the immediate supervision of the Ministry, local road questions being left, as now, to local authorities.

99. The only connection at present even between the railways and the ports which they serve is through the Member of Council who is common to both. The Departments that deal with them are separate. And in many respects the ports are subject, not to the Central Government at all, but to the Local Governments. All the witnesses whom we examined on this point agreed that there were strong reasons for a change. One instance will suffice. The Calcutta Port Authority are undertaking the enlargement and re-equipment of their Kidderpur Docks to accommodate the rapidly growing traffic. They have in contemplation a large scheme involving the expenditure of many millions. They are also adding to the accommodation of their port railways. The lay-out of the docks cannot be settled till it has been decided how much of the necessary siding accommodation is to be provided respectively by the railways on railway property and by the Port Authority on dock property. The Port Authority cannot be certain what coal-tipping appliances to order till it is settled what form of coal wagons the railways will use. The railways, on the other hand, cannot be certain that the appliances will be suitable for their wagons. There is no machinery for bringing together the various parties in interest, still less for deciding when the parties differ. The Department of Commerce, the Railway Department, two Railway Companies, the Calcutta Port Authority and the Government of Bengal, all are involved and take a hand in the decision.

100. The necessity for close co-ordination so as to dovetail together the work of the docks and the railways that serve them has long been recognised in England. In recent years—not without hesitation as to the propriety of strengthening railway monopoly—Parliament has allowed railway companies, in order that the two services might be in one hand, to acquire the docks in the first-class ports of Southampton and Hull. Still more recently, private arrangements have secured the same result in the great port of Cardiff. And the Ministry of Transport Act, 1919, gives to the Minister considerable powers to co-ordinate the facilities and methods of working between railways and such dock undertakings as are still independent.

101. Posts and Telegraphs are not so intimately connected with transport as the other services mentioned above, but the connection is at least closer than with the subjects in charge of any other Member, on account of the carriage of mails by railway and road and the telegraph practice which is common to both.

[1] After we had come to this conclusion the India Office furnished us with a memorandum setting out the scheme for the rearrangement of portfolios recommended by the Committee on the Government of India Secretariat Organisation, presided over by Sir Hubert Llewellyn Smith. The other arrangements proposed do not, of course, concern us, but we are glad to find that that Committee's recommendation for the formation of a new Department of Ways and Communications is almost identical with ours. We understand that, though certain minor charges consequent on Sir Hubert's report have already been made, the broad question of rearrangement has been reserved for the decision of the present Viceroy.

102. The Member's work will be divided into three main sections. In the first place he will be the head of the transport organisation; with this we deal at length hereafter. Secondly, he will be Chairman of the Central Railway Advisory Council, the establishment of which we recommend in a later part of this Report. Thirdly, he will control the Posts and Telegraphs through the existing organisation of that Department.

103. This work will tax his undivided energies; he must not be made, as Sir John Hewett describes the Member for Commerce as having become, an "office drudge" on whom additional miscellaneous duties unconnected with his primary function can be imposed. He will—especially during the next few years of reorganisation—be a busy man, but should allow himself sufficient freedom from the routine of his office to meet frequently the representatives of the trading and travelling public. The formation, as is proposed below, of Local Advisory Councils at the main railway centres, and the periodical conferences with the Central Advisory Council, will afford him opportunities of obtaining first-hand information on transportation questions; but it is hoped that in addition to this he will find time to meet occasionally the Chambers of Commerce and Harbour Boards on their own ground. Such meetings we have no doubt will be mutually beneficial and will be time well spent, especially if he is accompanied by his Technical Adviser, the Chief Commissioner of Railways.

104. We have given much thought to the question whether the Member of Council need himself be a railway man by profession. If a man could be found to combine the qualifications of a capable administrator, parliamentarian and railway expert, he would be an ideal selection for the post. But to find a man with all these qualifications would be very difficult; to find one possessing them who would be attracted by the salary attaching to the appointment of Member of Council would be impossible. We take it for granted, therefore, that the Member must rely upon others for technical advice; but we consider it essential that he should himself possess the other qualifications mentioned.

Status of existing Railway Board.

105. We turn now to the question of the Railway Board, and the constitution of the body which we consider should be substituted for it. The constitution of the Railway Board itself is somewhat peculiar. Its President has the responsibilities and the rights of a Secretary to Government, though he does not bear the title. The other two members have not. And yet as a member the President is nothing more than the senior among three colleagues. Originally he was only *primus inter pares*. There was another period when, though possibly not by legal right, the President was really supreme, and the decision of the Board was, in fact, his decision.

106. The present position is that, in a matter within the competence of the Department itself, any member of the Board who disagrees with his colleagues is entitled to refer the matter to the Member in Charge. If, on the other hand, the matter is one that has to go to the Council, the minute referring it must state whether the decision is unanimous. If it is not, the Board's minute has to embody the views of the majority, but a dissenting member is at liberty to append a minute showing on what points and for what reasons he disagrees.

Its limited powers.

107. We have now to deal with the practical working of the organisation. At several points in this Report we call attention to the constant interference of the Government in the details of railway executive management. The whole of this work falls upon the Railway Board. We are informed that 71,000 communications were issued from or were received by the Board's office last year; a large proportion of these have to be brought before, if not the full Board, at least one of the Members That is one side of their work. In some respects it is not the most arduous; for just as, on the one hand, the sanction of the Railway Board is required in matters which on an English railway would hardly get further than the head of a sub-Department, so, on the other hand, the Railway Board itself has frequently to apply, not merely to the Government of India on the spot, but to the Secretary of State 6,000 miles away for sanction in matters of apparently quite trifling importance. We have had furnished to us a large folio volume, containing 115 pages of text and 25 pages of index, entitled the "Schedule of Powers of the Government

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of India and the Railway Department (Railway Board) in railway matters." This document enumerates under nearly 400 heads the various subjects in which, and the extent to which, power is delegated by the Secretary of State to the Government of India and re-delegated to the Railway Department.

108. We give two instances: one in which the powers of the Government of India are limited, and the powers of the Railway Department are further limited; the other a case in which the Government of India has received full power and only part is subdelegated.

Authority.	Item No.	Subject.	Extent of powers and conditions.
I.—S. of S.'s Desp. No. 30, Financial, dated 31st March 1911, in F. D. Pros. Accounts, &c., June 1911, Nos. 342-344, A. II.—Article 137 (i) of Vol. I. Civil Account Code.	178	Advances to officers for the purchase of a motor car or motor boat.	I. *Government of India.*—Power to amend the rules regulating such advances, subject to the condition that any modification of the portion of the rules limiting the advance to Rs. 7,500 and the period of recovery to three years should be referred to the Secretary of State for approval. II. *Railway Department.*—Power of a Department of the Government of India under Government of India, Finance Department, Resolution No. 3138 A., dated 25th May 1911. [Article 137 (i) of Vol. I, Civil Account Code.] *Note.*—Advances for the purchase of motor cycles may be granted in accordance with Government of India, Finance Department, Resolutions No. 1242 E. B., dated 21st September 1915 (E., October 1915, Nos. 8-9, A.), and 1523 E. B., dated 1st December 1915 (E., December 1915, Nos. 30-31, A).
I.—*Practice* - - II.—Railway Board's Pros. R. C., Aug. 1908, A., Nos 162- R. C. Feb. 1914, Nos. 12-15 A.	352	Expenditure on entertainments to railway employés and the public on the occasion of the opening of new lines of railways or of any works of great importance.	I. *Government of India.*—Full power. II. *Railway Department.*—Empowered to sanction such expenditure, up to a limit of Rs. 5,000, in each case, as a charge to *revenue*. In cases where, owing to contractual conditions, *e.g.*, where a branch line is worked by a main line for a percentage of the former's gross earnings a charge to revenue would not be proper the Railway Department is empowered to sanction such outlay as a charge against *capital* up to the same limit. For payments in excess of this amount the concurrence of the Finance Department is required.

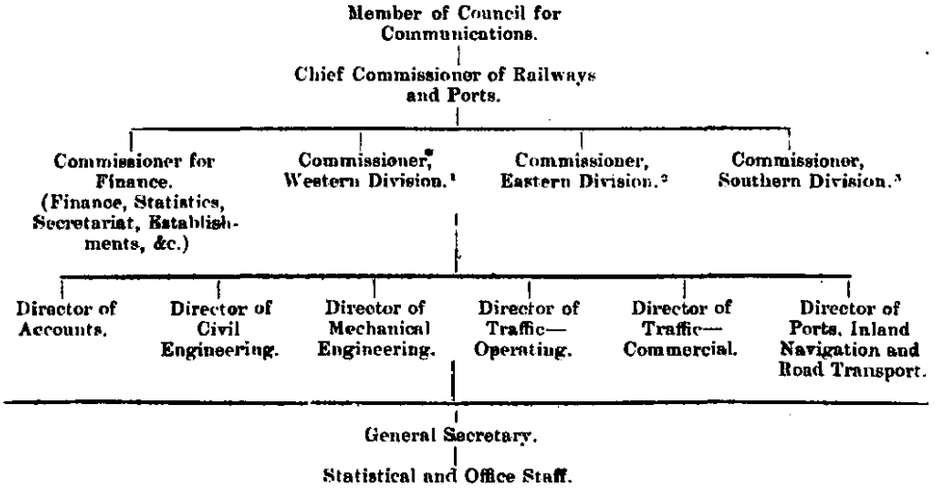
Its responsibility for local details

109. It seems to us that, in consequence of the regulations under which the Railway Board act, they spend a large part of their time, on the one hand, in doing the work of their subordinates, which these subordinates ought to do for themselves; and on the other hand, in obtaining from their superiors permission to do the things which they are fully competent and ought to be permitted to do for themselves. This is one fundamental criticism which we have to make of the present system of railway control; the other, equally fundamental, we have made already at sufficient length, namely, that the railways, not being masters in their own house, are not able to shape their own policy; it is shaped for them by the exigencies of the Finance Department.

110. Complaint was made to us in different parts of India that the Members of the Railway Board seldom or never visited them. In Delhi we were told that, if a Member of the Board absented himself for a fortnight, the accumulation of papers would be so great that it would be almost impossible for him ever to overtake them. And we fully believe it. There is laid upon their shoulders a burden of routine work which is more than three men can cope with. The proper function of the Railway Board is not to carry out routine duties, but to shape policy, to watch, to think, and to plan. Throughout the whole of India, but more especially in the South, witnesses complained to us of the actions, or the inaction, of the Railway Board. We were told that letters were left unanswered; that decisions were delayed indefinitely; that when charges against the companies were made the Board referred them to the companies

themselves, and then washed their hands of the matter; that applications to the Board for redress of grievances had been proved to be fruitless and so had ceased to be made.

111. We subjoin a chart showing how we think the organisation of the Communications side of the new Ministry should be planned :— Constitution of proposed Railway Commission.



112. The Chief Commissioner of Railways and Ports will, of course, be a technical railway man. Presumably he will be nominated as a member of one of the Houses of the Legislature, but it is to be assumed that he would be required to attend only when transport questions are under discussion. He would have the status of a Secretary to Government and so would have a right of access to the Viceroy; and we consider that he should be invited to attend meetings of the Executive Council when matters relating to the Commission are under consideration, with freedom to advise on technical matters, but without a vote.

113. The Chief Commissioner should be assisted by four Commissioners, as follows: One Financial Commissioner; three Railway Commissioners in charge of territorial divisions.

114. The Financial Commissioner should be Second in Command to the Chief Commissioner at headquarters. He should arrange that the services of the directors of the various sections, and the office staff generally, shall be available to all the Commissioners.

115. The fundamental differences between the constitution of the Railway Commission which it is proposed to set up and the present Board are :—

(*a*) The appointment of one responsible Chief Commissioner.
(*b*) The addition of a Financial Commissioner.
(*c*) The supervision of territorial areas by separate Commissioners.
(*d*) The addition to the technical staff of Directors of Mechanical Engineering, Commercial Traffic, Ports and Road Transport.

116. Given the right men to fill the positions, we feel confident that a controlling organisation on the lines defined will be the means of eliminating the disabilities so apparent in the existing régime. At present the Board, consisting of three members, two of whom can outvote the third, and all of whom are concerned in every general railway question that arises, cannot act with promptness and decision. Except when the matter is urgent and a member of the Board is absent, the whole Board has to be consulted upon every important action taken, and each member therefore attempts to keep himself informed of all that is taking place. India is a vast continent, transport questions of the present and the future are many and complex, and the task that has been set the members of the existing Board is more than they can efficiently undertake. The duties of supervision require to be subdivided, and the responsibility

[1] The Western Division would include the Great Indian Peninsula; Bombay, Baroda, and Central India; North-Western and Jodhpur-Bikaner Railways; together with the ports and the branch and feeder railways in their areas.

[2] The Eastern Division would include the East Indian; Oudh and Rohilkhand; Bengal and North-Western; Rohilkund and Kumaon; Assam-Bengal; Bengal-Nagpur and Eastern Bengal Railways; together with ports and local railways as above.

[3] The Southern Division would include the Madras and Southern Mahratta; South Indian; H.E.H. the Nizam's and Burma Railways; together with ports and local railways as above.

of each member clearly defined. Under the existing organisation the individual members of the Board would require what they cannot possibly have, a thorough and up-to-date knowledge of India as a whole. In connection with matters of moment the constitution of the Railway Board must inevitably lead to delay for the purposes of a conference, with the probability of further delay for information, followed often by compromise in order to obtain unanimity.

117. The responsibility—under the Member of Council—for arriving at decisions on technical questions, or for advising the Member on matters of railway policy, should be vested in one man and one man alone. The present organisation, under which the members have practically equal voting powers and responsibilities, inevitably leads to lack of initiative, lack of decisiveness, and lack of a definite policy.

Divisional Commissioners.

118. The appointment of a Chief Commissioner, who will be an executive officer with full powers, will not in itself eliminate the disabilities under which the controlling authority is at present labouring. Local touch and local responsibility must also be developed. At present the Railway Board has not the means for obtaining the necessary intimate local knowledge. The local authorities and public are fully aware of this, and in consequence have no confidence in the Railway Board, of which the members are seldom seen, and in consequence the Board is practically disregarded. Subdivision and concentration of supervision will cure this. We have for this purpose apportioned the railway map of India into three divisions, and it is proposed to allocate a Commissioner to each division. It will be the duty of the Commissioner in charge of a division to concentrate and specialise upon the study of its transport problems so as to become thoroughly intimate with them. He will by this means obtain a confidence and power of decision which knowledge alone can give, and in addition will win for the Board throughout India the confidence in its control which is now non-existent.

119. Thorough local knowledge on the part of the Commissioners will bring with it a power of initiative and anticipation of transport problems which is so necessary to the future development of India. Closer supervision of the individual railway's working by the Commission will bring increased efficiency in operation, and ensure money for traffic facilities and development being spent to the best advantage.

120. Subdivision of supervision must necessarily lead to closer investigation of results and a more prompt and fair appreciation of ability and energy of management. Statistics of operation will be subdivided also, and a healthy emulation will be set up between the divisions and the separate railway units within the divisions which will all assist in promoting keenness, efficiency, and economy.

121. The trading and travelling public will undoubtedly directly benefit by closer supervision from the seat of Government, and from more intimate local knowledge. The public will soon appreciate the advantage of being able to appeal to a particular Commissioner, who not only knows but sympathises with the legitimate aspirations of his own Division, and who is able, owing to the concentration of his responsibilities, to afford the time to investigate on the spot problems as they arise, and consider beforehand with those most intimately concerned schemes for future development within his area of control.

122. Consultation between the Commissioners as a body, under the Chief Commissioner, will, of course, take place whenever matters of general policy are under consideration.

Inspecting staff, Engineering and Traffic.

123. At the present moment there are eight different Circles in India, each with an Engineering Inspector who is required to make a minute inspection of every mile of railway in his Circle every year.[1] We cannot believe that this amount of inspection is necessary, and we recommend therefore that economy be effected by reducing the Engineers' circles to three, viz., the three divisions for which Commissioners will be appointed. It may, however, be necessary in one or more of the divisions to appoint in addition an Assistant Engineering Inspector. The monetary saving effected can be utilised for the appointment in each of the divisions of an Inspector of Traffic who will work under the Commissioner of the

[1] One of the engineering inspectors is also Secretary in the Railway Department of a Local Government. The Local Governments have no control over railways. They have, and frequently exercise with advantage, the right to press local grievances, and to represent local requirements. But the position of an official, who spends part of his time complaining on behalf of one employer of the action, or inaction, of the body that employs him for the remainder of his time, seems to us, to say the least of it, anomalous.

division. Such Inspectors are more especially needed at the present time. The railway machine is, as we have said, quite inadequate for its work. It cannot be brought to a state of reasonable efficiency for a good many years to come. But from our own observation, and from such comparisons as we have been able to make between one railway system and another, we are persuaded that, if the operating methods of the least efficient line were brought up to the standard, not of ideal perfection, but of the most efficient operation existing in India at the present moment, considerable improvement in service would be effected.

124. The changes and additions we have proposed in the headquarters establishments will involve some additional expenditure, possibly something like 25,000*l.* or 30,000*l.* per annum. The expenditure is necessary, and is in the interest of true economy. It will be offset to an appreciable extent by the saving of clerical labour and printing which will be secured by the reform of the existing accounts and statistics, as recommended later in this Chapter. The present emoluments of railway service in India, whether at headquarters or in the management of individual undertakings, are entirely inadequate. Perhaps we shall best make clear the situation if we say that the highest salary paid in the Indian railway service to-day is hardly more attractive than that of the head of a sub-department on a big English railway, such as the Deputy Goods Manager, or Outdoor Superintendent of the Line. To expect that at this price the Indian railways will obtain the services of the right class of men is to expect the impossible.[1] We do not think that Indian opinion will grudge to pay adequate salaries for efficient service.

Relations of Railway Department

125. We must now deal in somewhat more detail with the relationship which should in future exist between the reconstituted Railway Department, and the authorities above it on the one hand, and the railway management responsible to it on the other. In dealing with the first half of this question it is impossible for us to avoid touching upon the field of general politics. Hitherto, the Government of India has had to carry out instructions of the Secretary of State. And the Secretary of State, from the fact that his salary was paid by the Indian taxpayer and not included in the English estimates, though of course he could be made ultimately responsible to Parliament, occupied a semi-autocratic position. Since the Government of India Act came into effect at the beginning of 1921 the position is entirely changed. The Legislative Assembly, three-quarters of whom are elected by popular vote, have now large control, both of legislation and administration, and in particular have the control of expenditure through their power to refuse to vote the items in the Budget, subject to the reserve power of the Governor-General in Council to reinstate any item struck out if in his opinion it is essential to the discharge of his responsibility. This great constitutional change must modify profoundly the responsibility of the Secretary of State for the management of Indian railways. For we may assume that he will hesitate either to veto expenditure which the Legislative Assembly has sanctioned, or to enforce expenditure for which they have refused to find the money. On the other hand, Parliament, which has taken over the India Office vote and established a permanent Joint Committee of the two Houses on Indian Affairs, must be assumed to intend to exercise in future through the Secretary of State supervision over the broad policy of the Indian Government.

To the Legislative Assembly

126. But in any case, and apart from constitutional changes, it seems to us that a revision of the powers reserved to the Secretary of State in respect of railway management is overdue. We have had an opportunity of perusing the Despatches and the cable messages on railway subjects exchanged between the India Office and the Government of India since January 1920. They are numerous; they are voluminous; and not a few of them are concerned with quite petty details. We have found, for instance, Despatches addressed by the Secretary of State to the Viceroy in full official form dealing with matters such as the following:—

Despatch No. 7 of 1920. Sanctioning gratuity to a travelling inspector of accounts of an amount proposed in Government of India, Finance Department, Despatch No. 446 of 6th November 1919.

Despatch No. 11 of 1920. Reporting re-engagement of an engine driver as result of correspondence ending with a cablegram from the Government of India.

Despatch No. 2 of 1921. Sanctioning payment of a pension of Rs. 100 per month (say 80*l.* per annum) to the widow of an engine driver killed in an accident.

[1] We have reason to believe that recently in more than one case railway agents have refused to accept appointments to the Railway Board, and that two agents have resigned their railway posts to accept appointments elsewhere, in Indian public service though not under the Government of India.

We cannot believe it necessary to employ a Nasmyth hammer to crack such small nuts as these.

And to the Executive.

127. We assume that in future the Railway Commission will be responsible for its own administration; will itself fix scales of pay and conditions of service for its own staff, and be free to engage and dismiss them as it thinks proper; will prepare its own programme of work and expenditure; and within the limits of its budget, as approved by the Government of India and the Secretary of State and accepted by the Legislative Assembly, will carry it into effect; that, in a word, though remaining an integral part of the Government machine and subject to control on broad questions of policy and the major questions of finance on which policy must depend, it will be an independent administration.

128. We now turn to the relations between the Railway Commission and the managements of the separate railways. Both in reference to lines directly managed by the State and those managed by companies we recommend that the control in matters of detail be relaxed as far as possible, in order to eliminate constant references for sanction to the Commission and to leave to each official—whether an agent or one of his subordinates—unless for special reasons, the same amount of freedom in incurring minor expenditure or in dealing with his staff as would be left to a corresponding official under ordinary company management.

Accounts and statistics.

129. There are, however, important respects in which the existing organisation does not provide for the exercise of adequate general supervision and control over the railways. Economical railway management cannot be ensured without a proper system of railway accounting. Apart from a mere audit check of receipts and disbursements, a railway requires a large number of financial returns of various kinds; not in order to say whether expenditure incurred has been duly authorised, or receipts duly accounted for, but to say whether expenditure is being wisely incurred, whether retrenchment of habitual expenditure is possible under one head, whether new expenditure under another is proving profitable, or even whether a larger expenditure would be likely to be fruitful; and so on. These are not matters to be left to an outsider. A practical railway man who knows what he is doing in the present, and what changes he is meditating for the future, is alone competent to prescribe and to make use of returns of this kind. But the accounting staff controlling the Indian railways, from the Accountant-General (Railways) at Delhi down, in the case of the State managed railway, to the latest joined clerk in a local office, are officials, not of the Railway Board, but of the Finance Department. No doubt these officials gradually get to see the railway point of view, but they must be guided by rules laid down by the Finance Department, framed largely in view of the requirements of the non-commercial departments of Government.

130. At present the railway accounts are very complicated; some portions are produced in different forms for the use respectively of the Railway and of the Finance Department. And when, as has happened in the case of the Committee, enquiries are based on the statements made in the Railway Administration Report, and reference is made to the corresponding portions of the Finance and Revenue Accounts of the Government of India, there is great difficulty in reconciling the two sets of figures. We are quite sure that, if the whole matter were under the control of a single department, simplifications could be introduced which would not only make the accounts more intelligible, but result in considerable saving of expenditure. The Report of the Auditor-General would continue available as at present to secure the financial rectitude of the Railway Administration.

131. We recommend that the Railway Department should be responsible for its own accounts. We do not exclude, of course, such independent and separate audit as the Government of India may think proper to make, on the same principle that obtains in any commercial company, where the shareholders appoint an outside firm of accountants to check and report on the books which are kept by the servants of the directors, the ordinary accounting staff. We think also that the present form of accounts should be examined and reported on by experienced railway accountants conversant with modern practice in England and America.

132. Statistics are closely connected with accounts. In volume we believe the Indian railway statistics surpass those of any other country.[1] Their value is not proportionate to their volume. The present form of statistics was, we understand, introduced about the year 1880, a period in railway history which may be described as mediæval. They have not been revised since. The Members of the Railway Board are in full agreement with us in thinking that the time for revision is overdue. It is admitted that the time of a large number of clerks is occupied in their preparation, and that much money is spent on their printing, and that when duly prepared and printed little use is made of them for any practical purpose. Further, we gather that these statistics are not always what they purport to be, arithmetical calculations from accurately recorded figures ; that in some cases at least they are no more than computations of averages based on data inadequate both in width of scope and length of time.

133. Adequate statistics are urgently required, not only to enable the Railway Board to control the management of the railways for which it is responsible, but to enable the managers themselves and their officials to see how the work which they are doing compares with the work done elsewhere; and also to see that they are not retrograding, but improving in efficiency year by year. Such statistics are not produced for Indian railways. In some cases, but not in all, useful comparative figures can be extracted from the tables furnished in the present Administration Report, but they are not given, as they should be, as comparisons in the Report itself. A keen manager of an individual railway may extract such comparisons for his own use; but they remain available for himself alone. Other managers, in ignorance of what their neighbours have accomplished, lag far behind the achievement which they might reach were they stimulated by knowledge of the results attained elsewhere. Moreover, if the railway statistics were adequate and if the members of the Railway Board themselves had leisure to study them, and then apply the results they had ascertained to the case of an administration that was backward in improving the State property entrusted to its management, we are persuaded not only that more traffic could be carried, even with existing facilities, but that State profits would be largely increased.

134. As for the form of the statistics, it is clear that it is in need of radical reform. China, like India, has a large number of railways, belonging to the State but managed separately. Some 10 years ago the Chinese Government saw the need for appointing a Commission to harmonise and amplify the statistics furnished by the separate managements. After long and careful investigations the Commission reported, and new forms of statistics were drafted with the assistance of an expert statistician of the highest reputation, who for many years had been in charge of the statistical branch of the Interstate Commerce Commission of the United States. The Annual Report of the Chinese Government Railways, of which five issues have now appeared, is a model of its kind, probably more up to date than that produced in any other country in the world. On enquiry at Delhi we were told that knowledge of its existence had not yet reached the office of the Railway Board.

135. There is another reform which is urgent. We do not think that the ordinary Civil Service Regulations and practice are suitable for application in so specialised a concern as a railway. The relations between the employer and the staff should be more in conformity with ordinary commercial practice. In particular, the weight attached to seniority in the appointment of men in the State railway service to vacancies is at present too great. We have had brought to our notice cases where an officer, with only quite a short period of service before his date of retirement, has made good his claim to be transferred from his own railway to another State railway, where the corresponding grade carried a slightly higher salary, on the ground of seniority. Again, there have been cases where an officer of high proficiency in his own technical branch on one railway has been transferred to another railway as agent,

Civil Service Regulations.

Seniority.

[1] The voluminous nature of these may be judged by a single instance. There is in Kathiawar an entirely unimportant narrow gauge railway, 58 miles in length. We have extracted from Vol. II. of the Administration Report the information furnished in respect of this railway. It occupies 21 pages of typewritten folio; and is given in as full detail as though this little line was a main line system. It is, for instance, recorded that, during the year, the railway raised Re. 1 from the carriage of beer, Rs. 5 from the carriage of engine parts, Rs. 8 from the carriage of silk and the same sum from the carriage of cigars.

though lacking in general administrative experience. Transfers such as this do not promote efficiency.[1]

136. We have been frequently told by the advocates of company management that rigid regard for the claims of seniority, and the consequent shifting of men from posts for which they are suitable to others for which they are not, is a necessary concomitant of State management. We can see, however, no causal relation between one and the other. Whether this practice is proper in ordinary Government service is not a question for us. When the railway administration has attained independence and has established the necessary machinery for closer local supervision, it ought not to be continued so far as railways are concerned. So injurious is this system, that, if we had believed it must necessarily be permanent, those of us who have recommended the adoption of a State management policy would have hesitated longer before doing so. We may add that experience in India has not shewn that selection by company boards of their chief officials is always successful.

137. On the State railways the Government has a free hand. It can delegate or retain powers as it thinks fit. It can even on due cause shown distinguish between the powers granted on one system and on another. It can instruct the agent to carry out works or to spend money as it sees fit. But with the railways of the Guaranteed Companies the position is different. They have contractual rights which must be respected. Broadly, the Government can only prevent; its power of initiative is strictly limited. The Government can order a company to execute works or to adopt methods required in the interest of safety; but not if they are required only on grounds of convenience or of economy. In the latter case they can suggest, but could not enforce if the Company were to refuse.

Need of more control in essentials.

138. Sometimes the Government cannot even prevent. It cannot, for example, prevent the appointment or the retention in office of an unsuitable officer. We think the Railway Commission must have some control over the appointment and retention of the principal officers, and more power than at present to initiate and enforce reforms, possibly with some such appeal on the grounds of reasonableness, where they imply the expenditure of considerable sums of money, as is provided in the Railways Bill, 1921, now before Parliament. But we have no doubt that, if the Companies are taken into consultation on this subject, a satisfactory agreement can be come to; and that they will be ready to accept the possibility of control exercised occasionally in extreme cases in return for release from constant and irksome interference with everyday details. The Government has in its contracts with the various Companies power in the last resort to act by legislation. The contracts provide that—

Less interference with details.

> "No claim shall be made upon the Secretary of State by the Company for compensation in respect of the prejudicial effect upon the undertaking or the profits thereof of any Act [of general applicability[2]] of His Majesty's Indian Legislature for the time being in force, and the Company and the undertaking and its equipment shall be subject to the provisions of every such Act."

Closer touch with public opinion needed.

139. So far we have dealt with the working of the administrative machinery. But this machine is at the present moment, and must, as we have said, continue to be for some years to come, worked mainly by non-Indian officers. Witness after witness representing Indian opinion has complained that the Indians have no voice in the management of their own railways. We think that no scheme of reform can attain its purpose of fitting the railways to the needs of the Indian public unless that public has an adequate voice in the matter. Control in the strict sense of the

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[1] In this connection the following extract from the record of Sir William Meyer's evidence may be quoted:—

(*Chairman.*) "I was reading the other day Lord Haldane's evidence in connection with the constitution of a theoretical Government department . . . and he said the proper system to adopt was seniority tempered by a very stern and rigorous rejection. How does that appeal to you as a principle?

(*Witness.*) "I think seniority tempered by the rejection of the unfit is very good, and, indeed, essential until you get to what you call the administrative grades in India—the biggest appointments in any service. There, I think, you ought really to go by selection. Of course, seniority will always have some weight. You could not upset the service entirely by taking quite a junior man . . . ."

[2] These additional words appear in the contracts of some companies.

word, the power, that is, to give orders to the Railway Executive, Indian opinion can only exercise through its constitutional mouthpiece, the Legislative Assembly at Delhi. But though control is reserved, it is possible for bodies representing the public to exercise great influence. In no country was the control of railways more autocratic than in Prussia. Yet it would be probably true to say that, in the generation before the war, the railways of Prussia were subject to less hostile criticism from their public than those of any other country. In Prussia there was a carefully planned system of railway councils, a single national council, and a number of local councils. They consisted of representatives of the Departments of State specially concerned with railway matters, associated with a majority of members nominated by the Chambers of Commerce, Chambers of Agriculture, the great municipalities, and similar bodies representing the public. They had no powers. But they had great power. They had a secretary, and met at stated intervals with an agenda on which any member could put down any subject for discussion he thought fit, and on which the railway officials put down any subject, such as changes and improvement in train services or alterations in rates for and classification of merchandise, which concerned the public interest and convenience. The railway administration, so it has been reported, very rarely acted except in accordance with the views expressed by the councils in all matters within their competence.

Central Advisory Council.

140. We understood from the Indian witnesses that they would welcome the establishment in India of Councils, Central and Local, with substantially similar constitutions and functions. We propose that there should be a Central Advisory Railway Council, meeting perhaps at Delhi at the beginning, and towards the end, of the cold weather, and that it should be of a manageable size.

141. We give in a footnote[1] below the constitution of the Railway Council which has just been established in Poland. It will be observed that, like the Prussian Council and the corresponding *Comité Consultatif des Chemins de fer* in France, it is quite a large body. We are inclined, however, to think that in India it would be well, at least in the beginning, to constitute a Council on a smaller scale with a membership of not more than 25 in all. The Member for Communications would of course be Chairman of the Council, and his duties in that capacity would be amongst the most important functions he would have to discharge. The whole of the Commissioners should, if possible, attend the meeting, bringing with them any other officials whose presence is required by the business in hand. The Commissioners should, in our opinion, be free to speak, but should have no vote. The Council should include representatives of the Departments of Commerce and Industries, Agriculture, and possibly some others. One-half of the non-official members should be nominated by the leading commercial and industrial associations, both European and Indian. The other half should be representative of rural interests and of the Indian travelling public in different parts of the country. In the absence of any prominent associations definitely identified with these interests we think this object would best be attained if one representative were appointed by the Legislative Council of each of the provinces, not necessarily from amongst themselves.

Local Advisory Councils.

142. All the railway officials to whom we put the question expressed themselves as ready and willing to work with Local Advisory Councils and endeavour to make them a success. These Councils should, we think, be somewhat similar in constitution to the Central Council, and, perhaps, half the size. There might be either a local Council at each of the railway centres, at which the Agents of all the railways having their headquarters there would be present, one of them taking the chair; or on the other hand, there might be a Council for each railway, meeting at the headquarters

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[1] *Constitution of the Polish Railway Council.*

(1) Representatives of the Ministries of Trade and Industry, Agriculture, Posts and Telegraphs, Finance, Public Works, Food, and Military Affairs, who will be appointed by the corresponding Ministers, one for each Ministry.
(2) One representative of each of the ten largest towns in Poland to be appointed by the corresponding City Councils.
(3) Sixteen representatives of industrial and commercial associations.
(4) One representative of each railway directorate.
(5) Six experts to be appointed by the Minister of Railways.
(6) Representatives of other Ministries, at the invitation of the Minister of Railways, if matters concerning such Ministries are under discussion.

of that railway, in which case one Agent only would take part.[1] This is a matter which may well be settled by discussion with the local interests specially concerned. But we think it of great importance that these Councils should be established as soon as possible. The Indian public is deeply and justifiably incensed by the conditions to which both passengers and traders have long been subjected; and it is desirable that their representatives should at the earliest possible moment be acquainted with the steps that are being taken for the redress of their grievances.

Liaison with Provincial Governments.

143. One other point should be added. The whole administration of railways is, as we have said, with quite unimportant exceptions, a subject reserved for the Central Government. But Local Governments are much more closely in touch with the local population, especially since certain departments of local administration have been entrusted to responsible Indian Ministers. We think that the Local Governments should be represented on the local Railway Councils, whether by an official or by an unofficial nominee it will be for them to decide. Further, we have been told that two Local Governments, those of the Punjab and of the United Provinces, have recently established Boards of Communications, and from what we have learned of the success of these Boards we think that the example is likely to be followed elsewhere.

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[1] In the latter case we think that the North-Western Railway should establish a second Council at Karachi, which is rapidly growing, is in a different Province, and has interests distinct from Lahore. There is much to be said also for a Council at Cawnpore.

CHAPTER V.

Relations between Railways and their Customers.

144. The fourth paragraph of our Reference instructs us to report "whether the "present system of control by Government of rates and fares and the machinery for "deciding disputes between railways and traders are satisfactory, and if not, to "advise what modifications are desirable." The fifth paragraph instructs us "to make recommendations that may seem germane to the enquiry." We therefore propose in this section of our Report to deal with the question of the relations between the railways and their customers, whether traders or passengers, as a whole, and not to confine ourselves to the two special points of charges and disputes.

145. We have at various stages of this Report called attention to the very close and detailed control exercised by the Government of India over the management of the Indian railways. In the matter of fixing rates and fares, on the other hand, there is left to the Companies a large measure of freedom. **Rates and fares.**

146. The Government's right to control rates and fares is embodied in the following clause in the contracts with the various Companies :— **Companies' existing powers.**

> "The Secretary of State shall from time to time authorise maximum and minimum rates within which the Company shall be entitled to charge the public for services rendered by way of, or in connection with, the conveyance of passengers and goods on the undertaking, and shall prescribe the several classes and descriptions of passengers and goods to which such rates shall be respectively applicable."

In practice the Government exercises this right by framing a classification and fixing maximum and minimum rates, usually in the relation of about three to one, for each class. In the case of railways worked by the State, the permissible limits of charge are prescribed in the same manner for the guidance of the Agent. Now fixing maximum and minimum rates does nothing to protect the trader from what is known as undue preference, that is, charging in one place or on one class of traffic rates unreasonably disproportionate to those charged elsewhere or to other competing traders. There is a nominal protection against undue preference in the provisions of the general Railways Act, 1890. But the enforcement of the remedy under this Act involves the setting up of a special court to try each individual case, and this procedure is so cumbrous and inapt that in fact no court has ever sat. Allegations of undue preference are frequently made and have been strongly urged before us. If a cheap and expeditious tribunal were established to try such cases we have reason to believe that not a few complainants would appear before it. Under present conditions it is only natural that many traders nourish a sense of grievance which on investigation might, in some cases at least, prove to be unfounded. **Need for greater control.**

147. Our attention was called to the fact that the contracts of the most important Companies appear to give to the Secretary of State further control over rates and fares than is given by the clause which we have quoted. In their case there is an additional section of the clause after the words cited which runs as follows :—

> "as well as the extent to which, within the maxima and minima so authorised, the Company may vary the said rates in respect of the distance or weight or special conditions under which such conveyance takes place or services are rendered."

When we were in Delhi we discussed this matter with the Railway Board, and invited their opinion as to the effect of this additional provision, in respect of the Companies in whose contracts it appears. They informed us that their opinion, after taking legal advice, was that these words did not deprive the Companies of the legal right to vary rates at their discretion within the prescribed maxima and minima. The Board have naturally acted on this interpretation of their powers. But we are not wholly satisfied that their view is correct. The clause is badly drawn, and legal authorities in England whom we have consulted have difficulty in interpreting it. But we have no doubt what its intention was. It was meant, in our opinion, to give power to the controlling authority, not merely to fix the maximum and minimum of each class, but to say what consideration should be given to length of haul or size of consignment or other special circumstances in varying the rates within these limits.

148. Whether, however, the clause, if tested by legal proceedings, would be found to have the effect which we believe it was intended to have, is not of great consequence. We have no doubt whatever that further power to control rates ought to exist and be exercised by some appropriate public authority. We believe that the clause cited in para. 138 of the Report, which exists in all contracts, and provides in effect that every Company shall be liable to have its position modified by subsequent Acts of general applicability, enables the Government to confer such power upon a competent authority.

Allegations of undue preference.

149. It is an Indian grievance of old standing—it was voiced in the Legislative Assembly at Delhi in 1915 by a distinguished Indian, now a Member of the Executive Council of Bombay, Sir Ibrahim Rahimtoola—that the railways fix their rates to suit their own pecuniary interests—if indeed it be not to suit the interests of European merchants—regardless of the effect of these rates on the native industries of India. And we have no doubt that the charge is accepted as proved by a large proportion of Indian traders.

150. Charges based upon motives are difficult to prove or to disprove. It was not our duty to investigate specific cases in detail, nor would the time at our disposal have permitted us to do so. Unquestionably, low exceptional rates exist for traffic to and from ports, especially the great ports of Calcutta and Bombay. But exceptional rates such as these exist in every country, and are there justified on the ordinary grounds, not only of the economy of handling goods in large volume, but also of competition between railway systems serving the same distributing or consuming area.

151. In one respect, at least, the Indian railways have refrained from following the accepted railway practice in other countries. It is usual in most countries to concede for export traffic through a seaport rates which are not available to that seaport for local traffic; and *vice versâ*, in countries which adopt a Free Trade policy, to fix lower rates for the carriage inwards of goods imported through a port than for goods produced locally at the port town. This practice is not, so far as we have been able to ascertain, followed in India. Bombay receives from up-country large quantities of raw cotton, part of which is worked up on the spot and part exported. Similarly, Bombay distributes to up-country points large quantities of cotton cloth, part of it locally manufactured and part imported. The raw cotton rates down to Bombay port and to Bombay town are the same, and so are the manufactured cotton rates upwards. The same principle, we understand, is applied elsewhere, in the case, for instance, of the great Calcutta jute trade.[1]

"Block rates."

152. Complaints are also loud and frequent from Indian traders in respect of what are known as "block rates." The term is peculiar to India and needs explanation. A block rate, as we understand it, is a high rate quoted with the object of retaining traffic on the line on which it originates and preventing, or "blocking," it from passing off, after only a short lead, on to a rival route. Some Indian witnesses, however, use the term as meaning a rate which is higher because the route over which the traffic is carried is in the hands of two separate administrations. But this is in no way peculiar to India. Railways all over the world charge more per mile—largely because it costs more—for a haul of 50 miles than for a haul of 500; if, therefore, traffic is hauled in one case 500 miles over a single system, while in another case it travels 50 miles over one line and then 450 miles over another, the total charge in the first case will—other things being equal—normally be lower than in the second. No instance has been quoted to us as existing at the present time of what would be a real block rate, *i.e.*, a rate from A to B for traffic going beyond B on another company's system higher than for a rate from A to B for traffic which goes no further. Block rates have certainly existed in the past, and Indian popular opinion is fully persuaded that they are typical of existing conditions. One of these cases is so notorious that it deserves a paragraph to itself.

153. About 100 miles to the North of Bombay, Broach, a small but ancient port, is situated on the main line of the Bombay, Baroda and Central India Railway. In the year 1908 an enterprising Bombay firm started a steamer service between Broach and Bombay. The Bombay, Baroda and Central India Company found that a certain amount

[1] There was, we were told, a special export rate for coal to Calcutta, but it has recently been withdrawn.

of traffic was being diverted. They therefore appealed to the Railway Board, pointing out that, as the great bulk of the profits of the Company went to the Government, the Government was interested in putting a stop to this diversion, and they suggested that, in order to enable them to impose on the through traffic for the short distance to or from Broach rates sufficiently high to leave little or nothing for the steamer portion of the journey, the Railway Board should permit them to raise the classification of certain competitive articles to the highest class. The Board assented. In one case at least, that of sugar, the article was raised from the first class to the fourth; in other words, the Company's power of charge was increased fourfold. The steamers withdrew from the unequal struggle, and the merchants of Broach not unnaturally protested. One sentence in the reply of the Railway Board deserves quotation :—

> "The contention . . . . is altogether opposed to the universally accepted policy which recognises that the unfettered freedom enjoyed by sea transport agencies in the quotation of rates entitles railway administrations to greater freedom when competing with water transport than is legitimate when competing amongst themselves."

154. It is difficult to believe that the writer of the letter really thought that putting up railway rates to a prohibitory point, with the object of preventing traffic ever reaching the water route at all, could be justified by the analogy of the normal practice of reducing railway rates to retain or obtain traffic which otherwise might be attracted to the water route; but if there is any other instance in history where a railway has been authorised by the controlling authority to do what the railway company did in the Broach case, the Railway Board did not specify it. The steamer service was taken off, "killed," said the merchants of Broach, by the block rates. Thereupon they petitioned that these rates, having served their purpose, might be withdrawn. The Railway Company refused to assent on the ground that there was still water competition maintained by country craft—small sailing vessels manned by Indian crews. Finally, the Government of Bombay intervened, as representing a public opinion which was becoming vocal, and then the Railway Board submitted and announced to the Railway Company that the exceptional increases in classification could no longer be sanctioned and must be withdrawn. But the Broach block rates lasted from 1910 to 1919, and the memory of them is still green in the hearts of traders all over India.

Alleged unfair competition with waterways.

155. The Broach case, though the most surprising, is not the only instance where railway companies have been accused, in dealing with water competition, of going or attempting to go to a length which seems to us indefensible. In Madras our attention was called to three cases. Leading into Madras itself there is a canal, known as the Buckingham Canal, which was of considerable importance at one time, but whose traffic since the advent of a railway has greatly fallen off. It was admitted on behalf of the railway company that they put in exceptional rates so low as to leave to them a very small margin of profit in order to divert traffic from the canal. Evidence was also given of an agreement between the South Indian Railway and the British India Steam Navigation Company, the effect of which was to induce the Steamship Company to cease to call at certain small ports, and so leave to the railways a monopoly of the traffic. Again, a letter was submitted to us in which the Agent of the same railway put forward a proposal that the Government should entirely close the small port of Tirumalavasal, and so force the local traffic on to the railway of which the Government was the owner. We think this is eminently a matter to which the Communications Department, which, if our recommendation is adopted, will have charge not only of railways but of canals and ports, should direct its attention.

Enquiry recommended.

Rates Tribunal.

156. We have discussed with very many witnesses, representing not only the Indian public, but the railway companies, what the authority to control rates should be. We have found a unanimous readiness on both sides to accept the constitution of a new Tribunal, practically identical with that recommended for the same duties by the Rates Advisory Committee constituted under the English Ministry of Transport Act, 1919, and accepted as satisfactory both by the railway companies and by representative organisations of the traders in England. We recommend the establishment of a Rates Tribunal consisting of an experienced lawyer as chairman and two lay members, one representing the railways and the other the commercial interests, with power, in any case deemed of sufficient importance, to add two additional members, one on each side. We do not think it necessary to go into the constitution and powers of the suggested Tribunal in any further detail. The proposals of the Rates Advisory

Committee, which are the result of an exhaustive public discussion by all parties interested from all points of view, are embodied in Part III. of the Railways Act, 1921, just passed by Parliament. The clauses in Part III. raise all the questions in issue and are available for reference when the time comes for practical action to be taken in the matter.

157. That the proposed Tribunal in England will not lack work is evident. It is not, however, possible at present to say how far this will be the case in India. We suggest that in the first instance the lay members of the Tribunal should be appointed, but only paid a retaining fee until it can be seen what the work is. We think, however, that the legal chairman should be appointed forthwith as a whole-time officer. The law of railway rates is not a simple matter. In addition to legal knowledge there is required a grasp of the economic principles involved and at least a general familiarity with geographical and business relations and the communities to which they are to be applied. Railway rates are not a subject in which, as far as we know, any lawyers in India have specialised at the present moment. There are not a few lawyers who have so specialised in England. But to preside over an Indian Tribunal a chairman would need both to be a specialist in railway law and to be familiar with Indian conditions. It is evident that the Indian Railways Act, which dates from 1890, requires extensive revision. We consider that the lawyer appointed as Chairman of the Rates Tribunal could not be better employed at the outset than in an examination of the Act in the light of modern developments, both of circumstances in India and of legislation in other countries. and preparing for the consideration of the competent authorities the draft of a new Railways Act.

Its jurisdiction.

158. The jurisdiction of the new Tribunal should, we think, embrace all questions of the reasonableness of rates even within the contractual maxima and minima, and of the conditions attached thereto, whether the question be the unreasonableness of a rate *per se* or its unreasonableness as compared with the rates charged to other persons or at other places in what are alleged to be comparable conditions. The same Tribunal might have jurisdiction in respect of the obligation to provide reasonable facilities, a matter which at present also has to be determined by a Railway Commission.

159. But both in respect of reasonable rates and reasonable facilities we think the Tribunal should be protected from being flooded with applications. We think that by a procedure analogous to that under section 31 of the Railway and Canal Traffic Act, 1888 (commonly known as the Conciliation Clause), application should in the first instance be addressed to the Ministry of Communications. The Ministry should bring the two parties together, not necessarily, having regard to the great distances in India, face to face, but by the interchange of statements, and should then express its opinion on the merits of the dispute.[1]

160. We do not think that applicants should be prevented from taking their case to the Tribunal by the fact that the opinion of the Ministry was adverse to their claim. But the question should be considered whether frivolous allegations should not be checked by requiring the deposit with the Tribunal of a certain sum—a figure of Rs. 100 has been suggested—to be dealt with at the discretion of the Tribunal.

Appeal from Tribunal.

161. We recommend that in cases of importance, either by reason of the amount of money involved or because they raise a question of general principle, there should be an appeal. We suggest that it should lie to the Governor-General in Council—this is in accordance with the Canadian precedent. Leave to appeal might be granted either by the Tribunal itself or by the Governor-General in Council.

162. A good deal of evidence has been given to us by Indian traders alleging grievances in respect of owners' risk rates. The question is not peculiar to India. It is a constant source of disputes between railways and traders in every country. We think a full investigation of the whole subject by the Tribunal would be welcomed both by the railways and the trading public. The Tribunal should decide for what articles in the classification "owners' risk" rates should be quoted as well as "railway risk" rates; what shall be the precise definition of the Company's liability under each rate; and what difference in *quantum* between the two rates—corresponding to the

Owner's risk rates.

[1] This was the practice of the Board of Trade for some years after the passage of the Act of 1888. Subsequently, however, the Board ceased to express an opinion and merely presided over a discussion. If the discussion failed to produce a settlement, the parties were left to their legal rights. With the change in procedure the conciliation procedure lost a good deal of the value which it had been found to possess in earlier years.

difference in the liability imposed on the railway undertaking—may reasonably be made. It is not, however, our idea that the tribunal should exercise the jurisdiction of an ordinary Court of Law where it is a question of fact whether goods have been lost or injured in transit, and, if so, at what precise sum the damages should be assessed.

Settlement of claims.

163. Closely connected with the question of risk rates is the matter of settlement of claims. Whether the cause be slackness or shortage of staff, there is no doubt that unreasonable delay on the part of certain railways in dealing with damage claims, and their refusal to settle and pay even where the claim is undisputed, has caused deep and justifiable discontent.[1] The claimant has, of course, his remedy; he can sue in a Court of Law, where he will probably get judgment both for his claim and costs. But business cannot be conducted by law suit. We think the matter is one in which the new Ministry should take more interest than the Railway Board has done hitherto. If the Ministry were to call for returns showing how many cases are outstanding and for how long a period, and were to continue to call for such returns at frequent intervals, probably this would be sufficient to put an end to the grievance. Failing this, the closer supervision and additional powers we have suggested for the Railway Commission will enable them to take stronger action than perhaps has been possible hitherto.

Bribery in connection with allotment of wagons.

164. There is another matter which we think deserves much more attention both from the Railway Board and from the management of the individual railways than it has hitherto received. According to the immemorial custom of the East, inferiors, after the manner of Joseph's brethren who went down into Egypt, when they come into the presence of their superiors bring presents in their hands. Accordingly, it seems to have been usual in India, when the trader applied at a railway station for the use of a wagon, to pay some small fee, 8 annas (8*d.*) or Rs. 1 (1*s.* 4*d.*). In recent years, the supply of wagons being utterly inadequate to meet the demand—owing, like all the physical deficiencies of the Indian railways, to lack of funds—these small fees have grown to portentous dimensions.[2] Evidence all over India has been given to us on the subject. Payments of Rs. 50 or Rs. 100 are apparently common. Rs. 200 have been mentioned more than once. In one case we were told—and we see no reason to disbelieve the evidence—that Rs. 800 (say 50 guineas) were actually paid, to obtain a single wagon at a time when prices were fluctuating wildly and when consequently heavy damages were liable to be incurred for non-fulfilment of contract.

165. It is not too much to say that petty payments for wagons have now grown into a system of organised blackmail. The Railway Board and the railway officials, though they hesitate to admit that the evil is as serious and widespread as the traders claim, do not attempt to deny its existence. They deplore it, but are disinclined to accept responsibility. The practice, they say, can only be stamped out by convicting and punishing the bribe-taker. This has been done in some cases, but not with sufficient frequency or certainty to stop the practice. If conviction of the bribe-taker in a law court were the only means of stopping the practice, it would evidently continue indefinitely. For normally the only witness against the bribe-taker is the bribe-giver, and as he is *particeps criminis* and equally liable to punishment, he can hardly be expected to come forward to give evidence. The practice must be stopped, not by conviction of offenders, but by prevention of the offence. And this we are convinced can be done as soon as the authorities are sufficiently in earnest about the matter. We feel that the evil would not have grown so serious if the Railway Board had appreciated its magnitude, and after a thorough investigation had grappled with it as

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[1] Below is a communication received from a district where traffic is so scant that claim disputes might be expected to be of rare occurrence:—

> "It has come to the notice of the Chief Commissioner that there is the greatest difficulty in getting any claim, however petty, settled, and, even when the claim is admitted, in obtaining payment of the money. Since the 1st January last 40 notices of suit have been received by the Revenue Commissioner . . . from traders in this Province, who have been unable to obtain settlement of their claims by other means. This number exceeds the total notices for the last three years and makes it appear that the machinery for the settlement of claims is gravely defective."

[2] The trader, when the wagon which he needs is not supplied, understands that shortage of wagons means that the number of wagons in existence is insufficient. This may be so or it may not. The trader may fail to obtain his wagon, not because the wagon is non-existent, but because, owing to inadequacy of running lines and of junction facilities or of marshalling sidings, it cannot be brought to the station where it is required. We have no doubt that the supply of wagons in India is at present insufficient; but we think that the shortage from which the traders suffer is due more to blocks in circulation than to actual insufficiency of numbers.

a general question affecting all India and had insisted on reforms of the methods of wagon distribution.

166. Various steps have been taken in various places to deal with the matter locally. One official at least told us the methods by which he believed he had stopped the practice in his own area. More than one trader explained to us the elaborate checks by which he had succeeded in securing for himself his fair allotment of wagons without giving bribes. Another witness, not a railway man, but a trader, suggested several expedients that would, he believed, greatly reduce, if not absolutely prevent, corrupt allocation of wagons; and the railway representatives who heard the evidence admitted that the proposals seemed worth a trial. We think it is the business of the railway authorities both to excogitate methods for themselves and to try harder to enlist the help of the public. The matter is of serious importance. The feeling aroused is not merely one of resentment. One witness told us straight out that the reason the practice was not stopped was that the bribes do not stick to the hands of the subordinate to whom they are paid, but percolate much higher up through the railway service. It is most unfortunate that suspicions of this kind—and, however unjustifiable, they are as much to be expected as to be deplored—should be allowed to exist. The bitter feeling is not lessened by the fact that powerful European firms are believed to get without payment treatment at least as good as that which Indian traders say they can only get by bribery. We impute no blame, nor indeed did the Indian witnesses, to the European firms. Whether the reason of the distinction, which apparently does exist, is that subordinate officials dare not submit important Europeans to the treatment which they venture to mete out to their less influential fellow countrymen, we cannot say.

The third class passenger, his grievances.

167. We received many complaints regarding the treatment of third class passengers. Their grievances are of long standing and have often been recognised. Stress was laid upon them by Sir Thomas Robertson in his report of 1903, and—more especially with regard to mela traffic—by the Pilgrim Committees of a few years ago, whose reports showed plainly that even with the insufficient means of transport available more might easily be done for the passengers' comfort; it might, for instance, be necessary in exceptional circumstances for passengers to travel in trucks, but the trucks could at least be cleaned beforehand. We may quote the following sentence from the letter dated 27th September 1916, from the Sanitary Commissioner to the Government of India, submitting the reports of the Pilgrim Committees:—

> "The Government of India can hardly be aware of the amount of ill-feeling and ill-will towards themselves that these two conditions (viz. (1), overcrowding of ordinary trains and pilgrim specials, and (2) the use of goods wagons to carry pilgrims) engender."

168. As voiced before us, the complaints of third class passengers still continue under the following heads:—

(*a*) Overcrowding, to the extent at times of double or even more than double the approved carrying capacity.
(*b*) Inaccessibility and insanitary condition of w.c.'s in third class carriages for long distance journeys.
(*c*) Dirty condition of third class carriages.
(*d*) Inadequate water supply on station platforms.
(*e*) Inadequate food supply arrangements.
(*f*) Inadequate waiting sheds or waiting rooms.
(*g*) Insufficient booking office facilities.
(*h*) Uncivil treatment by railway staff.

169. In India, with its vast population, normally sedentary, but at intervals—sometimes of months, sometimes of a year, sometimes of several years—flocking in enormous numbers to melas (fairs or fêtes) or on pilgrimages to holy places, occasional overcrowding is inevitable. To construct and equip the railways so that on rare occasions they should be able to accommodate without inconvenience traffic out of all proportion to the normal is evidently impossible. And so long as the present shortage of funds persists serious hardship is unavoidable. But when it comes to overcrowding as a constant everyday affair, carried to the length that Members of the Committee have seen with their own eyes—passengers by regular trains perched in the luggage racks and in suburban services hanging on outside or squatting on the steps of the coaches, it is another matter. Serious measures must be taken to deal

with it. It cannot be done away with till funds are provided on a scale sufficient to allow of railways being brought up all round to a much higher standard of efficiency. But even with restricted facilities something more might be done by measures such as borrowing stock to the utmost possible extent from other lines to meet exceptional local pressure, and by strict supervision of matters such as enforcing cleanliness and the provision of drinking water. We consider that in such ways as these the utmost efforts should be made to minimise the inconveniences to which the lower class passengers are subjected. Alleviations and remedies.

170. We were told by the Agent of the East Indian Railway that the Railway Board had recently disallowed any capital expenditure, even to provide such things as installation of additional water supplies or erection of waiting sheds, as they did not directly improve the movement of traffic. Whatever the shortage of funds, we cannot think that if an order so sweeping as this was given it was in the general interest.

171. The view has been urged upon us that the third class passengers suffer relatively more than other users of the railways from the lack of adequate facilities, and that, though they contribute by far the greater part of the coaching earnings and nearly one-third of the entire railway revenue, their requirements have received less attention than those of the organised traders and more vocal classes of passengers. There is a strong feeling on the part of the Indian public that the improvement of the conditions under which the mass of the passengers travel has a priority claim.

172. In this connection we may refer to the existence on a few lines of a special class of official, known as Passenger Superintendents, who are engaged at some of the principal stations in looking after the comfort and convenience of the lower class passengers. These officials are usually retired Indian Army officers, who give much assistance to travellers. The evidence given to us shows that their services are appreciated, where they exist, and we recommend an extension of the employment of such officials.

CHAPTER VI.

Miscellaneous Cognate Questions.

173. We proceed to deal with several matters of considerable importance which, though not falling within the four main heads of the Reference, seem to be strictly germane to our enquiry. The first has reference to the railways other than the three State systems worked by the State, and the eight State systems worked by Guaranteed Companies, which we discuss elsewhere.

174. The Railway Administration Report enumerates no less than 174 railway undertakings, divided into 14 different categories. The divisions between the different categories are often very slight, resting on small technical distinctions. We do not think it necessary to reproduce them here. For the purpose of this Report it will be sufficient if we classify the 163 undertakings other than the 11 major railways under the same headings which we adopted in Part I. of this Report:—

A.—State lines worked by independent companies;
B.—Company lines worked by companies;
C.—Lines belonging to Indian States;
D.—Miscellaneous (branch and light feeder lines of various kinds).

175. With reference to the railways in Class A (the Tirhoot State Railway, worked by the Bengal and North-Western Railway Company, and the Lucknow-Bareilly Railway, worked by the Rohilkund and Kumaon Railway Company), or those in Class B (of which the Bengal and North-Western and Rohilkund and Kumaon are the most important), we have no recommendations to make.

The railways of the Indian States.

176. Class C, the lines in the Indian States, belong usually, with the important exception of one of the largest of all, that owned and worked by the Nizam's Guaranteed State Railway Company, to the States themselves. Some of them form quite considerable systems. The total Indian State-owned mileage is 4,847, of which 2,819 miles, mostly metre-gauge, are worked by the States themselves, and 2,028 by the adjoining main line administrations. The Government of India exercises certain powers of control in matters relating to public safety, and also over the adoption of new routes. But speaking broadly, these undertakings enjoy a large measure of independence, secured to them by the treaties between the Government of India and the several States. With the rights so secured there can, of course, be no question of interference. But a glance at the map of India is sufficient to show that the Indian States are scattered all over the country, and that main line construction must be turned aside from the route which physical and commercial geography would naturally suggest, if the frontiers of Indian States are to be regarded as inviolable. It has not been suggested to us that the States have shown themselves as in any way unreasonable in the past, but it is manifest that there must frequently be room for differences of opinion on questions of alignment of railways affecting the States; and we think that, when the Railway Commission finds itself in financial circumstances which make it possible to take up long postponed projects of extension and new construction, the relation between the railways belonging to the Government of India and the railways belonging to the Indian States will have to be reviewed from the broad standpoint which we have indicated.

The need for an All-India policy.

Branch and feeder lines.

177. Class D, which we have described as branch and light railways, consists mainly of small feeders of the main lines constructed under what are known as Branch Line Terms. These terms in essence involve, either that the State guarantees a minimum return on the capital, or, alternatively, undertakes that the line shall receive out of the earnings of the main line from traffic contributed by the branch such a sum, known as a rebate, as will make up the total earnings of the branch to a given sum. The branch in each case shares with the main line any profits exceeding the guaranteed minimum. This method of encouraging the construction of lines admittedly required to serve local needs, but for which the Finance Department declined to furnish the capital, was first adopted 28 years ago. It has enabled lines to be built which would otherwise not have been built, and has thereby helped considerably to develop the country. The method, as far as we can see, has no other advantage.

The financial terms usual before the war are now naturally quite inadequate, and will have to be revised if the system is to continue. Numerous witnesses have urged that this should be done. But one and all have admitted that, if the main line were in a position to build a given branch itself, and they were asked whether they would prefer it to be built by the main line or as a separate undertaking, they would choose the former alternative.

178. The Branch-Line Company is usually a fifth wheel to the coach. It implies in some cases a separate construction staff; it always implies a separate Board of Directors, and separate accounts. In cases where the branch is worked by the main line, if its Directors feel that the management is unsatisfactory, they not only can make representations to the main line administration, but in the last resort can appeal to the Railway Board. And this does not make for harmony. It is further evident that capital raised by a small private undertaking, even with a Government guarantee, will cost more than money raised directly by the State. As against this a certain weight must in fairness be attached to the claim that the Branch Line Company obtains from local sources money that would never be subscribed to a Government loan. There may also be certain cases of a branch line of smaller gauge worked independently, where the Branch Line Company can operate more economically than is possible to a main line.

179. But there is an objection to Branch Line Companies which goes much deeper. India has only 36,700 miles of line. The Mackay Committee 14 years ago said India needed 100,000. But if the extensions are to be made by scores and hundreds of little independent companies, the resulting confusion will be inconceivable. Naturally each company, small or great, desires to reserve for itself what in the diplomatic world is called a sphere of influence; and jealously claims that, if any new-comer intrudes into that sphere, he shall pay toll to the original concessionaire. Take the case of two main lines, starting out alongside from Bombay or Calcutta, and gradually diverging from one another. When they are at a distance of 200 miles from the terminus, at which point the two lines are 50 miles apart, there is a station on line A. Halfway from this station in the direction of line B there is a point of some local importance. A branch line is made to it and the local point develops. Thereupon the proposal is made to connect up this point with a corresponding station on line B, and a new branch line company is provisionally organised for the purpose. Difficulties at once arise. The old branch line company protests that the local point is within its sphere of influence, and main line A follows suit with a claim that it will lose the contributive value of the branch line traffic. How much attention the Railway Board pays to these protests must of course depend upon the facts of the individual case. But they are sure to be made. Sometimes they will prevail. And in any case they unnecessarily complicate a situation which ought to be considered solely from the point of view of the public interest. Or, again, there arises another class of cases where similar results follow. Company A affords a connection between two points. They are 100 miles apart as the crow flies, and 150 miles by the company's road. A small independent company proposes to connect the two points by a direct line, which in India is known as a chord. Naturally the old company protests, and permission for the construction of the new line—however obvious be the public benefit involved—is either refused or only given on a basis of elaborate accounting between the new company and the old for the profits which hypothetically would have belonged to the old line had the new line not been opened. Sometimes, in the Madras Presidency for instance, where exceptional powers exist to levy cesses for feeder railways, the promoter of a new branch line is not a company, but a District Board. And then considerations other than purely commercial come in and introduce further complications and protestations.[1]

[1] Mention may be made here of the views expressed by the Government of Madras, who draw attention to a case in which, although no short-circuiting is involved, there has been a delay of over 10 years in arriving at a decision in regard to the terms for working a district board railway (the Nidamangalam-Manargudi-Tiruturaipundi-Vedaranniam Railway) by the South Indian Railway Company. The Government of Madras also refer to the South Indian Railway Company Board of Directors' letter to the Agent, No. 248, dated 8th September 1920, from which the following extracts are quoted:—

"All that the Board now ask is that . . . . the protection which was promised them should be secured to them whenever the Government are granting concessions for the construction of new lines which will be, or which some day may become, part of Chord lines."

"The Board are anxious, as they have always been, to help . . . . the Government in any schemes for the advancement of the country, but they cannot be expected to make sacrifices . . . . of revenue when they can see no compensating benefits in other directions."

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180. Far from approving of a policy which increases the number of possible claimants for the traffic of a given area, we think the aim of the Government should be to reduce by amalgamation the number of existing companies. At the same time we ought to say that the opinion has been pressed before us that, unless separate companies are allowed to make branch lines, in some cases they will never be made at all. We therefore feel bound to record our opinion that if the State cannot and will not provide adequate funds private enterprise in this direction should be encouraged.

The gauge question.

181. The "standard" Indian gauge is 5 ft. 6 ins. It is called the standard gauge. But in fact it is not the usual one. For of the 36,735 miles of railways in India, only 17,990 miles, slightly less than half, are on the 5 ft. 6 ins. gauge. There are over 15,000 miles of metre gauge line, nearly 3,000 miles of 2 ft. 6 ins. gauge, and over 600 miles of 2 ft. A thorough investigation of the gauge problem is urgent at this moment. How it should be solved, it is not for us even to suggest. But we think that the situation, as it at present exists, must be faced as a broad problem affecting the whole of India, and examined from the engineering, operating and financial side by a special Commission of two or three of the first experts who can be found after careful search, not in one country only.[1]

Employment of Indians.

182. At the date of the last report there were employed on the railways of India about 710,000 persons; of these, roughly 700,000 were Indians and only 7,000 Europeans, a proportion of just 1 per cent. But the 7,000 were like a thin film of oil on the top of a glass of water, resting upon but hardly mixing with the 700,000 below. None of the highest posts are occupied by Indians; very few even of the higher. The position of a District Engineer, District Traffic Superintendent, or of an Assistant Auditor is, with one or two exceptions, the highest to which Indians have hitherto attained. The detailed figures in Appendix No. 2 show that, on the principal railways of the country, out of 1,749 posts classed as superior, 182, or rather more than 10 per cent., are filled by Indians. Of the 182 Indians, 158 occupy posts as assistant district officers in the various departments; 24 have reached the higher grade of district officers.

183. That they have not been advanced to higher posts, that even in the subordinate posts of the official staff there are not more of them, has been a standing subject of complaint before us. With so natural a grievance we fully sympathise. And we agree with the Railway Board in desiring that the grounds for it should be as far as possible removed. Still, facts are stubborn things. The appointment of Europeans to the superior posts in the railway service is unavoidable unless and until Indians qualified by training and experience are available to fill them. The process of training them in a small way and in one branch only of the railway service —the Traffic Department—began a good many years ago on the State-managed lines. As a result, on those lines 13 Indian officers out of 68 have already attained the position of district officers, as against 11 out of 114 for all the other lines. Taking all Indian appointments together, we find that some companies have caught up, or nearly caught up, with the State lines. The State line percentage per 100 employees is 14·60; the percentage on the East Indian is 14·61; on the Bengal-Nagpur 12·12, and on the Assam-Bengal 10·17. Other companies, however, fall a good deal short of this. On the Great Indian Peninsula the figure is under 5 per cent., and on the Burma Railways it drops to under 3 per cent. The highest percentage of all, 15·25, is reached by the Nizam's Guaranteed State Railway Company. The employment of Indians in the higher posts is growing, but the process should be accelerated. We think the Government of India might consider the propriety of establishing a minimum percentage of Indians to be reached within a fixed period. The minimum would have to be higher or else the period shorter in the Traffic than in the Engineering or Locomotive Departments.

Facilities for technical training.

184. Until recently opportunities for the technical training of Indians were lacking. And in the absence of opportunities, naturally few Indians were able to reach the standard required for the superior posts. Certain opportunities are now being provided. At Calcutta, on the Oudh and Rohilkhand, and on the North-Western Railways, we have heard of interesting developments which are, however, still in the

[1] Sir Henry Burt dissents from this paragraph and has expressed his view in a Note attached to the Report.

initial stages, and much more remains to be done. India is a wide country and facilities in the north are of little use to Madrasis. Moreover, what educational facilities exist are concerned mainly with engineering; and engineering is only one side, and nowadays perhaps not the most important side, of the railway profession. Formal instruction in methods of operation in all their ramifications—signalling, train control, station management and so forth—needs to be provided. And from the economic and commercial side, courses dealing, for instance, with the relations between railways and the controlling authorities on the one side and their customers on the other, are, as far as we know, non-existent. And two classes of railway men have to be catered for: the men of higher education and social position in training for the superior posts, and the much larger number who do not usually advance beyond the subordinate grades. We are also of opinion that the system of selection and training of the young men appointed as probationers in the Traffic Department on Indian railways needs reconsideration. The whole subject is one which in our view should be in the special charge of the Railway Commission; and we think substantial grants of money should be made for the purpose of developing such instruction. Need for extension.

CHAPTER VII.

Management and Finance.

185. We have remarked that, of the 36,735 route miles of railway in India, 7,369 miles are owned and worked by the State, and 17,768 also owned by the State are worked by guaranteed companies. The question on which we now have to advise in reference to these two classes is: should the State-worked lines be handed over to management by companies—English, or joint English and Indian, or Indian—or should the company-managed lines be resumed by the State; or should the maintenance of the present dual system be accepted as a permanent policy?

Systems of management. Four possible alternatives.

186. The Committee are unanimous in advising that the system of management by companies of English domicile should not be continued after the termination of their existing contracts; we agree also that a system of management by a combination of English and Indian domiciled companies is impracticable; but we have been unable to agree as to the relative merits of management directly by the State and indirectly through companies domiciled in India. We proceed accordingly to deal with this part of our Report in three sections. The first gives a brief account of the existing conditions of the English guaranteed companies, and sets out the reasons for our unanimous opinion that the managing authority should in future have its headquarters in India and not in England. The second explains why five Members of the Committee, including the Chairman, hold that the management in India should be by direct State agency. The third presents the case, supported by the remaining five Members, for continuing a system of company management but through companies domiciled in India. The question how money required for future capital expenditure can be raised is so closely associated with the question of the system of management that it can best be dealt with in the latter two sections as an integral portion of the recommendations contained in them respectively.

Committee rule out—(1) continuance of English domiciled companies, (2) combination of English and Indian domiciled companies.

Section 1.—Regarding management by Guaranteed Companies of English domicile.

187. The idea of a guaranteed company is familiar in railway politics. Normally a guaranteed company is a private enterprise, obtaining a concession for a limited period, and subscribing funds to build a railway, with a guarantee from the State that the earnings on the share capital shall not be less than a certain minimum figure. If the earnings fall short, the State makes up the deficiency; if they exceed the minimum, the company takes either the whole or a certain fixed proportion of the surplus. Such are the companies in France; such were some of the companies in Holland and the companies in Prussia and Italy till they were taken over by the State; such companies still exist in many of the South American States. And such at the outset were the Indian guaranteed companies. The East Indian built upwards from Calcutta through the rich Ganges plain; the Great Indian Peninsula built north-eastwards from Bombay, to Delhi on the one hand, and to a junction with the East Indian Railway from Calcutta on the other; and so on.

English guaranteed companies. Their history.

First period.

188. We see no reason to doubt that the formation of guaranteed companies with headquarters in London was wise at the time when the policy was adopted. India needed railways. The money to build them could only be found in England. And in the middle of the nineteenth century company shares were the form in which capital would naturally be raised. And no company could be expected to embark its capital without a guarantee from the State. Unfortunately, however, the companies fell for many years short of earning their guaranteed dividends, which had, therefore, to be made up to them by the State.

189. Reference to the details in Appendix No. 3 will show that there were three well marked periods. To the end of the last century there was an annual loss, amounting in the aggregate to £51½ millions. For the next 10 years the State secured a small annual profit ranging roughly from 100,000*l.* to £1¼ millions. For the last 9 years the profits have been considerable, averaging upwards of £4 millions per annum. The final result is a total profit of £44¾ millions—44¼ in the last 19 years—against the loss of £51½ millions in the earlier period.[1]

[1] Profit is to be understood as meaning net contribution to the general revenues of the State after payment of the working expenses of the railways, the interest on all debt incurred on their behalf, and certain repayments of capital amounting roughly to 1,000,000*l.* per annum.

190. From 1869 the formation of guaranteed companies ceased, and except in a few cases such new lines as were built in the next 10 years were constructed by the Government and operated and managed directly by them. The contracts with the original guaranteed companies ran for 50 or 60 years. But in every case the Government reserved the right to terminate the contract, and buy out the companies at an intermediate date after 25 or 30 years. And these powers, which first began to be exerciseable in 1879, have been in every case exercised. The form in which the purchase price has been paid varies; in some cases it was in cash, in some it was in India stock, in others it was wholly or in part in terminable annuities. We give two instances of the process adopted. The East Indian contract was terminated in 1879. The value of the Company's shares was fixed at 125*l.* per 100*l.*; the purchase price was accordingly ascertained to be 32,750,000*l.*, and this sum was commuted into a terminable annuity of 1,473,750*l.*, payable annually till February 1953. The East Indian system thereupon became the property of the State. The concession of the Great Indian Peninsula was for 50 years from 1850. It was not denounced in 1875, and accordingly ran till 1900. This line also was mainly paid for by the issue of terminable annuities. Certain lines constructed by companies which passed into the ownership of the Government on the termination of the concessions have remained under direct State management. Of these the Scinde, Punjab and Delhi, now absorbed in the North-Western, the Oudh and Rohilkhand, and the Eastern Bengal are the most important. Intermediate period.

191. But by this time—the early eighties—the current of opinion in favour of direct State management had spent its main force. The State thereafter acquired the ownership of the other guaranteed companies' lines, but it retained the direct management of few. At this time also it was considered by Government expedient to enlist the aid of private enterprise in the construction of several railway extensions urgently required as a protection against famine. The most important of these were the Southern Mahratta, the Bengal-Nagpur and the Indian Midland Railways. The capital originally contributed by these Companies, which has gradually become only a small proportion of the total cost of their existing systems, received a guarantee of interest, the working of the lines after completion being entrusted to the companies, which in addition to the guaranteed interest were allowed to retain a share of the surplus profits. Third period.

192. It will be seen that the State has acquired, or retained, the ownership of all the lines, but their management is mostly in the hands of Companies. The bulk of the lines were handed back to the management of the old Companies or of new Companies constituted on the basis of the old, or specially brought into being as described in the last paragraph. Government sole owner.

193. And herein lies the essential difference between the existing guaranteed companies of India and the original ones. The old Companies were owners; the new Companies are not owners of the undertakings which they manage. When the old East Indian contract terminated, the Company was bought out, as has already been said, for 32,750,000*l.*, and payment of this price was made in the form of terminable annuities amounting to 1,473,750*l.* annually. Under the new contract shareholders, representing 6,550,000*l.*—one-fifth, that is, of the purchase price—agreed to postpone their annuity and in place of it to accept a new contract. These so-called deferred annuitants—*quasi* shareholders, as they might be called—now constitute the East Indian Railway Company. Under their contract with the Secretary of State the management of the undertaking is entrusted to them, and they are guaranteed 4 per cent. on the capital, plus a certain share of the surplus profits. Surplus profits mean so much of the gross receipts as remain after meeting working expenses, annuity sinking fund payments, and interest on loan capital, whether in the form of debentures and debenture stock of the Company, or of loans or advances by the Secretary of State. Of this profit the Company was entitled—subject to minor conditions which need not be mentioned—under the contract of 1880 to one-fifth, and under the contract of 1900 to one-fifteenth. Under the present interim contract the Company's share is one-hundredth. Even if we ignore the present interim contract and go back to the previous one, it will be seen that the Company's proportion of the total profits is very small. Status of the guaranteed companies. The East Indian Railway Company. The State's preponderant interest in profits.

194. And there is more than this. The capital of the deferred annuitants represents actual cash handed over and invested for the capital purposes of the undertaking. The Secretary of State's share, on which his proportion of the surplus income is based, does not necessarily represent the actual cash invest- Goodwill belongs to the State.

ment. Some part of it is merely a capitalisation of the goodwill created under the original contract by the joint efforts of the owning Company and the guaranteeing Government. The proposition was worked out in this way: The Government acquired the undertaking of a given Company for, say, 1,000,000*l*. The undertaking had been earning on the average of the last five years a net revenue of 100,000*l*. In other words, capitalised on a 5 per cent. basis, the property was worth 2,000,000*l*. When it came to fixing the respective capital of the two parties to the new contract, on the basis of which the surplus profits were to be divided, the Secretary of State's capital was assumed to be not the 1,000,000*l*. cash which he had paid, but the 2,000,000*l*. which the asset was regarded as worth; while the amount put in by the Company was taken to be not more than the cash capital which its shareholders subscribed. In a word, the Secretary of State acquired the property out and out, and the goodwill, realised by the joint efforts of the old Company and the owning Government, passed with the physical assets. The new contract was given to a Company which, though it had the old capital, the old directors, and the old shareholders, was regarded as a new Company starting *de novo* with no inheritance of the goodwill partly due to its former efforts.

195. Under the existing contract the share of the East Indian Company in the surplus profits has been reduced almost to a vanishing point. In the words of the Agent of the Railway: "to afford the deferred annuitants an extra shilling per cent. per "annum I must either effect economies or increase earnings by Rs. 40 lakhs (say "250,000*l*.) in the year."

Companies not joint owners.

196. From this brief recital of an exceedingly complicated story two broad facts stand out. The one is that the entity known as the East Indian Railway Company is not, in the ordinary sense of the word, a railway company at all. Not only does it not own a mile of railway nor a single engine, but it is not joint owner even to an infinitesimal extent of the East Indian Railway undertaking. The East Indian Railway belongs, lock, stock and barrel, to the Government of India. If, on the termination of the latest contract in 1924, the Secretary of State declines to renew the contract, the Company merely expires. It hardly seems to need to be wound up, for it will possess no assets. The quasi-shareholders, the deferred annuitants, will revert to the position of ordinary annuitants. If the Company survives, it will only continue to exist as a machine for the distribution to the annuitants of the annual payments due to them.

197. We have described at some length the position of the East Indian Railway, as it is both the earliest and most important of the guaranteed companies, and though the process of the extrusion of the private investor has been carried further in the case of that railway, the East Indian position is practically typical of the whole situation of all the other guaranteed companies. It is true that in no other case have the shareholders so small an interest in the profits of the undertaking, for the share of surplus profits receivable by the other companies ranges from one-twentieth in the case of the Great Indian Peninsula Railway to slightly more than one-third ($\frac{12}{35}$) in the case of the Burma Railways. But of all it is true that the so-called shareholders have no share of the assets of the undertaking. The difference between the East Indian Railway and the other guaranteed companies is that whereas the share capital of the East Indian has already been commuted into annuities, the other companies still retain a share capital which has to be repaid to them when their contracts are terminated.

Their debentures not a charge on assets.

198. We have pointed out that a shareholder in an Indian guaranteed railway company is not a railway shareholder at all as the word is commonly understood. We find that the debenture holder of a guaranteed railway occupies an equally unusual position. His security—the guarantee of the Secretary of State—is doubtless ample; but it is not what it would naturally be supposed to be. Normally a debenture holder has a charge on the undertaking to which he lends money, and can enforce his rights either by the appointment of a receiver or by foreclosure and sale. The debenture holder of an Indian railway has no such charge. The company to which he lends money is not the owner of the undertaking; he has only a personal contract with the owner of the undertaking, the Secretary of State. What happens is this. The prospectuses of all the debenture issues that we have seen state that the money is "required for the general purposes of the Company." The subscriptions are actually paid into the Bank of England, by or on behalf of the

Company, to the credit of the Secretary of State. If the Company is in debt to the Secretary of State for advances, these advances are written down in his books by the amount of the new issue, but the actual cash received remains in his possession. A witness described the procedure to us by saying that the Secretary of State acts as, in a sense, banker to the Company. Seeing that the Secretary of State holds the money in his own name; that the Company have no power to touch it without his consent; that in fact he frequently applies it to expenditure on another railway; and that, even on the undertaking of the issuing company, the money can only be spent when and to such an extent as the Secretary of State permits, and on works which he approves, it does not seem to us that the use of the term "banker" is really helpful in understanding the actual facts of the case.

Dates when contracts are terminable.

199. The contract with the East Indian Railway Company, as we have said, expires in 1924; that with the Great Indian Peninsula Railway, the next largest company, in the following year. The contracts with the remaining six guaranteed companies are terminable by the Secretary of State at various dates, ranging from 1928 in the case of the Burma Railways Company to 1950 in the case of the Bengal-Nagpur. In none of these contracts is there any option reserved to the Secretary of State to resume possession of the railway on previously agreed terms at any time during the currency of the contract. The contracts vary widely in terms, financial and other, and also in period of duration. But their essential quality is the same throughout. The nominal shareholders have no share in the property of which they are called shareholders; the nominal debenture holders have no charge upon the property under whose name their debentures are issued.

Proportionate investment, State and Company.

200. The total investment in the undertakings of the eight guaranteed companies is 261,675,900*l*. The subscribed share capital of the eight companies (including the "deferred" annuitants of the East Indian Railway) is 24,620,300*l*. The balance 237,055,600*l*., is loan capital and Government capital invested either at fixed interest or on profit sharing terms.[1] It will be seen that even if the investment of the shareholders be regarded as railway share capital in the ordinary sense, the guaranteed shareholders' interest in the whole of the eight undertakings amounts to less than 10 per cent. of the total invested capital.

201. We have in the foregoing paragraphs briefly described the position which the present guaranteed companies now hold in regard to their financial relations to the State—the owner of the railway; and we have shown that the companies have acted only as agents of the Secretary of State in the raising of capital by means of debentures which in fact have been merely State loans under another name.

Companies not allowed to increase their share.

202. With the permission of the Secretary of State the capital of the several companies could have been increased, and although Sir Thomas Robertson in his Report of 1903 recommended that the companies should be allowed to obtain a larger interest in their undertakings, a recommendation which was renewed in the Report of the Committee presided over by Sir James Mackay (now Lord Inchcape) in 1908, the Secretary of State has steadily refused to accede to the suggestion.

Demand for transfer of control to India.

203. It must be admitted, therefore, that the part which the present guaranteed companies subsequent to the date of their formation have played in financing the railways has, through no fault of their own, been quite unimportant. A reversal of the present policy in the direction of permitting the English domiciled companies to increase their share capital in the undertakings which they now manage would meet with strong opposition from a large body of the public in India. We cannot, there-

[1] The details making up the total are:—

	£
Companies share capital (including East Indian Railway deferred annuities 6,550,000*l*.)	24,620,300
Debentures and Debenture Stock	40,830,500
Government capital invested either at fixed rates of interest or on profit sharing terms	108,084,500
Outstanding capital being redeemed by Annuities	54,914,700
Outstanding debt incurred by Government for the purchase of railways	33,225,900
Total	£261,675,900

fore, recommend the adoption of that course. Moreover, an overwhelming majority of the witnesses who appeared before us in India, whether individually they advocated State or company management, urged that the time had now come when the control, both financial and administrative, of the Indian railways should be transferred to India. That view is entitled, in our opinion, to very great weight.

204. When, in the years succeeding 1880 the present status of the guaranteed companies was fixed, reasons which at the time appeared sound may have justified the adoption of the policy which, while retaining in the hands of Government the absolute ownership of the railways, freed Government from their detailed management and handed over their working to English domiciled companies.

Arguments in favour of London boards.

205. It has been represented to us that the London boards still continue to serve a useful purpose in supervising and controlling closely all expenditure, that there are distinct advantages in keeping in touch through the London Boards with British manufacturers, with British consulting engineers, and with the London Stock Exchange, as also in maintaining an agency in London for the recruitment of the European railway staff. Again, stress has been laid on the technical and administrative knowledge of the directors, on their familiarity with Indian conditions, and on the value of those qualifications in the initiation and elaboration of schemes and projects for the improvement and development of the railways they control.

Arguments against control from London.

206. Advantages may be claimed for the exercise by the London boards of the functions to which we have referred and for the technical and expert knowledge which many of the directors possess. But conditions in India have changed so greatly in the last few years, and are changing so rapidly at this moment, that whatever may have been the position in the past we think the advantages of English management are now outweighed by the great disadvantages of absentee control and the difficulty of keeping in close touch with the modern social and trade conditions of India.

Committee recommend transfer.

207. For the foregoing reasons we unanimously recommend that the English domiciled guaranteed companies should cease to exist at the termination of their present contracts.

208. When the East Indian contract expires in 1924 no money will be required, as there is no capital to repay. The capital of the Great Indian Peninsula Railway, repayable in 1925, is only 2,575,000*l*. The next contract to fall in, that with the Burma Railways Company, is terminable in 1928; the amount of the capital to be repaid is 3,000,000*l*. The contracts of the other guaranteed companies are terminable at the following dates:—

1931, Assam-Bengal.
1937, Madras and Southern Mahratta.
1941, Bombay, Baroda and Central India.
1945, South Indian.
1950, Bengal-Nagpur.

Exceptional position of Assam-Bengal Railway.

The position of the Assam-Bengal Company is exceptional. All the other guaranteed companies earn, in the shape of their share of surplus profits, a substantial dividend above the guaranteed minimum, and their shares, even under the exceptional market conditions of the present moment, stand in the neighbourhood of par. The Assam-Bengal net receipts do not even meet the 3 per cent. guarantee. The shares are consequently quoted at present at about 45. We should hesitate to advise that the Secretary of State should pay off at par in 1931 shares now standing at 45. But the Company is not important, and there is ample time for consideration of this exceptional case between now and 1931. In any case, the amount at issue is not large.

Transfer as contracts expire.

209. A few Indian witnesses who appeared before us urged that the terms should be curtailed and the companies compulsorily expropriated; but the great body of them have expressed themselves content to allow the contracts to expire naturally by effluxion of time. And with this opinion we agree. Not only do we think that compulsory expropriation should always be avoided if possible, but we also are of opinion that for many years to come all the new capital that can be raised for Indian railways will be better spent in improvements and extensions than in paying off private capital that is already invested.

Section 2.—Proposals for Future Management, and the Methods of Raising Additional Capital.

By the Chairman, the Hon. Mr. V. S. S. Sastri, Mr. E. H. Hiley, Mr. Purshotamdas Thakurdas, and Mr. J. Tuke.

Future Management.

210. Our Reference instructed us to consider four possible methods of management of the Indian railways belonging to the State: by English companies, by Indian companies, by a combination of English and Indian companies, or directly by the State; and to advise on the relative advantages of these four methods. The Committee have unanimously ruled out management either by English companies or by combinations of English and Indian companies. There remains, therefore, for discussion only the alternative between management by Indian companies and management directly by the State. But we desire to add to that portion of the Report (Section 1 above) to which the Committee have unanimously agreed, some further observations on the subject of the English companies, which in our judgment have a direct bearing on the question of State *v.* company management in India.

State *v.* Company management in India.

211. The Committee have unanimously recommended that the English companies shall be brought to an end on the broad ground that they do not correspond with modern Indian conditions. But in our judgment there is another and even stronger ground, that they represent a system essentially unworkable. There is a great deal to be said for company management. Few people will be found to deny that a company, investing its own money, managing its own property, and judging its officials by their success in producing results in the shape of dividends, usually conducts its business with more enterprise, economy and flexibility than are found by experience to be attained in businesses directly managed by the State. It is, we think, strictly germane to the question we have now to consider, to point out that the English companies ceased many years ago to be companies in this sense.

Further observations on existing system.

Essentially unworkable.

212. The property entrusted to their management is not their own, and their financial stake in the undertakings is, as we have said, relatively very small. But it might be urged that the objection on these grounds to their continuance is merely theoretical. In a work-a-day world it matters little whether a system is logical, provided that it works. Our experience and investigations in India have led us to the quite definite conclusion that the system never has worked satisfactorily, and cannot be made to do so. The management of the undertakings is nominally entrusted to the several guaranteed companies. We say "nominally," for the Government, feeling itself to be the real owner and ultimately responsible, not only financially, but also morally and politically, for the policy pursued, has always refused to leave any real initiative in their hands. And as by the interposition of the companies the Government is kept apart from direct management, it in its turn does not feel an obligation to undertake the initiative itself.

Has not been successful.

Company has no initiative. Nor has Government.

213. On the board of each company there sits a Director, nominated by the Government, with a power of veto over any decision come to by his colleagues. It is true that we have been informed that this power of veto, though it has existed from the beginning, is believed never to have been exercised in any single case. But the explanation is largely that the existence of the power of veto suffices—a board of business men would naturally refrain from passing a resolution which they were warned in advance would not be permitted to take effect.

Government Director's veto.

214. Further, the Government control is enforceable and enforced by other methods. The freedom of the board and its officials to act is confined in nearly every direction by the Government. The Company does not retain control over its own revenue receipts or regulate its own revenue expenditure. The current cash receipts are required to be paid into the Government Treasury to the credit of the Secretary of State. Such moneys as may be necessary to meet current expenditure are furnished to the Company out of the Treasury as required, subject to restrictions prescribed by Government, and not necessarily to the extent desired by the Company. It is true that the Company appoints its own staff, but the cadres are fixed by the Government—so many officers and servants of each kind at scales of remuneration which the Company may not exceed. Should the Agent of the Company desire in an exceptionally meritorious case to increase the pay of a station-master at a station where the maximum is fixed at

Government's detailed control.

Rs. 250 per month to Rs. 260, Government sanction has to be applied for and obtained. No new appointment, even of a temporary nature, carrying a salary beyond Rs. 250 per month, can be created without specific Government sanction—a sanction which we are told sometimes fails to be obtained till the purpose for which the appointment was urgently desired has ceased to exist. In the case of a temporary appointee, we are even informed that rules laid down by Government, which cannot be departed from without express Government permission, prescribe the maximum leave of absence which the Company is entitled to grant. In a word, the Company does not and cannot manage the undertaking; it cannot, without the permission of Government, break new ground in any direction. Neither does the Government manage; it only controls and restrains. Further, as the control over railways in every case where money is involved really rests, not with the railway, but with the Finance Department of the Government, this control tends to take the form of refusing to face any exceptional investment of new money, however great may be its potential earning power.

Government's control essentially negative.

215. While the Companies have no real power to manage the undertakings nominally entrusted to them, on the other hand, if a Company is supine, the Government, which suffers both as representing the public interest and also in its capacity as shareholder, is powerless to intervene. The agent and his staff are appointed by, and can only be dismissed by, the board of directors. However urgent be the necessity for the adoption of new operating methods, for improvements in plant or equipment, for the modification of freight rates to encourage new traffic, and so forth, the Government can merely propose and suggest; it can only give orders in cases where public safety is involved. A system seems to have little to recommend it under which, on the one hand, a progressive Company is hampered by meticulous Government control of every detail of expenditure, while on the other hand the utmost wisdom on the part of the Government cannot prevent the injury caused by the unwise and unprogressive policy of a Company's board, at once to the revenues of the State and to the economic development of the country.

Freedom for private enterprise non-existent.

216. Our conclusion therefore is, in a word, that the guaranteed companies do not possess the essential attributes which belong to ordinary companies. To claim that, because ordinary companies possess the advantages of energy, enterprise, and so forth, therefore companies of the nature which we have described may be expected to possess these advantages, is to be misled by a mere name.

Establishment of companies with real independence impossible.

217. But it is to companies substantially of the same nature as the present English companies that our colleagues who reject the idea of direct State management propose to transfer the management of Indian railways. Governments in other countries have before now sold their railways out and out to private companies. Whether this was or was not a wise policy we have no need to discuss. No one yet, as far as we are aware, has proposed that private capitalists should buy out and out from the Government the East Indian and the Great Indian Peninsula Railways. It would involve raising capital amounting to something like Rs. 200 crores. Even the purchase of a half interest would mean raising Rs. 100 crores. Nor, in the circumstances, can we imagine that any such proposal, if made, would have any chance of acceptance by the Government or be able to secure from the public the requisite financial support.

And not in fact proposed.

218. The proposal put forward by our colleagues is that the management of these undertakings shall be transferred from English to Indian companies, which would never have more than a minority interest in the undertakings, and that the Government, remaining the predominant partner, shall appoint one half of the directors and nominate the chairman and so retain its control. We do not think that the change of domicile of the board of directors would make the scheme workable. We think that the division of responsibility between the Government and the boards of directors, which has hitherto existed, is in large measure responsible for the failure of the Indian railway system to meet its obligations to the public. We cannot believe that executive officers with a divided allegiance to the board of directors which appoints and pays them, and to the Government authority which stands behind the directors, can ever do the best work of which they are capable.

The force of tradition.

219. But as we have said, the present system has a long tradition behind it. Officials both of the Government and of the railways have grown up under it, and become used to it. And in our judgment if the management of the East Indian and the Great Indian Peninsula Railway is transferred to new companies in Calcutta and

Bombay, substantially similar to the existing English companies, it will be found in practice impossible to break away from the old system. And that system, in our judgment, is essentially bad.

220. We will add one further point. The directors of the guaranteed companies have grown up with the present system. Many of them are retired Indian railway officials who have borne the yoke in their youth. Whether competent boards of directors could be found at the outset in India is a question which we need not discuss, though strong opinions to the contrary were expressed by representative European witnesses in the presidency towns. But we feel certain that, if prominent business men, accustomed to ordinary commercial methods, were to join boards and then find their powers limited by Government control and Government regulations in any measure comparable to those which exist at present, they would very soon resign their posts.

221. Our first reason then for rejecting the proposal to establish boards in India is that in effect they would succeed to the position hitherto occupied by the boards in England. And this position we regard as fundamentally incompatible with successful administration.

Indian demand for direct State management.

222. We now proceed to discuss the question from a quite different angle. Indian public opinion is practically unanimous in demanding that the owner shall manage directly. We see no reason to believe that the mere transfer of the management from companies domiciled in England to companies domiciled in India would satisfy Indian public opinion. Nor, judging from the evidence before us, would such a transfer meet with general approval by Europeans in India. For though almost all the European witnesses whom we examined upon this point favoured company management, only 9 out of 19 supported Indian company management, the remaining 10 contemplated either management by companies domiciled in England or by a combination of English and Indian domiciled companies.

An atmosphere of hostility.

223. We attach great importance to the fact that Indian public opinion is against company management, and this not only on the general ground that Indian opinion is entitled to great weight on a question such as this, but for another reason of great practical importance. It is with money secured on Indian taxation that the Indian railways have been almost entirely built. It is the Indian public that uses the railways and pays the railway rates and fares. It is the Legislative Assembly at Delhi which under the new constitution votes the railway budget. It is of the utmost importance that Indian public opinion should not be prepossessed against the railway management. As a matter of practical politics it must always be remembered that a railway undertaking is a large and widespread concern; it employs a staff numbering very many thousands; and this staff, some of whom will certainly be stupid, careless, and possibly even corrupt, comes in contact every year with millions of customers, whether as traders or as passengers. "Give a dog a bad name and hang him" is a very true proverb in this connection. We do not think in this fallible world company management can be so good as to escape fierce, often unfair, criticism from Indian opinion. Even if we were to assume that State management would not be better, we are quite sure that its failures would be judged more leniently by the Indian public.

Absorption of Oudh and Rohilkhand by East Indian Railway proposed.

224. In the case of the East Indian Railway there is another reason in favour of direct State management. For hundreds of miles in the North West from Ambala roughly to Allahabad, the main line of the East Indian is parallel with the main line of the Oudh and Rohilkhand State Railway. Both lines are at present overcrowded and inadequately equipped to deal with the traffic offering. If they were combined together and worked as a single system they would be at least less inadequate, as through traffic could be diverted from one to the other according to the greater or less demands on either for the accommodation of local traffic. At present the two systems compete and we have the curious but not unnatural position that the company management of the East Indian Railway, being interested to the extent of one-hundredth in the net profits of that undertaking, endeavour to retain on their own line traffic which could more conveniently be carried by the Oudh and Rohilkhand.

"Transfer of domicile" a misleading phrase.

225. It is now necessary to consider what the transfer of the management from a company domiciled in England to a company domiciled in India really means. The phrase "transfer of domicile" has been freely used. It is incorrect. There is

nothing to transfer. The contracts between the Government and the East Indian, and Great Indian Peninsula Railway Companies terminate in 1924 and 1925 respectively. When the East Indian contract terminates, the deferred annuitants, to whom the management is at present entrusted, merely revert to the position of ordinary annuitants. Similarly in the following year the shareholders in the Great Indian Peninsula will be paid off at par. The Company will presumably be wound up. The management of both undertakings will automatically revert to the Government. An Indian company would be a new creation, operating under a new contract. What would be the conditions on which these new companies would be established? What would be their constitution? What would be the nature of their contracts?

The proposed new company.

Our colleagues propose that a new company shall be constituted to manage the East Indian, the bulk of its capital being issued to the Government; that it shall at the outset have a comparatively small amount of privately subscribed capital, say five crores of rupees; and that fresh private capital shall be subscribed year by year as new money is required for the improvement and development of the undertaking, a figure which was put to us by the agent of the railway as probably amounting to about four crores per annum. At this rate after five years the share of the capital held by private investors in the new company would be Rs. 21 crores. The East Indian as capitalised at present has in round figures a capital of Rs. 80 crores. At the end of five years, therefore, supposing the capital invested by the Government has not been increased, the company's investment would amount to only one-fifth of the total. We fail to see why the Government should delegate any substantial responsibility to a body representing so small a share of the total capital at stake. We know of no company in which 80 per cent. of the shareholders depute their rights to the remaining 20 per cent. When, as at the outset, the new company's interest is less than one-sixteenth, the proposition seems still more courageous. If the Government were to recapitalise its interest in the net revenue of this very profitable undertaking, on, say, a 6 per cent. basis, the proportionate interest of the new shareholders in the company would of course be very much less. But unless the Government does delegate substantial responsibility it is useless to talk of the flexibility, enterprise, and so forth, to be obtained by company management.

The minority interest of outside shareholders.

Will majority delegate management to minority.

226. Further, the shareholders in the proposed new company would not be like those in an ordinary company. It is not suggested, as we understand, that they should risk their money relying solely on the prospects of their successful management. It is not claimed that any appreciable amount of capital would be subscribed without a Government guarantee. And this guarantee is to be fixed, not like the guarantees given hitherto at 3 per cent. or 3½ per cent. or 4 per cent., but at 1 per cent. below the price at which the Government can borrow directly, say, at the present moment, a guarantee of 5 per cent. The new shareholder then is to obtain 5 per cent. certain, and in addition a share in the profits, which will make the probable return at least better than 6 per cent. He sacrifices a certainty of 1 per cent. What will he expect in return? We may assume that he will not subscribe unless he feels confident that on the average he will receive at least 8 per cent. That is, he will not regard a potentiality of anything less than 3 per cent. above the guaranteed 5 per cent. as more attractive than a certainty of 1 per cent. That this scheme might secure a certain number of crores of semi-speculative investment, is probable. But that it would secure money in sufficient quantity to relieve the Government of the necessity of borrowing freely in its own name, we cannot believe. And even if it did, it would still be open to the objection that the public would pay dearly for the money.

Shareholders to take little risk.

But large profits.

227. We conclude, therefore, that no scheme for the establishment of Indian domiciled railway companies is acceptable. Only if relieved from risk of loss will shareholders subscribe at all. Even when so relieved, they will only subscribe relatively small amounts. Such small amounts would not justify entrusting them with substantially independent management. And unless management is substantially independent, the justification for the existence of a company disappears. And, therefore, approaching the question, not as one of national sentiment, but purely from the practical point of view, we find ourselves in agreement with the almost unanimous opinion of Indian witnesses, and recommend that the undertakings of guaranteed companies, as and when the contracts fall in, be entrusted to the direct management of the State.

We recommend State management.

228. We think it necessary here to draw special attention to the *caveat* which we have to enter. It is not State management as it has hitherto existed in India, whose

functions we recommend to be so greatly extended. In earlier chapters of this Report the Committee have pointed out the failure and drawbacks of the existing system of control of Indian railways, whether considered from the executive and administrative or from the financial point of view. To the Government Departments concerned, as at present constituted and administered, we should hesitate to entrust any new responsibilities, in respect either of State or company managed railways. Our recommendation as to State management must therefore be read as coupled with and conditioned on the adoption—at least substantially, and in main outline—of the recommendations which we have made with respect to financial and administrative reforms.

But only on condition of essential reforms of Government machinery.

229. Our colleagues who desire to introduce the new system of guaranteed companies with Indian domicile have, in paras. 248 to 310, set out their objections to direct State management. We will deal with them very briefly. Their first point is that "reliance cannot be placed solely on Government for the provision of the necessary funds." That the Government has not provided sufficient money in the past, we fully agree. We fail to find any evidence that it has not been or will not be able to do so. If a borrower fails to get money because he refuses to pay the market price for it, that is no evidence that, when he offers to pay the market price, he will fail to obtain it. The total indebtedness of the Indian Government is some 410,000,000*l.*; and the whole of this except 110,000,000*l.* is earning not merely its interest but a substantial profit. The Commonwealth and State Governments of Australia, with a population of only 5,000,000 people, have been able to borrow more than 800,000,000*l.*, though a much larger proportion of this sum than in the case of India is non-revenue earning. They are still borrowing, and their issues are still readily subscribed in London. If we agreed with our colleagues in thinking that the fact that the Government has not borrowed money enough is a proof that they cannot borrow money enough—they offer no evidence in support of their opinion—we should be prepared to agree with them in their conclusion. For we think it would be a lesser evil that the railways should be managed on what we believe to be a bad system than that they should continue to be starved as they have been in the past.

Government must find adequate funds.

Can get money if it pays the price.

Comparison with Australia.

230. Our colleagues further claim that the improvements in the administration of State railways which have been effected are due to the emulation inspired by company management. But in fact, and speaking of present conditions, we have found no reason in India to think that company management is more efficient or more enterprising than State management. We have found quite as much zeal for improvement, quite as much readiness to adopt new methods, on State railways as on the company lines. This conclusion is identical with that reported in the Government of India's Despatch No. 18, Railway, of the 17th August 1917 to the Secretary of State, which stated their "unanimous view that so far as efficiency is concerned, "there is really nothing to choose between a company managed line in this "country and one under State management." It is also identical with that of the present members of the Railway Board, whose considered opinion in a written statement which they submitted to us in Delhi, is that "judging from the evidence of "results and from our own experience in administration, there is no ground for "supposing that either system of management is intrinsically superior to the other." And this is what might naturally have been expected, for the methods of management of the two classes are substantially the same. The only important difference is that the agents of the companies have the assistance of expert and experienced boards in England. And this expert assistance and experience our colleagues agree it is desirable for them to forgo.

State and Company management in India are equally efficient.

231. We desire to add here that our criticisms of methods of management and control imply no blame to the men who have to work under the disabilities which we have described, and for which they are in no way responsible. On the contrary, on our tour through India, though it was no part of our duty to investigate the management of individual systems, we have seen ample evidence that excellent work is being done in spite of the disheartening conditions both on State and company-managed lines.

Excellent work of officials in spite of discouraging conditions.

232. Our colleagues further suggest that experience in other countries justifies their preference for company management. Our reply is twofold: that in India company management in the ordinary meaning of the words does not exist, and cannot, we believe, be brought into existence; and, secondly, that a report on Indian railways is not the place to discuss the general question of State *v.* company

management. Unless it is fully discussed isolated details are valueless. For its adequate discussion a volume would hardly suffice. We are not unfamiliar with the instances advanced and with the surrounding circumstances, or with the examples of successful management which might be adduced on the other side. But we prefer to leave to our colleagues all the advantage which their references may afford them.

233. The whole reference to foreign countries is, in our opinion, irrelevant. It may be that State ownership in the countries mentioned is a mistake. We have, however, not to advise about the past policy of other countries, but about a future policy for India under the conditions that we find there to-day. Conditions in India being what they are, we have failed to find any solution of the problem submitted to us consistent with the retention of company management. We therefore do not hesitate, though most of us have approached the question with a strong prepossession in favour of private enterprise as a general proposition, to recommend that in India the State should manage directly the railways which it already owns.

234. Our colleagues have adduced lengthy statistics which they consider prove the inferiority of State management in India. The figures would have been more persuasive if the comparison had been made of like with like, or even if all the State-managed lines had been compared with all the guaranteed companies' lines and not with a selection from them.

235. Our colleagues suggest that company management will better secure the appointment and promotion of Indians in railway administration. They give no reasons in support of this opinion. We are unable to supply them. From the evidence we have received we conclude that the Indian public take the opposite view.

The company scheme will contribute little additional money.

236. Lastly, our colleagues consider that, under their scheme, Indian money would be raised so freely that there would be less need than in the past to have recourse to the English market. Our reply is that the total amount of additional money which could be raised by the proposed new companies would be so small a proportion of the whole amount needed that it would not appreciably affect the ratio in which the necessary funds would have to be raised as between the two countries. A rupee put into a Government loan is just as much Indian money as a rupee subscribed to a Calcutta company. And it will cost the Indian taxpayer a good deal less. The real question is not how much can be raised in India by share subscriptions, but how much will be subscribed in shares which would not be put into a Government railway loan. We see no reason to suppose that this latter amount will be other than quite small.

Adverse effect on London market.

237. Our own opinion is clearly that if the East Indian and Great Indian Peninsula undertakings were handed over to the management of Indian domiciled companies the effect would practically be to close the London market against them. Even now the Indian railways are out of favour. Sir Gerald Ryan, Chairman of the Phœnix Assurance Company, drew our attention to the obstacle to investment in Indian railway sterling securities caused by the fact that the total capital at present subscribed and outstanding, amounting to some £122½ millions, is subdivided into 63 different securities, no one of which is large enough to secure free dealing in the market. Sir Gerald remarked: "I would ask the Committee to consider how they can "expect a system of investments—£122½ millions amongst 21 railways, subdivided "into many different denominations and groups—to be anything like as popular as, let "us say, the Canadian Pacific Railway, which has 128,000,000*l.*, or more than the "whole of the Indian railways put together, and where the stocks are in two or three "groups." The Hon. C. W. Biddulph, a member of a firm of jobbers in the Indian railway market, stated that there was only one other firm dealing in Indian railway stocks, as against six in the Argentine market. He gave as the reason for the infrequency of transactions that brokers and their clients say, "This is too complicated and I would rather you had something more straightforward." It is clear that the further increase in the number of different securities and the transfer of the domicile of the companies from England to India would not increase the popularity of Indian railway investments. It might, moreover, be found that the fact that the two chief productive assets of the Indian Government had been handed over to such management would render Indian Government loans themselves less attractive to the English investor.

238. The management of a great railway system by an Indian-domiciled company is admittedly an experiment. State management is not an experiment—it has long

existed in India, and our colleagues admit that it must continue in at least one very important case. Even, however, if it were a question of choice between two experiments, it appears to us that, assuming either experiment to be a failure, it would be easier to transfer a State-managed railway to a private company, as has frequently been done in the past, than to disestablish, on "six or twelve months' notice," a company already established. The machinery for testing the State experiment is in existence at this moment, while the machinery for the company experiment would need to be specially created. Further, in the former case, if the experiment failed, there would be no premium to pay, as our colleagues suggest would be necessary if the State were to take away from the newly-formed company the management of the East Indian Railway.

239. We regret to have been forced into controversy with our colleagues. We have based our recommendation mainly on the broad ground, which seems to us incontrovertible, that as a matter of practical politics companies substantially independent cannot be formed in India, and that without such independence the advantages of private enterprise are lost. The fact that our colleagues can only propose the formation of companies in which the State would own the great bulk of the stock, appoint half the directors, and nominate the chairman, with an ultimate appeal in case of disagreement on the board to the Government itself, has confirmed us in our belief that we have correctly understood the position.

The Method of Raising Additional Capital.

240. We have, in conclusion, to make recommendations as to the method of financing railways in the future. It cannot be done through the existing Guaranteed Companies if the recommendation is adopted that no new capital shall be raised by them and that they shall gradually cease to exist. It cannot be done through affiliated companies, for their establishment is impracticable. The independent companies will continue to finance themselves. With the Branch Line Companies we have already dealt; at best they must always be relatively unimportant. It necessarily follows that in our opinion the State-owned railways must be financed solely by the Government.

New capital must be raised wholly by the State.

241. And, when we speak of the Government, we mean the Central Government at Delhi alone. It is true that by two or three witnesses, and especially by Sir M. Visvesvaraya, whose name deservedly carries high authority, it has been urged that railway management should be largely decentralised and placed under the control of the several Provinces. We are quite unable to agree. If there is one thing that railway history teaches more emphatically than another, it is that centripetal forces are stronger than centrifugal; that aggregation into ever larger units promotes efficiency and economy. Examples are forthcoming from every quarter of the globe. Witness the universal acceptance in Great Britain at the present time of the principle of combining all the railways into four large groups. We have already mentioned how, when the Union of South Africa was formed, the railways of the four separate Provinces were amalgamated into a single system. At this moment there is pending in the French Chambers a Government Bill under which all the railways of France will, for most purposes, including finance, be co-ordinated and controlled as a single system. The war was hardly over when Germany decided to transfer the ownership from the individual State Governments to the Central Government and to work them as a single system. America affords a still more striking instance. In spite of the tenacity with which the Sovereign States of the Union—as they love to describe themselves—hold on to their independent rights, the Transportation Act of 1920 has provided for the transference of almost complete control over railway finance, new construction, rates and operation, from the separate States to the Federal Government.

That is, by the Central Government

242. We have been told by some witnesses that centralisation in India is excessive; that 37,000 miles of railway, spread over a country so large and so diversified, cannot be managed from Delhi. We have already expressed the opinion that a considerable measure of executive decentralisation is necessary. But when we are told that the policy of the railways of India cannot be controlled from a single centre we entirely disagree. The mileage of the unified German railways is considerably more, and their traffic immensely greater. There is more than one private company in the United States at this moment whose traffic is double the total Indian traffic. No one will dispute that the Canadian Pacific, which

Need for central control, decentralised management.

stretches across the Continent, is efficiently managed from a single centre at Montreal. The Canadian National Railways, which also extend from the Atlantic to the Pacific, are managed from Toronto.

Methods of raising money.

243. The precise method to be adopted for raising the new capital which will be required in the future cannot be laid down in advance. Methods must change from time to time according to financial conditions, as to which only experts in daily contact with the market can form an opinion. We do not think that the Indian Government has in the past exhausted all advantageous methods of raising money. In general terms we can say that in our opinion the necessary money must be raised by direct Government loans in India or in England as circumstances may dictate. Whether these loans shall be ordinary Government loans, or railway loans with or without a definite pledge by the Government that the money shall be devoted wholly to railway purposes, or whether again they shall be long or short term loans, are questions on which expert witnesses who have appeared before us have expressed divergent opinions. Our own opinion, after hearing the experts both in India and in England, is that at the present time issues in England should be ordinary sterling loans, but that the rupee loans in India would be more attractive if earmarked as for railway purposes.

Variety, and local distinctions.

Railway extension must wait.

244. The need for large capital expenditure for fresh railway development is great, and will continue as far as we can see for an indefinite number of years to come. But the question to-day is not one of development, but of putting the existing railway system into such a condition as to be able to handle with reasonable efficiency and despatch, not the traffic of the future, but the traffic which at present is clamouring for accommodation that the railways cannot give. How urgent this need is, has been sufficiently shown in the evidence which we have reproduced, but we doubt whether anyone will be able fully to appreciate its meaning unless he has, like ourselves, listened personally to the lamentable tale of railway shortcomings, told by scores of witnesses in all parts of India from Madras to the Punjab and from Bombay to Bengal. In present circumstances we feel that, broadly speaking, future development must wait. But the rehabilitation and bringing up to date of the existing system in the shortest possible time cannot in our judgment be postponed. We believe that, provided railway rates are reasonably increased, having regard to the economy of operation which may be expected once the railway machine is relieved of its present intolerable overloading and is able to receive and handle economically the traffic actually in sight, new money spent for this purpose will pay for itself directly. Even if it did not, we should think it incumbent upon the Government to spend it, and spend it forthwith. It is impossible to put into figures the loss which Indian trade and industry are suffering from the crippled condition of the railways; nor can the Government afford to ignore the discredit which is being brought upon the railway administration by the present conditions, and the bitter feelings aroused in millions of passengers by the overcrowding to which they are now subjected.

Rehabilitation imperative.

245. We therefore consider that, while new development should, so far as possible, be postponed to a more convenient season, the money required to put the existing lines into a position where they are capable of dealing adequately with existing traffic should be raised, even at to-day's price, as soon and spent as fast as the railways can put themselves into a position—by the recruitment of an adequate engineering staff, the enlargement of railway erecting-shops, and the assurance of a continuous flow of the necessary materials—to use it advantageously.

And in this connection we think that the recommendation of the Mackay Committee deserves attention:—

> "It may be possible in some years to obtain larger sums than are required to provide for expenditure at the annual rate which we contemplate, while in other years there may be strong reasons for reducing the loans. We assume that the Secretary of State will, as far as possible, take advantage of periods of easy money to raise funds in excess of his immediate requirements, thus minimising the risk of having to reduce the expenditure at a time of stringency."

This advice was not followed during the period of cheap money before the war. We think the Government will do well not to forget it when market conditions are again favourable.

246. There is a further point in this connection to which we attach great importance. Hitherto the money required by Indian railways has been raised mainly in London. The Government borrowed largely in India during the war.

But this borrowing was not for railways, but for war purposes. We think that from every point of view, not only financial—the recent wide fluctuations in the exchange value of the rupee have emphasised the financial side sufficiently—but also from the economic and political point of view, the money required for Indian railways should as far as possible be raised in India. We are informed that, before the war, Government rupee loans were taken "firm" by the three Presidency Banks, now amalgamated into the Imperial Bank of India, and that these banks subsequently disposed of their holdings to the public. No doubt the new branches which the Imperial Bank is establishing in considerable numbers will enable it to reach a wider circle of investors than before. But we think that the agency for the issue of Government loans requires to be organised much more thoroughly and on a much wider basis, and that the services of all the banks, both European and Indian, should be enlisted.

Organisation for popularising Government loans.

247. Those who had experience of the methods by which the vast sums of money required by the English Government during the war were raised are aware what was accomplished by the enlistment in advance, not only of all the banks, but of other great financial institutions, and even of private capitalists, and how in this way the participation of the whole public which had money to invest was secured. We believe this could be done in the same manner, though, of course, not to the same extent, in India, provided there was adequate preparation and a systematic organisation in the hands of experts. A good deal can be done by personal invitation to Indian Princes and other great landowners and capitalists. But more important still is to tap the surplus resources of the mass of the people, the great bulk of whose savings, according to traditional Oriental ideas, still either goes into articles of personal adornment in gold and silver, or lies idle in each man's own possession. We have had interesting evidence from Indian witnesses as to the extent to which this immemorial custom is beginning to break down in places where any sort of banking facilities are available and how the process can be accelerated in the future. One point is clear: the work of enlisting the support of the masses must be done on a retail scale, and mainly through Indian agencies, money dealers in actual personal touch with the people. The amount of the individual contributions will be, of course, small, but the population of India is immense. And all experience confirms the Indian evidence, that the first step is the most difficult, that the habit of investment grows by exercise.

Section 3.—Proposals for Future Management and the Methods of Raising Additional Capital.

By Sir H. P. Burt, Sir R. N. Mookerjee, Sir A. R. Anderson, Sir G. C. Godfrey and Sir H. Ledgard.

Future Management.

248. The most important issue referred to the Committee is that set out in para. (1) of our terms of reference, the question of direct State management of railways in India as opposed to management by companies; and any decision on this head must inevitably affect the decisions under the other heads of our reference, on which, however, there may be general agreement by the members of this Committee as a whole. But this issue of State *versus* company management is not such a clean-cut one as might appear at first sight, especially to those who advocate State management without any qualification; for it is not a question whether from now onwards all railways in India should be managed by the State or whether all should be managed by companies. On the one hand it is agreed that the position as regards at least one State railway, the North-Western, cannot for strategical considerations be altered; and on the other hand there is the case of the Bengal-Nagpur Railway Company, between whom and the Secretary of State there is a contract which is not terminable for more than a quarter of a century hence, in 1950. The company system cannot therefore be extended to the former, and, as for the latter, it appears to us that prudential considerations alone forbid the pronouncement of a permanent policy for meeting the circumstances which may exist at that advanced date. It is clear, therefore, and it must be recognised at the outset as fundamental to a proper consideration of the question, that for many years to come the dual system of both State and company operation must remain in force.

Pronouncement of permanent policy unwise.

249. There is another fundamental fact, of which the Indian public are perhaps not generally aware or sufficiently appreciative, but which has been brought prominently to the notice of the Committee through evidence; and that is that owing

to the effects of the war on Indian finance the Central Government will be unable for at least the next decade, and probably for much longer, to finance the railway systems to the extent which the development of the country demands. It is admitted on all hands that the State in the past has been fitful and parsimonious in its contributions to railways; it is this failure on the part of the State to provide for the crying needs of rail transport which is responsible more than anything else for the complaints made by the public against railways, and, though a separate railway budget which has been suggested is administratively possible, and may conceivably give more stabilisation, this will not in itself produce more money. For the future as regards railways, the State has not only to face the increased expenditure required to meet the deterioration caused by the war, but also to provide the increased facilities for traffic demanded by trade, consequent on the new industrial development, estimated to cost fully Rs. 30 crores per annum for some years to come without making any provision for the construction of new lines. At the same time the State has to finance the short-term war debt amounting to about 100,000,000*l.* and under the circumstances we are confident that reliance cannot be placed solely on Government for the provision of the necessary funds.

Government alone cannot supply the necessary funds.

250. Finally, there is a third fundamental fact which must not be overlooked, that the reforms of 1919 have created a new Legislature which has a great measure of control over the budget, and India is at the beginning of a new era which is designedly one of transition. As she advances in the direction of becoming a democratically-governed country, she will be faced with the dangers which lurk in the handling of a commercial business through the agency of a State service and which experience elsewhere condemns. India cannot ignore these dangers, even though they may not be immediately imminent.

Dangers of State management.

The immediate problem. E.I.Ry. and G.I.P. Ry.

251. The immediate problem which we have to consider resolves itself into the question what should be done in the case of the two guaranteed companies whose contracts are terminable in the near future, the East Indian Railway and the Great Indian Peninsula Railway, in 1924 and 1925 respectively. The next would be the Burma Railway in 1928, followed at intervals by other railways till 1950, when the contract with the Bengal-Nagpur Railway Company falls in. The importance of the question is greater than is suggested by the mention of the two railways whose contracts shortly expire, because their mileage is approximately one-third of the total mileage of all the guaranteed companies' lines in India, about 6,000 out of 19,000 miles, and they form the great arteries of the Indian system connecting the two largest cities, Bombay and Calcutta, with each other and with the capital at Delhi.

252. The problem raises two issues: in the first place, whether the management of company railways by London Boards should continue, or whether the management should be located in India. This issue has been partially settled by the decision of the Secretary of State, that the management of the East Indian Railway should be moved to India after the expiry of the present contract in 1924. We need not discuss further the arguments for and against a continuance of the London Boards. The weight of evidence in India rejects the present system of management by companies domiciled in England, and for the reasons stated in section 1 of this Chapter, and notwithstanding the valuable services rendered by the companies in the past, we are in agreement that that system should be changed, according as the several contracts can be determined.

253. As regards the second issue, whether, if the complete control be in India, management should be by a Company or by the State, it is desirable in the first instance to summarise briefly the case for each policy, as set forth in the recorded evidence of the Committee. The opinions elicited are very divergent.

Arguments in favour of company management.

254. Let us consider in the first place the arguments of those who favour company management. An important and weighty section of opinion, including that of the Railway Board, is opposed to the view that State management is the best, holding that, as railways are primarily commercial undertakings, they should be managed on a commercial basis, so as to secure economy and efficiency, that is to say, by a Company with a Board of Directors. The following are held by the same body of opinion to be some of the defects in State management: (1) constant transfers of senior officials, resulting in lack of continuity of policy; (2) the tendency to give promotion on the grounds of seniority alone without sufficient regard to efficiency or

Defects of State management.

local knowledge; (3) disregard of public opinion; and (4) lack of initiative and flexibility. Further, as regards the co-existence of company-managed railways and State railways, it is urged that improvements in the administration of State railways which have been effected during past years are mainly due to the emulation inspired by company management; in other words, that the initiative lies with the company-managed railways, and that emulation and comparison provide healthy results in the case of State-worked lines.

Emulation inspired by companies.

255. Turning in the second place to State management, we find that a large section of the Indian public supports the adoption of this system, because it believes that company management does not encourage the development of indigenous industries by sufficiently favourable treatment; that it gives preferential treatment to import and export goods; that under the present system of company management large profits are made in British interests; and that hitherto the companies have not employed Indians in higher appointments except to a very limited extent, and have not granted them adequate facilities for technical training. Without pausing to argue here whether these views are correct or not, we venture to think they are coloured by the impression that company management necessarily connotes management through Boards in London. This, however, is not an essential condition of company management in India, and we deal with this point later.

Arguments in favour of State management.

256. There is, also, in addition to the negative dislike of company management on the part of the Indian public, a positive feeling caused by an awakened national self-consciousness that Indians should have more control in the management of the railways of their own country, and with this feeling we fully sympathise.

Demand for Indian control.

257. We have placed in prominent juxtaposition the opinions, as gleaned from evidence, of those who favour on the one hand State management and on the other company management. Holding, as we do, very strongly to the opinion that company rather than State management is best suited to meet Indian conditions, and agreeing with the views of those who advocate company management, we will proceed to develop the general arguments in favour of that system before attempting to put forward a constructive scheme for attaining that end. Our view is that State management, in other words complete nationalisation, should not be adopted in any country unless there are compelling circumstances which make it unavoidable. Let us examine such circumstances and see if they apply to India.

Company management preferred.

258. Working expenses under certain conditions, such as nationalised wages or extravagant over-expansion, might be so high that a country would be forced to subsidise its railways. This would mean that rates had already been raised to the full extent that passengers and trade could bear or that there was not the traffic to bring in the necessary revenue, and that, therefore, no prospect existed of railways earning their interest or dividend. Under such a condition a State would have to nationalise to safeguard its subsidy, and thereby to maintain its communications. We do not find this to be the case in India.

Arguments for nationalisation do not apply in Indian conditions.

259. Allied closely to the foregoing is another possible condition, that the financial outlook for railways was so gloomy that it would be hopeless to attempt to raise more railway capital. This certainly does not apply to India. One more possible condition may be mentioned; for military reasons it might be considered essential by a country to retain all railway operation in the hands of the State. Here again the conditions cannot possibly apply to India.

260. It has been suggested that in India there is not company management in the ordinary meaning of the words, and that the system which exists there at present has not worked and cannot be made to work satisfactorily. The system is that the State owns the lines and contracts with companies to work them. There are certain faults in the way in which the system has been worked, but these are capable of elimination—they are not inherent in the system.

Faults in company management can be rectified.

261. The alleged imperfections of guaranteed companies are not due, as is currently believed in India, to company management in itself, and the evidence shows that the charges brought against railways are not peculiar to the company-managed lines. The main cause of the imperfections in company working (they are equally in evidence on State worked lines) is undoubtedly to be found in the past policy of the Government of India in regard to the financing of the contracting companies, under which Government, while assuming full responsibility for providing the necessary

Complaints not peculiar to company managed lines.

Their origin.

funds for capital expenditure, and refusing to allow the companies to raise any capital of their own, has at the same time limited the amount to be spent each year to a figure considered financially expedient for the country. This policy of financial caution has proved, from the resultant inadequacy of funds and fluctuations in allotments, to be the serious hindrance to the proper development of the railways. This policy has been defended time after time as being necessary for a poor country like India and as essential for her future financial credit. Whether or not it is agreed that such a policy was sound in the past under the varying conditions that prevailed from year to year, most people will judge now from the perspective of time, that it was at best a timid policy proving disastrous to the trade and industry of the present day.

Inadequate allotments.

262. The difficulties referred to above which have so seriously hindered the railway administrations in India in meeting trade demands and providing better accommodation for passengers, particularly for the third class, afford no proof that the company system must be a failure and no argument in favour of complete nationalisation. In fact the latter might well result in perpetuating and even accentuating the timid financial policy to which we have referred, as it is on record that the companies repeatedly and strenuously pressed for greater liberality in expenditure. The working of the company system as evolved for India can only be judged in the light of the financial difficulties which have surrounded it at every turn. Freed from these difficulties, which are certainly not inseparable from the system, it has, in our opinion, great national advantages suitable for any country, in that it ensures the larger share of any profits which may be made from the railways going into the coffers of the State, while avoiding the extravagance and other serious disadvantages of State management through a vast and growing bureaucracy.

Reliance on Government for funds tried and found wanting.

263. We desire to emphasise this aspect of the case as strongly as possible. Reliance on Government for providing the necessary funds for railway purposes has been tried for many years and found to be altogether wanting. We have during the current year the curious spectacle of Government in its Industries Department doing all it can to encourage trade development, and in its Finance Department failing to supply funds necessary for the development of its transport services on which industries depend. We can see no reason for thinking that Government will be in a position to provide year by year the large sums needed for railway purposes, and we have given our reasons for coming to that conclusion. The future holds out little hope that greater reliance can be placed on Government in this connection, and we are convinced that the position will never be remedied if Government loans are alone relied upon to secure the vast amounts required for railway purposes. The extreme importance therefore of finding new sources for the supply of capital is evident.

No expectation of success in future.

New sources must be found.

Political considerations.

264. In dealing with this aspect of the case certain political factors in the situation must not be overlooked. It will contribute in a large measure to the well-being of India if the money which Government cannot provide for railways is found in that country and its resources tapped for the supply of a part at least of the additional capital needed. The keynote of the present policy in India is co-operation in the widest sense of the term wherever possible, and in our view the system of management which we advocate will secure co-operation in the raising of additional capital without injuring the credit of the Government of India or limiting in any way the control which, as is the universal practice in all countries, Government must exercise over a railway monopoly in order to safeguard the interests of the public.

Objection to State employment of labour force.

265. We have drawn attention in an earlier part of this separate Section to the dangers which India might some day have to face in the working of a commercial business through the agency of a State service. In this connection we cannot refrain from referring to the obvious objections, not to say the positive dangers, of making Government the sole employer of a vast labour force. Strikes so far on Indian railways have been sectional only, and have never as yet seriously affected communications. We feel confident that the position would be very different if the entire staff belonged to a State service.

Relations of State with staff.

266. Another weighty objection often urged against State management is the system of promotion by seniority and consequent lack of continuity of service on one railway. Now there should be no causal relation between the one and the other, but it is impossible to pass over the fact that in actual experience the fault does occur in every State service, owing to the tendency to allow seniority to assume undue importance in the selection of officials for the higher posts. Moreover a State service is always bound by rigid rules and scales of pay, and cannot allow the latitude exercised by a commercial concern in singling out and recognising merit.

267. So far as we know the only safeguard against these dangers and objections, which are inherent in the State operation of railways, is company management.

Example of other countries.

268. We will now allude briefly to the conditions in a few important countries where State management exists. The Swiss Federal railways in seven years (1914-20) have shown a loss of 200 million francs, say 8 to 10 million sterling. Before the war they were earning a small profit. Passenger fares have been increased by 40 to 60 per cent. Prior to 1914 and subsequent to the date of nationalisation there was a steady and often large increase in the cost of the staff and in the operating ratio. The Northern Railway of Austria, before it was taken over by the Government in 1906, paid a dividend averaging for the previous five years 12 per cent.; the Government succeeded in turning that profit into a loss. In Italy for a period of eight years from 1905, when Government took over the working of the railways, there has been a steady yearly increase in the operating costs and the return on the capital has declined. The South African railways show a loss of 2,000,000*l.* on the last two years' working. The American railways are in such a bad way consequent on the period of Government control, that President Harding in a recent address to Congress, after referring to the "heedlessness of cost of Government operation," emphatically asserted that there would be a foundation for rebuilding after the past disaster, if it was clearly understood that there would be no State ownership, and that the people would not be taxed to cover railway deficits. This shows the trend of opinion in a democratic country.

Switzerland. Austria. Italy. South Africa. America.

Effects of war. State operation not recuperative.

269. It is quite clear that war and post-war conditions have had much to do with the high cost of railway operation in all countries, and that figures can be given showing the financial difficulties of company-operated lines; but State operation, hampered by standard rates and standard wages, is bound to be slow in getting back to more normal conditions and through lack of elasticity is likely to be far behind company operation in hastening on recuperation. We attach much weight to the fact that the Indian railways, with the balancing effect of company-managed lines, in spite of the serious handicap of inadequate facilities, and with a comparatively moderate increase of rates and fares, have not fallen into the low financial state of railways of many other countries, and we are confident that the result would not have been the same had all the railways been operated by the State.

Comparisons invariably favourable to company management. Some examples.

270. Comparisons in economy and efficiency invariably prove advantageous to company management, but it is not always easy to obtain suitable comparisons. We can, however, do so in India, and we quote a few figures which may prove enlightening to those who do not possess an intimate knowledge of Indian railway working. These figures have been extracted from statistical returns maintained by the Railway Department and, whether mathematically correct or not, they have all been arrived at on a common basis. It appears to us that the results exhibited, which are uniformly favourable to company management, are of sufficient interest to produce here.

Locomotives per Mile of Open Track.

Company Railways.	Per Mile
Bengal-Nagpur	·27
East Indian	·51
Great Indian Peninsula	·40
Bombay, Baroda and Central India	·30
Madras and Southern Mahratta	·25
	1·73
Average	·34

State Railways.	Per Mile.
North-Western	·30
Eastern Bengal	·51
Oudh and Rohilkhand	·17
	·98
Average	·32

Ton Mileage per Engine in Thousands of Tons.

Company Railways.	Tons.
Bengal-Nagpur	10,819
East Indian	13,288
Great Indian Peninsula	8,995
Bombay, Baroda and Central India	11,175
Madras and Southern Mahratta	10,018
	54,295
Average	10,859

State Railways.	Tons.
North-Western	7,855
Eastern Bengal	5,681
Oudh and Rohilkhand	9,537
	23,073
Average	7,691

Company railways 41 per cent. more.

Average Mileage run per Engine per Diem.

Company Railways.	Miles.
Bengal-Nagpur	69
East Indian	79
Great Indian Peninsula	59
Bombay, Baroda and Central India	70
Madras and Southern Mahratta	62
	339
Average	67·8

State Railways.	Miles.
North-Western	52
Eastern Bengal	57
Oudh and Rohilkhand	58
	167
Average	55·6

Company railways, 21·9 per cent. more mileage per diem.

Wagons per Mile of Open Track.

Company Railways.	
Bengal-Nagpur	8·19
East Indian	12·51
Great Indian Peninsula	5·94
Bombay, Baroda and Central India	7·10
Madras and Southern Mahratta	4·57
	38·31
Average	7·66

State Railways.	
North-Western	5·83
Eastern Bengal	12·06
Oudh and Rohilkhand	5·10
	22·99
Average	7·66

Average Mileage run per Wagon per Annum.

Company Railways.	Miles.
Bengal-Nagpur	13,619
East Indian	23,007
Great Indian Peninsula	14,392
Bombay, Baroda and Central India	17,690
Madras and Southern Mahratta	16,551
	85,259
Average	17,051

State Railways.	Miles.
North-Western	12,772
Eastern Bengal	12,659
Oudh and Rohilkhand	12,499
	37,930
Average	12,643

34 per cent. more mileage run by Company wagons per wagon per annum.

Percentage of Freight upon Capacity Hauled.

Company Railways.	
Bengal-Nagpur	57·81
East Indian	45·05
Great Indian Peninsula	56·45
Bombay, Baroda and Central India	43·34
Madras and Southern Mahratta	48·71
	251·36
Average	50·27

State Railways.	
North-Western	49·84
Eastern-Bengal	31·43
Oudh and Rohilkhand	52·98
	134·25
Average	44·75

Average Weight of a Goods Train.

Company Railways.	Freight.	Dead Weight.	Total.
Bengal-Nagpur	313·96	324·77	638·73
East Indian	326·87	426·75	753·62
Great Indian Peninsula	248·40	326·68	575·08
Bombay, Baroda and Central India	279·84	386·21	666.05
Madras and Southern Mahratta	262·61	335·08	597·69
	1,431·68	1,799·49	
Average	286·33	359·89	

125 tons dead weight per 100 tons of freight.

State Railways.	Freight.	Dead Weight.	Total.
North-Western	307·89	365·48	673·37
Eastern-Bengal	217·61	445·79	663·40
Oudh and Rohilkhand	296·72	355·92	652·64
	822·22	1,167·19	
Average	274·07	389·06	

141 tons of dead weight per 100 tons of freight.

271. On a review of all these considerations, it appears to us that in the interests of India it is as necessary as it is desirable that its railways should be worked as far as possible by company rather than by State agency, and we believe there will be no difficulty in evolving a scheme of company management in India which will meet the legitimate aspirations and claims of all sections of the community, will satisfy both political and industrial interests, will relieve the financial situation and will at the same time give an opportunity for the harmonious co-operation of both Indians and Europeans in the working of the great and vital industries of the country and thereby ensure the rapid development of the resources of India for the benefit of all. We do not think State management can be relied upon to secure the same results.

We recommend company management.

272. We now put forward two constructive schemes for this end. Taking the line that, as between Government and a new (Indian) East Indian Railway Company, there is no reason to complicate matters by taking into account the question of the direct obligations which at the end of 1924 Government will be under towards the late shareholders, annuitants and debenture holders of the existing English company, it is easy to suggest the outlines of a contract which should give the new company a reasonable return for its capital and remuneration for its services as managing agency.

Two schemes suggested.

273. If the East Indian Railway net earnings at the end of 1924 over a period of three years have averaged about Rs. 8 crores per annum, and if 6 per cent. be the then prevailing and estimated future value of money, then the capital value of the line will be about Rs. 134 crores, and this might be taken as a basis for negotiation. A new limited liability company might then be promoted with rupee capital, domiciled in India, with its headquarters at Calcutta the present headquarters of the system. The company would have a nominal capital of, say, Rs. x *plus* 50 crores, of which Rs. x would represent the Government share capital, the balance of 50 crores being the authorised new share capital, of which about 25 crores might be called up in the first few years.

274. Interest at 1 per cent. less than the prevailing rate from time to time for Government loans, on the paid up public share capital, should be a first charge against the net earnings. Government must guarantee this return in order to ensure public confidence and make the shares a trustee security, but in reality this rate of interest would unquestionably be met from the net earnings, and the guarantee would therefore be purely nominal. Interest at the same rate on the Government share capital (x) should next be charged, and the balance of net earnings should be regarded as surplus profits to be divided between the Government and the public shareholders in proportion to their respective holdings. The amount to be assumed for x must be determined on a reasonable basis.

275. Under the foregoing scheme the Government liabilities towards the old East Indian Railway Company are liabilities of the general revenues of India, and would be a matter for Government to deal with quite apart. But if preferred, an arrangement could be made which we call the second scheme, based on the booked capital outlay of the line, under which the interest on the outstanding liabilities would have to be specifically provided for as first charges against the earnings of the new company. In this case, the amount of such charges and liabilities and the amount to be taken as Government capital in the company, would need detailed investigation, but if capital outlay be taken as the Government holding in the new company, it would be equitable that Government should receive a fixed proportion, say one-third of the surplus profits, before division, in recognition of its ownership and guarantee.

276. It should be noted that under both the foregoing schemes, the actual terms and fixation of capital must be settled in the light of the financial conditions prevailing at the time the contract is made.

277. Whichever of the foregoing alternatives be chosen, the following general provisions would apply:— General provisions.

(*a*) The company with the sanction of the majority of the shareholders, which in effect would mean Government, should have the power of raising further capital when required.

(*b*) The Government of India should have the right to acquire the shares subscribed by the public at a stated period, by giving six or twelve months' notice, and at such reasonable premium as may be agreed at the inception of the company.

(*c*) The Board should consist of 10 Directors: five to be elected by the outside shareholders and five to be nominated by Government. It is desirable that half the number of Directors should be Indians.

(*d*) Government should have the right to nominate a chairman from among the 10 members; the chairman should have a casting vote.

(*e*) The management should rest with the Board of Directors as is usual in commercial concerns, except so far as legislation intervenes and except in such matters as control of rates, allocation of capital and revenue expenditure and service to be rendered to the State.

(*f*) Should there be any disagreement between the nominated and the elected Directors which necessitates the exercise of the chairman's casting vote, the matter should be referred to the Government of India, if the minority so desire.

278. Let us now consider the advantages of a scheme of this nature and the possible objections. The experiment of having an Indian domiciled company is certainly worthy of trial, while it would not form an irrevocable policy when existing contracts expire at later dates. As regards advantages, we consider that in the first place Indian public opinion will obtain full recognition without the bureaucratising of a commercial organisation. The Government of India, as now constituted under the Reform Scheme, will provide sufficient assurance that such opinion will not be disregarded; and the remedy against complaints such as unduly favourable treatment of foreign trade, if it exists in competition with internal trade, will lie with the Tribunal which the Committee have unanimously recommended should be set up. Moreover, the members of the Legislative Assembly will be able to keep themselves fully acquainted with the internal working of the railway through their countrymen on the Board of Directors.

Experiment not irrevocable policy.

Advantages.

Public opinion.

279. In the second place, we hold that the appointment of Indians to high administrative posts and the promotion of specially meritorious Indians from subordinate to higher grades will be better secured under this scheme than on State-managed railways. The proposal will afford to educated Indians the best possible opportunities and facilities for learning the management and control of large commercial and public undertakings, and give them an opportunity of becoming equally competent with trained Europeans in direction and management. This is one of the most important grounds which lead Indian opinion at present to desire State management; but we believe that by our proposal their object can be achieved in a more direct and definite way.

Employment of Indians.

280. Whatever may have been the case in the past, India is now at the parting of the ways; and, simultaneously with political reform, reform in commercial and industrial development is essential. No country can prosper politically without industrial prosperity; and this cannot be secured merely by increasing the number of Government employees.

281. A third advantage is to be found in this new method of financing Indian railways. According to our reference it is a primary duty to suggest means of raising sufficient funds for the development of Indian railways. The difficulties in regard to finance of the Government in India and of companies in England have already been indicated; and on political grounds it is desirable to limit India's indebtedness to the non-resident investor. Now, the scheme which we suggest will, we are confident, achieve our object in finding a new market in India. By the Government guarantee of a fair rate of interest, such trust money as requires investment will be attracted; and there is a great probability, nay, almost a certainty, that a large amount of money from insurance companies, which have of late been rapidly growing in India, will become available. It will have the further advantage of tapping a new field of investors in India itself, to whom a guarantee with additions based on a share of the profits will naturally appeal; for there are many grades of possible investors in India ranging between the public trustee and the speculator.

Appeal to Indian investors.

282. The first loan of the new company will undoubtedly receive a great impetus from what may be described as patriotic motives—as was the case in connection with the issue of the loan for the Development Scheme in Bombay—and when the practice is established of investing in railways, it is likely to become permanent. Moreover, the amount required for the East Indian Railway will, we are informed, not be likely to exceed 4 crores a year for a reasonable period in the future; and we are confident

that with good security and the prospect of a satisfactory dividend, the amount will be forthcoming in India itself, if not entirely from Calcutta.

283. Turning now to possible objections, we find, in the first place, the allegation of a practical difficulty, that suitable directors, both European and Indians, for the boards of the trunk railways in India cannot be found at present. We do not agree as to the impossibility of finding such men. We have no doubt they can be readily found in the Presidency towns, and we desire to increase the opportunities for utilising the services of men who are suitable. The experience already gained in the large organisations of the Port Trusts and Improvement Trusts is not without value; and the traditional commercial communities of India already bring forward men with the requisite administrative skill, financial sense, and business acumen.

Suitable directors can be found.

284. Another objection is that Government would incur great unpopularity by parting with any share in so remunerative a property. We do not admit that Government would under our scheme surrender any part of its proprietary interest. It will merely be converted into share capital, with the prospect of making that capital more remunerative than it could be under direct State management. The sharing with the investing public of a portion of the increased railway profits due to the additional capital subscribed by them cannot be considered an extravagance or a loss to Government, inasmuch as better and more economical management will be secured. Still another objection has been raised that such a company might in the future have to borrow by means of debentures at a rate slightly above the rate for Government loans. We grant this, but would reiterate that the difficulties of Government as regards the provision of funds must be recognised. If money must be obtained it is necessary to offer sufficient inducement. Furthermore, we hold that borrowing by a commercial concern of the highest standing will leave the credit of Government as regards Government loans unimpaired, for, as we have already said, Government will not have parted with any of its assets.

No surrender of Government's proprietary interest.

285. It may be argued by way of general criticism of our scheme that Government must in some way or another find the money for railway development, presumably by fresh borrowings or increased taxation, if it is asked to do so. But the facts should be faced: increased taxation has already been applied to meet the deficit of the present year (1921-22), and there is a heavy burden of floating debt. If, as it is hoped, Government may at some later period be in a position to raise larger sums than at present for the requirements of railways in India, there will be ample scope for utilising that money, first, in bringing State-managed railways to greater efficiency; secondly, in providing funds for the guaranteed company railways which will still remain under contracts; and, thirdly, in constructing the many new lines which are so urgently required. Moreover, past history cannot be ignored, the Government have regularly and continuously failed, and even refused to attempt, to raise the funds so badly required for the railways of the country.

286. In consideration of the advantages mentioned above, and after discounting the objections, we would advise that in view of the special present difficulties of finance a company constituted in accordance with our scheme is the best possible solution for the problem which lies before the Secretary of State in 1924 in connection with the East Indian Railway. It is impossible to foretell what may be the opinions on these matters 15 or 20 years hence, in India, Europe, or the world generally, and we hold that it would be unwise at the present juncture to commit the Government of India to a permanent policy of State operation. If this scheme in regard to the East Indian Railway proves successful in attracting the required capital in and from India, the Great Indian Peninsula Railway Company whose contract expires in 1925, six months after that of the East Indian Railway Company, might be converted on similar lines into a rupee capital company domiciled in India, with its headquarters at Bombay. It would appear from the evidence that the prospects of raising share capital in Bombay are even brighter than in Calcutta.

Management of E.I. Ry.

G.I.P. Ry.

287. The conversion of these two arterial railways into domiciled rupee capital companies and their operation through the agency of boards in India, consisting of Indians and Europeans, including Government Directors, will, we feel sure, give a great impetus to and create an interest in Indian investing circles. The question of the other guaranteed railways whose contracts have still many years to run, will have to be considered on their merits when these contracts become terminable. As for the State-managed railways, with the exception of the special case of the North-Western

Other cases to be dealt with on their merits

Railway, if experience shows that the Indian domiciled East Indian and Great Indian Peninsula Companies can be successfully worked and that sufficient capital for their requirements is forthcoming, public opinion might largely support the extension of company management, and it might then be desirable to convert some of the existing State-managed railways into, or amalgamate them with, rupee capital companies. In this connection we agree with our colleagues as to the distinct advantage which would accrue from the amalgamation of the East Indian and Oudh and Rohilkhand Railways; there would be no difficulty whatever in effecting their combination under our proposal.

288. In the insistent need for larger new capital expenditure on Indian railways, no source of obtaining funds on reasonable terms should be left unexplored. We believe that Government will derive much financial assistance from the Indian domiciled companies when they come into being, but it is probable that further financial help will be needed to supplement State loans, and we have considered whether the London guaranteed companies could be utilised for finding at least a part of any additional money which may be required. We cannot recommend that the London guaranteed companies should now, at this late date, be allowed to increase their share capital, because we recognise that having regard to the demand for the transfer of the administration from London to India, a substantial increase in the share capital of those companies would make the transfer more difficult and possibly more expensive. We agree, however, in recommending that the services of the companies should continue to be utilised for raising debenture loans if the Government of India finds that such a course is convenient and economical.

Existing companies, debenture loans.

289. Further, we doubt very much whether the proposals we have put forward for financing the East Indian Railway in 1924 and possibly the Great Indian Peninsula Railway in 1925, will be of sufficient assistance to Government to enable it to provide the capital necessary for the early construction of any new lines of communication. Many of these have been under consideration for years past; they are urgently needed if the development of the country is not to be arrested. If further methods for financing such extensions are not devised, there is little or no prospect that India will make any material advance in the near future towards obtaining the 100,000 miles of railway considered necessary for the country by the Mackay Committee when they reported on the situation 14 years ago. We are of opinion, therefore, that if funds are not forthcoming, Government should have no hesitation in enlisting the help of private enterprise for financing, with rupee capital, some of the larger schemes for new lines which have already been delayed so long for want of funds.

Private enterprise, extensions.

290. We cannot conclude our separate section of the Report advocating Indian domiciled company management without referring to some of the arguments against the existing system of company management brought forward by those of our colleagues who are in favour of State operation. Passed unnoticed by us, it might be held that those arguments would apply to the system of company management which we advocate.

Replies to our colleagues.

291. Our colleagues maintain that the existing guaranteed company system "never has worked satisfactorily and cannot be made to do so," and further that it is "essentially unworkable." We would point out that though the system may be peculiar to India, and therefore novel to the majority of those opposed to us on the Committee, it has none the less stood the test of time with a great measure of success and has the undoubted advantage of retaining State ownership in combination with company management. We have explained fully in another part of this separate section why the present system has not been a complete success, due mainly to the financial difficulties which have hampered its working; but we maintain that in spite of those difficulties it cannot, as a system, be condemned, and so satisfied are we of its advantages from a long and intimate knowledge of its efficient working, that with certain material alterations we have deliberately recommended that it should be taken as a basis for the creation of the Indian domiciled companies.

Existing system.

292. In section 1 of this chapter (paras. 187 to 209 above) adopted by the whole Committee, some considerable emphasis has been laid on the statement that a shareholder in an Indian guaranteed company is not a railway shareholder, as the word is commonly understood, and that the debenture holder occupies an equally unusual position. On general grounds we think it is advisable here to refer to the position of the share and debenture holders from a different point of view. It is no secret, and so far as our knowledge goes never has been a secret, that all Indian guaranteed

railway undertakings worked under the company system are the property of the Secretary of State for India. Their several contracts show this clearly. Leaving aside the case of the East Indian Railway, which has features more or less peculiar to itself, the leading companies have entered into contracts with the Secretary of State which provide that in return for a definite proportion of capital subscribed by them they shall be entrusted (under control) with the working of their undertakings, shall be entitled to a minimum guaranteed percentage on their subscribed capital, and to share along with the Secretary of State in the net profits of the undertaking, in proportion to the amount of capital held by each respectively in the concern. Shareholders enjoy the further valuable privilege of having their subscribed capital refunded to them at par on the termination of their contracts. Their share capital is moreover a trustee stock, and Indian Guaranteed Railway Company shares may be regarded as among the safest railway investments on the market in that shareholders enjoy a security both as to principal and interest which is better than that pertaining to ordinary shares.

Security of existing shareholders.

293. For all financial and, indeed, practical purposes, the Secretary of State and the companies are partners in the undertakings, with rights and obligations clearly defined in the contracts. If there is confusion in the relative positions of the two, it is due to the position occupied by Government as Government and not as a partner. Similarly as regards the debentures, though they admittedly differ from the debentures issued by an ordinary company in that the debenture holder has no definite charge on the undertaking, they are secured on the revenues of India, and that security can only be prejudiced should India become bankrupt. Consequently they are recognised as gilt edged securities, and it is difficult to see in what respect the debenture holder in an Indian guaranteed railway company suffers any disadvantage.

Security of debenture holders.

294. A further criticism which our colleagues offer in connection with guaranteed companies is that a "company does not and cannot manage the undertaking; it "cannot, without the permission of Government, break new ground in any direction. "Neither does the Government manage; it only controls and restrains." One is constrained to ask, who then does manage? The signatories to this separate section have a close and intimate knowledge of Indian railway working, and we may perhaps be pardoned if we say that the quotations we have made bear no resemblance to the conditions which exist as we understand them. Companies do manage their railways. They employ an efficient and experienced staff, and the initiation of improvements of all kinds has usually originated with company-managed lines. We think those who criticise have done so from an imperfect knowledge of the services the companies' administrations have rendered in the past, and have not appreciated the disability they have for so long been labouring under for want of funds.

Management by existing companies.

295. One of the arguments used by our colleagues in favour of State management is embodied in the following sentence:—

> "We do not think in this fallible world company management can be so good as to escape fierce, often unfair, criticism from Indian opinion. Even if we were to assume that State management would not be better, we are quite sure that its failures would be judged more leniently by the Indian public."

We regard it as our duty to recommend what we consider best for India, not to adopt the line of least resistance or to recommend a course to avoid unfair criticism. While it may be thought that the public would be lenient towards the shortcomings of State-worked railways, it will generally be admitted that when complaints are made against companies the weight of public opinion leads to reforms. The State is often not an attentive listener and is apt to consider itself perfect. That public opinion might judge State railways more leniently is no argument in favour of the general adoption of State management. What India requires is the best it can obtain, and we are confident it will not be satisfied with less.

Line of least resistance not necessarily best.

296. Our colleague's separate Report may be regarded by many as a wholesale condemnation of the system under which the guaranteed railways have been administered. We do not think that such condemnation will be accepted by anyone who has any detailed acquaintance with Indian railways. In the first place we consider that the system of company management, devised and adopted in the latter part of the last century, was an eminently suitable one, and it appears to us that the bargain which the State then made with the companies has proved to be favourable to the Government of India. In the second place, we hold that the English

Merits of existing system.

domiciled companies have rendered valuable service to the State in undertaking the construction of railways at a time when India was unable to undertake the responsibility and burden of the work, and in improving the general standard of efficient management and working. The policy again which, while making over the majority of the State-owned lines to companies to work, retained the working of a few in its own hands, had many distinct advantages which remain to this day. The emulation brought about by company and State management working side by side, has done a very great deal to raise the general standard of efficiency of railway working in India. In our opinion that standard would have been far different from what it is to-day had the management been in the hands of the State from the outset.

State management in India a reflex of company management.

297. It may be argued by those who compare the position of the company and State working as it is to-day, that little difference exists between them, that one is as good as the other, and that in initiative and flexibility and management generally the State-worked lines show results as good as the companies' lines. In this connection we should like to emphasise the fact that State management, as ordinarily understood, has not existed in India for many years past. State management in India has become a reflex merely of company management. Following on the quasi-independence of the companies, Government has deemed it advisable to endow the agents of the State-operated lines with powers similar to those granted to the agents of the several companies, with the result that the former have been free from that amount of petty control and interference from headquarters to which they would undoubtedly have been subjected had there been State working only in India.

298. We consider we have evolved a practical scheme of management through an Indian domiciled company which will prove to be in the interests both of India and of her people, and in putting it forward we desire to emphasise that company management of this kind has not yet been tried on railways in India, and that those who criticise company management for reasons chiefly directed against the boards in London cannot be regarded as opponents of a system which has not yet existed. When our scheme is introduced, we are confident that the public, European and Indian alike, will find many advantages in it, and will appreciate that the country is in a fair way to escape the dangers of railway nationalisation.

Note by Sir Henry Burt.

299. Sir Henry Burt desires to add the following to this part of the Report :— As pointed out by Mr. Kisch in the written statement which he prepared for the Committee, the liability which the State will have to incur on the termination of the existing contracts demands consideration. While I agree that it is desirable that the existing contracts should be terminated when they fall in, it is clear that circumstances may arise, as in the case of the Assam-Bengal Railway, which might throw an undue financial strain on Government if in every case the contracts were terminated on the exact date when they expire, especially in the case of those involving heavy cash disbursements. In my opinion the right must be reserved to Government to deal with each case on its merits, it being recognised that in certain eventualities it may be in the best interests of India that a contract should be extended for a short period.

Methods of raising additional Capital.

Need for money.

300. In conclusion we have to deal further with the very important subject of finance and bring together the recommendations thereon, some of which have already appeared in the foregoing paragraphs. No investigation or evidence was needed to emphasise the urgent necessity for money being provided from one source or another to bring the railways up to the standard of efficiency which the passenger traffic and trade of India demand.

Assistance of Indian domiciled companies.

301. Up to a point there is no disagreement in the Committee as regards the proposals and recommendations for raising additional capital embodied in paras. 240–247 of this chapter. We cannot, however, support the proposals in full, for the reason that we hold, apart from other important considerations, that Government will derive financial assistance of the greatest importance from the Indian domiciled companies whose formation we so strongly recommend.

302. There are undoubted advantages in making use of domiciled companies to find, from independent sources, the funds needed to meet the requirements of two such large administrations as the East Indian and Great Indian Peninsula Railways, estimated to amount to about Rs. 8 crores a year—by no means an insignificant

figure. Direct Government loans bearing a fixed rate of interest appeal to a certain section of investors, but apart from these, there are other, and we believe more important, classes of investors who are attracted by a lower rate of guaranteed interest coupled with the prospect of a share in the surplus profits of the railways; the shares in companies such as we recommend should be formed in 1924 and 1925 will offer attractive investments to such lenders.

Attractiveness of their shares.

303. But these Indian companies cannot come into being till 1924 and 1925, and for the intervening period the responsibility for providing the required funds for railway purposes must rest mainly with Government, and even subsequently to the formation of the Indian domiciled companies Government will still have to raise very large sums.

Intervening period.

304. The precise method for raising new capital cannot be definitely laid down in advance. Methods must change from time to time according to market conditions. Experts can best advise regarding these. But in general terms we recommend as far as money is raised by the Government that it be by direct Government loans, and we believe these would secure additional attractiveness by being advertised, whether in England or India, as required for railway purposes.

Form of Government loans.

305. We anticipate that, as long as income tax in England continues to be levied at the present high scale, money will be obtainable in India on more favourable terms than in the London market, and the Indian money market should be exploited to the fullest extent, though varying conditions, such as those of exchange, may make it expedient for the Government to use the London market for meeting payments on rolling-stock and machinery.

Use of London market.

306. We consider that the assistance of all banks in India should be enlisted when the Government comes into the market for railway loans, and that even independent offers from banks or groups of banks on special conditions, somewhat outside the ordinary Government terms, should not be lightly set aside.

Assistance of banks.

307. An important recommendation was made by the Mackay Committee in 1908, as follows :—

Mackay Committee.

> " We assume that the Secretary of State will, as far as possible, take advantage of periods of easy money to raise funds in excess of his immediate requirements, thus minimising the risk of having to reduce the expenditure at a time of stringency."

We endorse the views of that Committee on this point and strongly recommend that they be adopted.

308. As the total amount required annually is so large and believing that Government itself will not be able to raise in full the funds needed, we hold that no channel through which money can be obtained on reasonable terms should be neglected, and we do not desire to close the door to borrowing from any source thought suitable and economical. Government ought, if possible, to raise the necessary money by direct loans, even by paying a higher rate of interest than on loans for general administrative purposes, but if Government cannot adopt that course without interfering with or discrediting its financial policy, we recommend that full use be made of the existing companies for issuing debenture loans under guarantee.

No door to be closed.

309. Further, if private enterprise is available for financing new lines, whether in the nature of feeder lines or through routes, we recommend acceptance, rather than that the country should lose the new development. We do not wish that all development depending on new lines of railways should be at a standstill until existing railways are brought up to date, because the period cannot be short and many new lines are of urgent importance.

Financing new lines.

310. Our colleagues express the view that if the East Indian and the Great Indian Peninsula Railways were handed over for management to Indian domiciled companies on the lines we have recommended, it might be found that this would render Indian Government loans less attractive to the English investor. We have not suggested that any portion of the capital now held by the Government should be disposed of, and fail to see therefore how the security which the Indian Government will in the future have to offer, will in any way be lessened, or how its financial position can be prejudiced by the formation of the proposed companies.

English investors not discouraged.

CHAPTER VIII.

SUMMARY OF RECOMMENDATIONS, AND CONCLUSION.

A.—Unanimous Recommendations.

Para. 97. Para. 104.

1. We propose great changes in the constitution, status and functions of the Railway Board. We recommend that at the head of the Railway Department there shall be a Member of Council in constant touch with railway affairs; and we suggest that with this object there shall be created a new Department of Communications responsible for railways, ports and inland navigation, road transport (so far as the Central Government deals with this subject) and posts and telegraphs. We think the Member in charge of Communications must be an experienced administrator and able to represent his Department both in the legislature and with the public. We do not think he need be expected to be a technical expert.

Paras. 125 *et seq.*

2. We recommend that, on the one hand, the reconstituted Railway Department should delegate considerably increased power of day-to-day management to the local railway administrations, and on the other hand should be relieved from control by the India Office and by the Government of India except on large questions of finance and general policy.

Paras. 74, 76 and 127.

3. We recommend that the Finance Department should cease to control the internal finance of the railways; that the railways should have a separate budget of their own, be responsible for earning and expending their own income, and for providing such net revenue as is required to meet the interest on the debt incurred or to be incurred by the Government for railway purposes; and that the railway budget should be presented to the Legislative Assembly, not by the Finance Member of Council, but by the Member in charge of Railways.

Paras. 129—134.

4. We recommend that, subject to independent audit by the Government of India, the Railway Department should employ its own accounting staff, and be responsible for its own accounts. We think that the present accounts and statistics should be thoroughly overhauled and remodelled with the assistance of experts familiar with recent practice in other countries.

Para. 111 *et seq.*

5. We recommend that the title of Railway Board be replaced by the title Railway Commission; and that under the Member of Council for Communications there shall be a technical staff consisting on the railway side of a Chief Commissioner and four Commissioners; that of the four, one should be in charge of finance and the organisation and staff of the office, and that the three other Commissioners should be in charge of three respective geographical divisions, western, eastern and southern. The Divisional Commissioners, while normally engaged at headquarters, should devote a substantial portion of their time to personal visits to their divisions.

Para. 111.

6. We recommend that the technical staff attached to the Commission shall be strengthened, especially on the traffic side. We think the staff should be divided into six sections, each under a Director, one of whom should be responsible, under the Commissioners, for Ports and Inland Navigation and Road Transport.

Para. 124.

7. The changes and additions to the headquarters establishment which we have proposed may cost from 25,000*l.* to 30,000*l.* per annum. But we recommend this expenditure in the interest of true economy. And we point out that salaries in the highest posts of the Indian railway services are at present inadequate, and that, in consequence, not only does the service fail to attract the right men, but it is actually losing to other employment those already in it.

Para. 123.

8. We think that the present number of Circles, each with an Engineering Inspector, is unnecessarily great; and we recommend that the number of Engineering Inspectors be reduced, and the money utilised for the appointment of new officers called Inspectors of Traffic.

Paras. 137 and 138.

9. We discuss the rights of management reserved to the guaranteed companies under their contracts, and we recommend that the new Member for Communications should, by agreement, where necessary, with the companies, modify the present

position: on the one hand giving to the Railway Commission greater powers in reference to matters such as initiation and enforcement of reforms and some control over the appointment and retention of principal officers, and on the other hand, giving to the local executive officers greater freedom from interference in matters of everyday management.

10. We suggest that there should be a less rigid regard than hitherto to the claims of seniority. Para. 135.

11. We lay stress on the importance of giving to the Indian public an adequate voice in the management of their railways. And accordingly we recommend the establishment of Central and Local Railway Advisory Councils. We propose that the Central Advisory Council, under the chairmanship of the Minister of Communications, should consist of not more than 25 members, of whom three or four would represent the Departments of Government specially concerned; eight or nine should be nominated, according to a scheme to be arranged, by the various associations representing trade and industry; and a similar number, to represent agricultural interests and the travelling public, should be added by the nomination of one member by each of the Provincial Legislative Councils. Paras. 139 *et seq.*

12. We recommend the establishment of Local Advisory Councils, similar in constitution to the Central Council and perhaps of half the size, either at the head-quarters of each railway, in which case the agent would act as chairman; or alternatively, at each important railway centre, in which case the agents of all the railways concerned should be members, and one of them chairman. Para. 142.

13. We recommend that these councils be established as soon as possible, without waiting for the full introduction of the scheme which we put forward. Para. 142.

14. We recommend the establishment of a Rates Tribunal, consisting of an experienced lawyer as chairman, and two members representing respectively railway and commercial interests; and that there be given to them jurisdiction over all questions of the reasonableness of rates and of facilities; that they be instructed to investigate the conditions attached to "owners'" and "railway's" risk notes at the present time, and to frame new standard forms for use in future; and that there be, under certain circumstances, an appeal from the decisions of the Rates Tribunal to the Governor-General in Council. Para. 156 *et seq.* Para. 161.

15. We recommend that steps should be taken to reduce the delay in settling claims for loss and damage, and that the utmost possible efforts should be devoted, not only by the local officials, but by the Railway Commission itself, to stamping out the very serious and widespread abuses in connection with allocation of railway wagons. Para. 163. Para. 164.

16. We discuss the hardships to which third-class passengers are subjected, especially on the occasion of the great "melas" or pilgrimages; and we recommend various measures which, pending the radical improvement of the situation by the provision of adequate facilities, may do something to mitigate present conditions. Paras. 167 *et seq.*

17. We recommend that there be a reasonable general increase in Indian rates and fares, and that the sur-taxes at present levied on railway traffic be withdrawn. Paras. 72, 73.

18. We recommend that greater facilities should be provided for training Indians for the superior posts in railway service; and that the process of their employment in such posts should be accelerated. Paras. 182–184.

19. We recommend that branch lines shall as far as possible be constructed and worked by the main lines to which they are tributary; and that only if the State is unable or unwilling to provide the funds itself shall the formation of separate branch line companies be encouraged. Paras. 177–180.

20. We recommend that, so soon as financial conditions make it possible for the Government to go forward again with railway development, the Indian States should be called into council, and invited to take part in working out a common plan in the common interest. Para. 176.

21. We recommend an enquiry into the question of inland waterway communication as affected by alleged unfair railway competition. Para. 155.

Para. 181. 22. We recommend a thorough investigation, by a Commission of the most competent experts whom the railway world can furnish, of the gauge question as it affects and is affected by the potential future development of the Indian system as a whole.[1]

Para. 207. 23. We recommend that the system of management by companies of English domicile should not be continued after the termination of their existing contracts,
Para. 203. and that these companies should not be permitted further to increase their share capital.

Para. 186. 24. We recommend that no steps should be taken towards establishing combined companies, both with English and with Indian domicile.

B.—Divergent and Supplementary Recommendations.

By the Chairman; the Hon. Mr. V. S. S. Sastri; Mr. E. H. Hiley; Mr. Purshotamdas Thakurdas; and Mr. J. Tuke.

Para. 227. 25. We recommend that the undertakings of the guaranteed companies, as and when the contracts fall in, be entrusted to the direct management of the State,
Para. 224. and that when the contract with the East Indian Railway terminates in 1924 the Oudh and Rohilkhand State Railway be absorbed into that undertaking.

Para. 240. 26. We recommend that the whole of the capital for the future development of the Indian railways be raised directly by the State.

Para. 241. We do not recommend that the provincial Governments should take any part in the work.

Paras. 244 and 245. 27. We recommend that the money required to put the existing railways into proper shape should be raised, even at to-day's prices, as fast as it can be economically spent, but we do not recommend the immediate raising of capital for the extension of the existing system.

Para. 243. 28. We recommend that Government issues for railway purposes should in England take the form of ordinary sterling loans, while in India rupee loans might perhaps be earmarked as for railway purposes.

Para. 245. 29. We support the recommendation of the Mackay Committee that in periods of easy money funds should be raised in excess of immediate requirements so that it may not be necessary to have recourse to the market at a time of stringency.

By Sir H. P. Burt; Sir R. N. Mookerjee; Sir A. R. Anderson; Sir G. C. Godfrey; and Sir H. Ledgard.

Paras. and 27 25A. We recommend that the system of both State and company management should be continued, and that Government should not be committed to a policy of State management only for all railways.
Para. We accordingly propose a scheme for creating Indian domiciled companies to
Para. manage the East Indian, and, possibly, the Great Indian Peninsula Railways.
Para. The cases of other lines to be considered on their merits when the contracts become terminable.

Para. 26A. We agree that much capital must be raised direct by the State, and that this should be done by the Central Government. We also recommend, from 1924
Paras. and 3 onwards, that the fullest use be made of Indian domiciled companies, as proposed under our scheme, as a means of providing
Para. funds from independent sources. We also hold that as the total amount required is so large, no channel through which money can be obtained on reasonable terms should be neglected; for instance, further debenture loans through existing companies might be negotiated.

Para 27A. We agree that money should be raised as fast as it can be economically spent. Rather than that new development should be arrested, we recommend
Para that the assistance of private enterprise should be enlisted to provide capital for new lines.

Para 28A. We recommend that Government borrowings for State and guaranteed railways should be by direct Government loans advertised, whether in England or India, as being for railway purposes.

Para 29A. We agree in supporting this recommendation of the Mackay Committee.

[1] *See* footnote on page 58.

Paras. 16 and 17.

30. We recommend the establishment of a systematic organisation to familiarise the population of India with the idea of subscribing to Government loans, and specially to reach through local Indian agencies the mass of the people to whom the idea of investment has hitherto been strange.

30A. We recommend that the assistance of all banks in India should be enlisted when money is required to be raised, and that independent offers of loans on special conditions should not be lightly set aside. Para. 306

C.—Conclusion.

We desire to express our sense of our exceptional indebtedness to our Secretary, Mr. T. Ryan. Not only has he performed all the ordinary duties of a Secretary with the utmost efficiency, but during the sittings in India he also bore, owing to our inability to obtain a verbatim report of the proceedings, the heavy burden of preparing each day for our use an accurate précis of the oral evidence received. Further, during the whole course of our proceedings he placed at our disposal the resources of his exceptional memory in reference to the subjects that came before us.

To Mr. E. R. Pole, who came to India as personal Secretary to the Chairman, and was almost immediately appointed Assistant Secretary to the Committee, we also owe our hearty thanks. No task was too heavy for him, and he was always ready to work unsparingly to obtain any information that any member of the Committee desired to obtain.

W. M. ACWORTH (*Chairman*).
H. P. BURT.[1]
R. N. MOOKERJEE.
A. R. ANDERSON.
G. C. GODFREY.
V. S. SRINIVASA SASTRI.
E. H. HILEY.
H. LEDGARD.
PURSHOTAMDAS THAKURDAS.
JAMES TUKE.

T. RYAN (*Secretary*).

LONDON,
22nd August 1921.

[1] Subject to the reservations printed on page 90.

Reservations by Sir H. P. Burt.

I cannot subscribe to the recommendation, in para. 181 of the Report, that "a thorough investigation of the gauge problem is urgent at this moment," and should be undertaken by a special Commission. No one will deny that it would have been better for India had it been possible to avoid a break of gauge, and that it was unfortunate that such a broad gauge as the 5 ft. 6 ins. was originally decided upon as the standard, especially as full advantage has not been taken of that gauge in determining the running dimensions of the rolling-stock. But, at the same time, it will be accepted by those who have studied this question that, having adopted the 5 ft. 6 ins. standard gauge, India would never have had at the present day even the relatively small total mileage she now has if that gauge had been insisted on so as to secure uniformity. With the growth in mileage of the standard gauge, the adoption of a smaller and less costly gauge became imperative if the poorer districts of India and the development of India's resources were not to suffer from the want of railway communications. It was financially impossible to do otherwise. Thus the mileage of the two principal gauges has grown until we now have practically 18,000 miles of the 5 ft. 6 ins. and over 15,000 of the metre gauge.

2. There is no alternative now but to deal with the question from a practical standpoint, recognising existing facts and possibilities. The battle of the gauges has been fought out more than once in the past; it is no longer a matter for academic discussion. No reader of our Report can fail to appreciate that the crying need of the moment, and the insistent demand of the future, is and must be, not that the whole structure of the railway system should further be reviewed, or that its equipment should be adjusted to conform to new standards, but that the railways which exist should be brought up to a high standard of efficiency with the least possible delay. Even with the utmost economy this will tax all the resources of Government and all the financial assistance which can be enlisted.

3. To divert attention at this stage, from the position as I conceive it to be, by an enquiry whose results either must be purely negative or else must set up a competing demand for expenditure on a vast scale, yet of manifestly less pressing urgency, would in my judgment be particularly unfortunate. The only effect of instituting such an enquiry would be to furnish a fresh reason for postponing expenditure which should be undertaken without delay to meet the requirements on which we have laid so much stress.

4. Even if new construction be not entirely suspended for several years to come, it cannot, at best, be undertaken on any large scale, and in respect of such new projects as may come under consideration, it must now, I consider, suffice to deal with the gauge problem as merely incidental to, and with regard to the immediate necessities of the particular case. The future policy in regard to the gauge problem so far as it affects new projects and conversion where necessary from time to time may well be left to the Railway Authorities in India to settle.

5. I would add that in my opinion the inconveniences of break of gauge in India are often exaggerated. The Presidency towns and ports of Calcutta, Bombay and Madras, and the port of Karachi, are all connected with each other and with Delhi on the same, the standard, gauge, all the strategic lines north of Delhi being on the same gauge; while the complaint in respect of transhipment between the broad and metre gauges is due rather to lack of rolling-stock than to an objection to transhipment in itself. On these points no evidence whatever has been taken by the Committee. The inconveniences of transhipment could, of course, be removed, but only at an immense cost which, in my view, would be prohibitive unless all improvement and development of railways were arrested for years.

While I have agreed in the recommendations made in Chapter IV. of the Report, regarding the reorganisation of the Railway Department of the Government of India, and while I think they will meet the requirements of the present position, I must record my opinion that the staff proposed for the organisation of the Railway Commission will be inadequate to cope with the work which will be thrown upon it, if State management is generally adopted.

H. P. BURT.

APPENDIX No. 1.

Statement of Traffic Restrictions in force on 1st April 1921.

ASSAM-BENGAL RAILWAY.

Restricted Section.	Traffic affected.	Remarks.
Via Silghat Town - - -	All goods traffic.	Owing to Ghat difficulties.
From Ditock Cherra to Hatikhali (both inclusive) to any station.	Cattle.	Without permission from the Sub-Divisional Officer, North Cachar Hills, Haflong.
Via Gauhati Ghat in through booking with the steamer companies.	Motor-cars and packages over 10 maunds in weight.	Owing to Ghat difficulties.

BURMA RAILWAYS.

The restrictions in force are those usual during the annual busy paddy season, viz., that the number of stone trains for the public is reduced by about half, as the wagons are required to carry grain. For the same reason our railway ballast trains are considerably reduced in number. There is, of course, a great shortage of stock and consequent difficulty in meeting the demands for wagons.

EAST INDIAN RAILWAY (GOODS TRAFFIC).

Restrictions in booking of goods traffic in force on 1st April 1921.

From	To	Date restriction imposed.	Nature of restriction.
All foreign railways.	All stations on E.I. Ry. and *via*.	21 Mar. 1918	Small consignments of transhipment or road van goods, except Government and military traffic. One consignment not more than six maunds from same sender to any one station may be accepted on any one day. Smalls up to a limit of 30 maunds may be accepted from Dehri-Rohtas Light Railway at Dehri-on-Sone for transhipment for each van goods train. "Smalls" may be accepted freely from O. & R. Ry. stations, except to and from restricted areas.
All stations on E.I. Ry. and *via* and foreign railways.	To Khagaria and Gogria out-agencies *via* Monghyr and to stations on B. & N.W. Ry. *via* Monghyr Ghat.	3 May 1920	Restriction applies to piece-goods in bales weighing over four maunds *via* Monghyr and Monghyr Ghat.
Budge Budge and Howrah.	To and *via* Mokameh Ghat.	21 Mar. 1921	Restriction applies to kerosene oil only.
All stations on E.I. Ry. and *via*.	To stations on B. & N.W. Ry. *via* Mokameh Ghat.	24 Mar. 1921	All goods traffic.
All stations on E.I. Ry. and *via*.	To stations on O. & R. Ry. *via* Moghal Serai.	29 Mar. 1921	All goods traffic *via* Moghal Serai.
All stations on E.I. Ry. and *via*.	To Bally Jute Mills.	31 Mar. 1921	Restriction applies to jute only.
All stations on E.I. Ry. and *via*.	To Bakudih.	1 April 1921	All goods traffic in full wagon loads.

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EAST INDIAN RAILWAY (COACHING TRAFFIC).

From	To	Date restriction imposed.	Nature of Restriction.
1. All stations and *via* on E.I. Ry.	To all stations and *via* on E.I. Ry.	13 Jan. 1918	Restriction applies to :— (*a*) Gunnies, hides, skins, chillies, including green chillies, spices, ghee, oil, potatoes, pepper, tobacco, jaggree and sugar, empty kerosene oil tins, brass, machinery and any other articles ordinarily carried by goods train, irrespective of weight, except tea and cases of cigarettes, tobacco and leather manufactured. (*b*) Individual packages exceeding 2½ maunds in weight by passenger train except from city booking offices, where the limit of 1 maund per package applies. Packages of piece-goods may, however, be accepted for despatch by passenger train, subject to a limit of 5 maunds per package except to B.B. & C.I. Ry. and *via*, in which case the limit of of 1 maund per package for all goods will apply. These restrictions do not apply to— In case of (*a*) and (*b*)— Military or urgent Government consignments. In case of public goods (*a*)— (i) Cured hides and skins as trophies. In case of (*b*)— (i) Passengers' luggage ; (ii) Packages containing ice, fresh fish, fresh vegetables, fresh fruits, milk, cream, butter, and other perishables usually carried by passenger trains. Motor bicycles and side cars may be despatched irrespective of weight.

EASTERN BENGAL RAILWAY.

Restriction in force from	Period of Restriction.	Restricted Station or Section.	Traffic affected.	Reason of Restriction.	Date of removal of Restriction.	Remarks.
			Coaching.			
7 July 1919	Until further notice.	*Via* Jagannathganj Ghat.	Live stock, motor-cars and carriages.	Ghat difficulties -	Still in force	
5 Sept. 1916	Do.	To and from Faridpur Station on the E.B. Ry.	Live stock, horses, carriages and motor-cars.	Owing to the permanent station having to be abandoned on account of floods.	Do.	
			Goods.			
4 Nov. 1913	Do.	To Sealdah (Calcutta) Station on the E.B. Ry.	Jute traffic.	This restriction was originally imposed on account of reduction of shed accommodation by fire. It is not proposed to remove the restriction as it is undesirable to deal with jute at Sealdah, the proper Calcutta terminal stations for that commodity being at Chitpore, Cossipore Rd., Ruthtollah, Saheb Bazar Ultadanga, &c.	Do.	Jute may, however, be booked to Sealdah for Soorah Jute Mills for direct line delivery, also to Beliaghatta Jute Mills.

Restriction in force from	Period of Restriction.	Restricted Station or Section.	Traffic affected.	Reason of Restriction.	Date of removal of Restriction.	Remarks.
20 May 1919	Until further notice.	From Pattipukur Station.	Piece-goods	This is one of the Calcutta stations. All piece-goods traffic is dealt with at Sealdah (Calcutta), where proper facilities for the traffic have been provided.	Still in force.	
8 March 1921	Do.	To Kanchrapara and Halishahar Station.	All descriptions of goods traffic for the Loco. Department of E.B. Ry.	Due to Loco. Workshop staff being on strike.	Do.	

BENGAL-NAGPUR RAILWAY.

No specific restrictions on 1st April 1921. Generally speaking, however, the capacity of the Bengal-Nagpur Railway to deal with traffic offering both as regards rolling stock and other facilities, is inadequate, and detailed information on these points has been furnished to the Railway Committee.

SOUTH INDIAN RAILWAY (GOODS TRAFFIC).

Junction or *via* Junction.	Description of Traffic.	Nature of Restriction.	Date imposed.
	Foreign Traffic.		
Via Arkonam for stations south of Villupuram.	All descriptions of traffic except loco. coal and railway materials.	100 tons a day -	1 Mar. '21
Via Katpadi for stations south of Villupuram.	Do. do. -	50 tons of transhipment traffic, and 18[1] metre-gauge loads a day.	1 Mar. '21
Via Jalarpet and Erode to metre-gauge.	Do. do. -	15 broad-gauge loads a day.	1 Mar. '21
Via Mettupalaiyam -	All goods traffic *via* Jalarpet, for stations on the Nilgiri Railway.	20 loads a day -	7 Dec. '19 and 21 Jan. '21
Via Shoranur - -	All goods traffic *via* Jalarpet to metre-gauge *via* Shoranur.	30 loads a day -	21 May '20 and 21 Jan. '21
Via Katpadi, Arkonam, and Jalarpet.	Empty oil tins to and from all out-agencies except certificated traffic, packed in proper crates.	Total stoppage -	15 Dec. '18
	Local.		
From S.I. Ry. metre gauge *via* Arkonam and Katpadi, to S.I. Ry. metre gauge *via* Jalarpet and Erode.	All descriptions of traffic except loco coal and railway materials.	Total stoppage (restriction imposed by M.S.M. Ry.).	2 Mar. '21
From S.I. Ry. broad gauge to S.I. Ry. metre gauge *via* Erode.	All descriptions of traffic - -	40 wagons a day -	25 Mar. '21
From S.I. Ry. broad gauge *via* Jalarpet, Arkonam, and Katpadi, to S.I. Ry. metre gauge.	Do. do. - -	Total stoppage for stations south of Villupuram.	1 Mar. '21
From stations on the Madras District to stations south of Trichy Junction.	Do. do. - -	50 wagons a day -	26 Feb. '21
From stations on the Madura District.	All descriptions of traffic except towards Trichy Junction and Erode.	Total stoppage -	22 Mar. '21

[1] Now increased to 38 temporarily.

GREAT INDIAN PENINSULA RAILWAY.

Restriction on through Traffic.

From	*Via*	Nature of Daily Restrictions.	Remarks.
		Wagons.	
E.I. Ry. - -	Jubbulpore -	300	Limited to about 20 per cent. short of the capacity and available engine power on the section, the balance being reserved for military and local traffic.
	Katni - -	50	
	Manikpur -	50	
	Cawnpore -	80	
	Jumna Bridge	30	
	Delhi - -	50	
B.N. Ry. - -	Katni Murwara	80	
N.G.S. Ry. -	Wadi - -	70	
M. & S.M. Ry. -	Raichur -	60	
		Tons.	
B.N. Ry. - -	Jubbulpore -	100	Limited in keeping with restrictions imposed on broad gauge railways.
N.G.S. Ry. -	Manmad -	600	
B.B. & C.I. Ry. -	Cawnpore -	50	
	Muttra -	100	
	Idgah -	150	
	Delhi Sadr -	100	
G.L. Ry. - -	Gwalior -	200	
D.B. Ry. - -	Dholpur -	200	

Restrictions on Local Traffic.

The loading of wagons in the direction of Bombay is restricted to non-pooled wagons, such as wooden wagons and bogies which are not suitable for interchange purposes with foreign railways.

All suitable wagons are pressed into the coal service and are being pushed down to the colliery districts situated both on this and foreign railways.

BOMBAY, BARODA, AND CENTRAL INDIA RAILWAY (BROAD GAUGE).

Railway.	Junction.	Limit in Wagons.	Nature of Restrictions.	Cause of Restriction.
		Through.		
1. From E.I. Ry. -	To B.B. & C.I. Ry. *via* Agra East Bank.	100	For transhipment to metre-gauge and connected railways.	For want of greater transhipment facilities at Agra East Bank.
2. From G.I.P. Ry. -	Ditto *via* Amalner -	80	- - -	Insufficient loco. power.
3. From Guzerat railways, narrow gauge.	*Via* Champaner -	14 broad-gauge.	Exception :—timber, rafters, *via* Sabarmati and Viramgam.	For want of better transhipment arrangements and shortage of stock.
	Via Godhra - -	3		
	Via Nadiad - -	3		
4. From B.B. & C.I. Ry. metre-gauge section.	Ditto. broad gauge section.			
	Via Muttra - -	20	—	—
	Via Bharatpur -	30	—	—
	Via Rutlam -	40	All traffic livestock in addition.	For want of better transhipment arrangements and shortage of stock. Also loco. power.
	Via Sabarmati -	120		
	Via Viramgan -	6	Only stone traffic limited to 2 wagons from each Morvi, Dhrangadhra and Gondal Porbunder Railways.	

Local.

Nature of Restriction.	Cause of Restriction.
From any station on B.B. & C.I. Ry. :—	
5. To Dadar (Bombay) :—	
(1) Bulsar District, 2 wagons daily Ahmedabad District, 1 wagon daily Rutlam District, Kotah District, 2 wagons weekly each Baroda District, 2 narrow-gauge wagons daily	Insufficient accommodation at Dadar, and paucity of wagons.
Ditto (2) To Mahalakshmi (Bombay), grass limited to 65 wagons daily.	Insufficient stock and engine power.
Ditto (3) To Grant Road (Bombay) : (*a*) Livestock and perishables, to be booked freely (*b*) Firewood, 25 wagons daily (*c*) Coal, 5 wagons daily	Inadequate accommodation at Grant Road, and paucity of wagons.
6. To Viramgam Local Station. Firewood limited to 10 wagons as under :—	
*Bulsar District, 2 wagons daily *Ahmedabad District, 1 wagon daily *Rutlam District, 5 wagons daily *Baroda District, 2 narrow-gauge wagons daily	Inadequate accommodation for unloading, paucity of stock and shortage of engine-power.
7. To Ahmedabad Local Station. Articles requiring crane limited to 8 wagons per day from Bombay	Inadequate facilities to unload.
8. (1) Traffic from Bombay Depôt (Carnac Bridge) to any station is restricted to 120 wagons daily	Inadequate accommodation for loading, but chiefly due to paucity of wagons and engine-power.
(2) Traffic from Bombay Port Trust Railway to any station is restricted to 80 wagons daily	Paucity of wagons and engine-power.
9. (1) Traffic requiring crane from the broad-gauge section of Bombay, Baroda and Central India Railway to any stations on the metre-gauge section *via* Sabarmati is limited as under :—	
Bombay Port Trust Railway, 1 bogie or 2 four-wheelers daily Carnac Bridge, 2 wagons daily *Grant Road District, 1 wagon permitted occasionally *Bulsar District, 2 wagons daily *Baroda District, 2 narrow-gauge wagons *Rutlam District, 1 wagon	Inadequate transhipment (crane arrangements).
(2) Traffic in timber from the broad-gauge section of the Bombay, Baroda and Central India Railway to any station on the metre-gauge section *via* Viramgam is limited as under :—	
*Bulsar District, 2 wagons daily *Ahmedabad District, 1 wagon daily *Rutlam District, 1 wagon daily *Baroda District, 2 narrow-gauge wagons daily	Insufficient stock engine-power on broad-gauge and transhipment falilities at Sabarmati and Viramgam.

Exception.—Timber, 25 ft. in length, not included in the above. It is restricted as under :—

Via Sabarmati.	*Via* Viramgam.
*Bulsar District, 2 wagons daily Carnac Bridge, 1 wagon daily.	Carnac Bridge, 2 wagons rails daily. *Rutlam District, 1 wagon timber rafters, &c.

10. In addition to these restrictions, traffic has generally to be restricted for the following reasons :—
    (1) Lack of junction facilities.
    (2) Inadequate supply of wagons.
    (3) Shortage of loco power.

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* There are six districts on the broad-gauge section of this railway, and they extend as under :—
Grant Road District.—Stations Colaba to Virar inclusive.
Bulsar District.—Stations Saphala to Surat inclusive, and Tapti Valley and Bilimora Kalaamba Railways.
Ahmedabad District.—Stations Utran to Kharaghoda, Anand–Cambay, Debland–Vaso and Anand–Godhra Branches.
Rutlam District.—Pilol to Shamgarh and Ujjain Branch.
Kotah District.—Garoth to Delhi and Agra–Bayana Branch.
Baroda District.—Gaekwar's Dabhoi, Rajpipla State, Kosamba–Zankhvav and Broach Jambusar Railways.

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY (METRE GAUGE).

The severe restrictions on the metre-gauge are due to shortage of coal supply.

Local booking.—Restricted to items 1 to 8 of Priority List in Monthly Gazette. All traffic may be booked in direction empties are running.

From North-Western Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	*Via* Bhatinda, 10 broad-gauge wagons daily. *Via* Hissar, 5 broad-gauge wagons daily. For Bombay, Baroda and Central India Railway *via* Delhi Serai Rohilla, 10 broad-gauge wagons daily excluding railway and public coal and salt.
From East Indian Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	*Via* Delhi Serai Rohilli, 10 broad-gauge wagons daily from East Indian Railway. 10 broad-gauge wagons daily from Oudh and Rohilkhand Railway. *Via* Agra East Bank, 10 broad-gauge wagons daily. *Via* Hathras Junction, 10 broad-gauge wagons daily. *Via* Cawnpore, 5 broad-gauge wagons daily, excluding railway and public coal and salt.
From Oudh and Rohilkhand Railway, to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	*Via* Delhi Serai Rohilla, 10 broad-gauge wagons daily.
From Great Indian Peninsula Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	*Via* Muttra Junction, 50 tons daily. *Via* Idgah Agra, 50 tons daily. *Via* Khandwa, 100 tons daily. *Via* Ujjain, 100 tons daily. *Via* Delhi Sadr, 50 tons daily, excluding railway and public coal and salt.
From Bombay, Baroda and Central India Railway broad-gauge to metre-gauge section of Bombay, Baroda and Central India Railway.	Goods booking restricted to items 1 to 7 of the Priority List in Monthly Gazette and total number of wagons *via* each junction restricted to 20 wagons daily.
From Rohilkund and Kumaon Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	Restricted to 35 wagons daily, exclusive of railway coal and salt.
From Bengal and North-Western Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	Do. do.
From Jodhpur Bikaner Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	Restricted to 20 wagons daily *via* each junction excluding railway and public coal and salt.
From Kathiawar Railways to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	Restricted to 20 wagons daily from each Morvi and Bhavnagar State Railways, including through traffic, exclusive of railway coal and salt.

JODHPUR BIKANER RAILWAY.

Via Kuchaman Road, owing to shortage of coal, traffic is restricted to 100 wagons daily, excluding Jodhpur Bikaner Railway consignments. When the coal situation is improved up to 200 wagons daily can be accepted.

NORTH-WESTERN RAILWAY.

As regards coaching traffic, it would be necessary to run four additional mail and 55 additional passenger trains fully to meet the traffic offering. The restricted service is due chiefly to a shortage of rolling-stock.

As regards goods traffic the following restrictions are in force :—

Restrictions on Export from North-West Frontier Province imposed at the request of Director of Civil Supplies, North-West Frontier Province.

1. Booking of wheat, wheat-flour, barley, maize, gram and sugar (other than gur and shakkar), rice and ghee, from any station situated in the North-West Frontier Province, except when covered by priority certificates issued or countersigned by the Director of Civil Supplies, Peshawar, is stopped. This restriction does not apply to consignments booked as military stores or purchases on Foodstuffs Commissioner or Deputy Foodstuffs Commissioner's account or movements on Controller of Contract's certificate.

Restrictions on Exports from Baluchistan imposed at the request of the Director of Civil Supplies, Baluchistan.

2. Booking of wheat, atta, jawari, ghee and other edibles, as well as all other goods traffic, from one station to another station within the Baluchistan Agency, with the exception of goods from north of Quetta to Quetta itself, will only be allowed under permits to be issued by the Director of Civil Supplies in Baluchistan.

(*a*) Booking of livestock from Sibi, Mushkaf and Nari Bank will only be allowed on permits issued by the Director of Civil Supplies.

(*b*) Booking of Bhoosa, foodgrains/edibles, including potatoes and ghee and livestock (excluding horses) from any station in Baluchistan to any station outside that province is stopped.

Restrictions in items 2, 2 (*a*), and 2 (*b*) do not apply to—

(1) Goods booked on military account.
(2) Purchases on Foodstuffs Commissioner or Deputy Foodstuffs Commissioner's account.
(3) Consignments covered by priority certificates issued by the Director of Civil Supplies, Baluchistan.
(4) Wool.
(5) Fresh or dry fruits.

Imports of Civil Goods into Baluchistan controlled by the Director of Civil Supplies in Baluchistan.

3. Booking of civil goods traffic, except foodgrains and flour, from any station outside Baluchistan to any station inside Baluchistan is controlled by the Director of Civil Supplies, Baluchistan, under whose certificate goods can be imported into that province.

Control on Booking of Kerosine Oil.

4. Despatch of kerosine oil from Karachi Port is restricted by Civil Authorities to the following four firms :—

(1) The Burma Oil Company.
(2) The Standard Oil Company.
(3) The Asiatic Petroleum Company, and
(4) Rai Sahib Chelaram, Dullaram, and their accredited agents.

Civil Traffic to the Kalabagh-Bannu and Kohat-Thal Railways.

5. The Kalabagh-Bannu Railway, including Laki Pezu Tank section and Kohat-Thal Railway, are at present used exclusively for the military forces kept in the North-West Frontier Province. Traffic other than military to these areas is controlled by the Director of Civil Supplies, North-West Frontier Province, Peshawar.

Control of Civil Traffic to Rawalpindi District by North-Western Railway.

6. Goods traffic for Rawalpindi district beyond Jhelum *viâ* Lalamusa and Rawalpindi section is controlled by the railway so as to keep it within the quantity that can be carried over that section of the line. (The limit is 165 goods vehicles daily.)

APPENDIX No. 2.

Statement showing Numbers of Indian and other Officers on Indian Railways.

——	B.B. and C.I.	S.I.	N.G.S.	A.B.	Burma.	M. and S.M	E.I.	R. and K.	B. and N.W.	B.N.	G.I.P.	State Managed	Tota
AGENCY.													
Indians :—													
District officers - -	—	—	—	—	—	1	—	—	—	—	—	—	
Assistants - -	—	1	—	—	—	—	1	—	—	1	—	—	
Others - - -	5	2	2	3	3	4	6	1	2	5	7	13	5
ENGINEERS.													
Indians :—													
District officers -	—	—	—	—	—	—	—	—	—	—	3	12	1
Assistants - -	7	1	5	3	—	2	12	—	—	7	—	23	6
Others - - -	47	28	18	21	35	41	50	7	16	43	72	149	52
LOCO. AND C. AND W.													
Indians :—													
District officers - -	—	—	1	—	—	—	—	—	—	—	—	—	
Assistants - -	—	—	—	—	—	—	2	—	—	—	—	1	
Others - - -	32	14	5	8	20	19	40	3	10	32	49	82	31
ELECTRICAL, BRIDGE, AND SIGNAL ENGINEERS.													
Indians :—Assistants -	1	—	—	—	—	—	—	—	—	—	—	—	
Others - -	8	—	—	—	—	7	5	—	—	—	—	17	3
STORES AND PRINTING.													
Indians :—Assistants -	—	—	—	—	—	—	—	—	—	1	—	2	
Others - - -	7	4	2	1	3	6	7	—	1	5	7	25	6
TRAFFIC.													
Indians :—													
District officers - -	—	—	—	—	—	1	—	—	—	—	—	1	
Assistants - -	2	2	1	1	2	3	11	—	1	5	3	29	6
Others - - -	43	21	16	12	28	29	53	3	12	46	46	94	40
AUDIT.													
Indians :—													
District officer - -	—	—	—	—	—	—	—	—	—	1	—	—	
Assistants - -	3	3	1	1	1	2	4	—	1	3	2	—	2
Others - - -	10	6	5	4	7	11	7	2	6	7	14	—	7
MEDICAL.													
Indians :—													
District officers - -	—	—	—	—	—	—	2	—	—	—	2	—	
Assistants - -	—	—	1	1	—	2	—	—	—	2	1	—	
Others - - -	6	4	2	4	5	3	8	—	—	6	8	2	4
COLLIERY.													
Indians - - -	—	—	—	—	—	—	—	—	—	—	—	—	—
Others - - -	—	—	—	—	—	—	11	—	—	—	5	16	3
MARINE AND MISCELLANEOUS.													
Indians - - -	—	—	—	—	—	—	—	—	—	—	—	—	—
Others - - -	—	1	—	—	—	2	—	—	—	1	2	—	

ABSTRACT.

Total number of officers -	171	87	59	59	104	133	219	16	49	165	221	466	1,74
Indians :—													
District officers - -	—	—	1	—	—	2	2	—	—	1	5	13	2
Assistants - -	13	7	8	6	3	9	30	—	2	19	6	55	15
Others - - -	158	80	50	53	101	122	187	16	47	145	210	398	1,56
Percentage of Indians to total.	7·60	8·05	15·25	10·17	2·88	8·27	14·61	—	4·07	12·12	4·98	14·60	10·4

APPENDIX No. 3.

STATEMENT showing the amount paid to Railway Companies as guaranteed interest, the amount recovered from net receipts and the gain or loss to the State during the years 1858–59 to 1918–19.

Year.	Amount paid as Guaranteed Interest.	Amount recovered from Net Receipts.	Balance—Gain or Loss to the State.	
			Gain.	Loss.
	£	£	£	£
1858–59	838,411	232,365	—	606,046
1859–60	1,199,929	403,057	—	796,872
1860–61	1,485,745	389,413	—	1,096,332
1861–62	1,788,153	391,162	—	1,396,991
1862–63	2,166,755	625,615	—	1,541,140
1863–64	2,456,182	821,548	—	1,634,634
1864–65	2,683,787	1,129,851	—	1,553,936
1865–66	2,889,241	2,865,574	—	23,667
1866–67	2,031,087	2,347,085	—	684,002
1867–68	3,480,677	1,989,112	—	1,491,565
1868–69	3,881,013	2,229,509	—	1,651,504
1869–70	4,126,025	2,627,941	—	1,498,084
1870–71	4,341,609	2,556,707	—	1,784,902
1871–72	4,542,183	2,877,153	—	1,665,030
1872–73	4,862,188	2,785,657	—	2,076,531
1873–74	4,959,244	3,532,545	—	1,426,699
1874–75	5,030,233	3,742,303	—	1,287,930
1875–76	5,146,157	4,054,421	—	1,091,736
1876–77	5,450,007	4,818,106	—	631,901
1877–78	5,372,238	5,372,238	489,806	—
1878–79	5,702,898	4,364,979	—	1,337,919
1879–80	5,667,875	3,974,645	—	1,693,230
1880–81	3,921,412	2,555,069	—	1,366,343
1881–82	3,945,306	3,312,294	—	633,012
1882–83	4,110,075	3,095,456	—	1,014,619
1883–84	4,132,642	3,118,197	—	1,014,445
1884–85	4,146,824	2,985,409	—	1,161,415
1885–86	4,489,541	3,269,274	—	1,220,267
1886–87	4,195,070	3,095,263	—	1,099,807
1887–88	4,519,311	3,096,006	—	1,423,305
1888–89	4,908,506	3,233,453	—	1,675,053
1889–90	4,388,213	2,875,230	—	1,512,983
1890–91	4,038,295	3,063,184	—	975,111
1891–92	4,074,104	3,077,258	—	996,846
1892–93	4,524,776	2,795,321	—	1,729,455
1893–94	4,710,607	2,970,470	—	1,740,137
1894–95	5,233,064	2,667,345	—	2,565,719
1895–96	5,040,636	3,704,577	—	1,336,059
1896–97	4,812,377	3,206,830	—	1,605,547
1897–98	4,620,372	3,686,821	—	933,551
1898–99	4,492,326	3,983,947	—	508,379
1899–00	3,036,047	2,991,444	—	44,603
1900–01	2,532,430	2,532,430	498,027	—
1901–02	2,094,174	2,094,174	371,406	—
1902–03	2,205,707	2,205,707	187,392	—
1903–04	2,270,018	2,270,018	442,192	—
1904–05	2,331,781	2,331,781	992,420	—
1905–06	2,370,835	2,370,835	1,134,925	—
1906–07	1,998,496	1,998,496	1,245,885	—
1907–08	2,041,514	2,041,514	718,793	—
1908–09	1,649,195	1,649,195	90,268	—
1909–10	1,984,316	1,984,316	995,937	—
1910–11	2,007,340	2,007,340	1,040,634	—
1911–12	1,825,970	1,825,970	2,764,387	—
1912–13	1,854,062	1,854,062	3,608,591	—
1913–14	1,952,416	1,952,416	3,491,042	—
1914–15	1,986,467	1,986,467	2,389,665	—
1915–16	2,131,862	2,131,862	3,743,142	—
1916–17	2,225,940	2,225,940	5,583,856	—
1917–18	2,263,676	2,263,676	6,735,002	—
1918–19	2,176,675	2,176,675	8,218,906	—
Total	208,344,015	156,816,708	44,742,276	51,527,307
		Net loss		6,785,031

APPENDIX No. 4.

List of Witnesses and Written Statements.

PART I.—Witnesses who gave Oral Evidence.

Name.	Designation, &c.	Oral Evidence.				Written Statements.		
		Date.	Vol.	Page.	Paragraphs.	Vol.	Page.	Statement No.
LONDON.								
Stantiall, W.	Secretary, Public Works Department, India Office.	12.11.1920	II.	2	1–250			
Deuchars, G.	Government Director, Indian Railway Companies.	„	II.	14	251–375	IV.	1	1
Kisch, C. H.	Deputy Secretary, Financial Department, India Office.	„	II.	17	376–645			
Reid, Sir Marshall	——	15.11.1920	II.	40	646–815	IV.	4	2
Procter, Sir Henry	Killick, Nixon & Co., Bombay	„	II.	46	816–1055	IV.	4	3
Cohen, L. L.	Director, B. and N.W., R. and K. and D.U.K. Ry. Cos.	„	II.	53	1056–1149	IV.	7	4
Gracey, Col. T.	„ „	„	II.	57	1150–1341	IV.	8	5
Anderson, G. A.	Chairman, B.L. Ry. Co.; Director, B.N. and Burma Ry. Cos.	16.11.1920	II.	63	1342–1542	IV.	14	6
Wilson, D. C.								
Fighiera, F.	Secretary, Central Argentine Ry. Co.	„	II.	70	1543–1658			
Huddleston, Lieut.-Col. G.	Chairman, N.G.S. Ry. Co.; Managing Director, A.B. Ry. Co.	„	II.	76	1659–1836			
Schooling, F.	Director, Prudential Assurance Co.	„	II.	82	1837–1938			
Armstrong, Sir Charles.	Chairman, G.I.P. Ry. Co.	17.11.1920	II.	86	1939–2170	IV.	18	7
Muirhead, A.	Director, G.I.P. and S.I. Ry. Cos.							
Barbour, Sir David	Chairman, E.I Ry. Co.	„	II.	94	2171–2341	IV.	21	8
Lawrence, Sir Walter.	Director, M. and S.M.; A.B. Ry. Cos., and of the Assam Railway and Trading Co.	18.11.1920	II.	100	2342–2617			
Rendel, J. M.	Chairman, A.B. Ry. Co.; Director, S.P. and N.G.S. Ry. Co.	„	II.	108	2618–2737			
Huddleston, Lieut.-Col. G.	Managing Director, A.B. Ry. Co.							
Constable, Col. W. V.	Chairman, M. and S.M. Ry. Co.; Director, B.B. and C.I. Ry. Co.	„	II.	112	2738–2946	IV.	24	9
Robertson, Sir Donald.	Deputy Chairman, M. and S.M. Ry. Co.							
Miller, R.	Chairman, B.D. and B.N. Ry. Cos.; Director, Burma Rys. Co.	„	II.	120	2947–3084	IV.	29	10 & 10(a)
Shelley, Major A. D. G.	Chairman, B.B. and C.I. Ry. Co.	19.11.1920	II.	127	3085–3308	IV.	31	11
Bennett, T. J.	——							
Schuster, Sir Felix	Chairman, Union Bank	„	II.	135	3309–3385			
Grazebrook, W. O.	Gillanders, Arbuthnot & Co., Calcutta.	„	II.	138	3386–3560			
Kimber, Sir Henry	Chairman, S.I. Ry. and the Calcutta Tramways Cos.	19.11.1920	II.	144	3562–3616			
Muirhead, A.	Director, S.I. and G.I.P. Ry. Cos.							
Glyn, Major R.	——	24.11.1920	II.	150	3617–3756			
Inchcape, Lord	——	„	II	158	3757–3863			
CALCUTTA.								
Innes, C. A.	Secretary to the Government of India, Department of Commerce.	17.12.1920	V.	1	3864–3876			
Cameron, Col. H. A.	Agent, Eastern Bengal Railway	20.12.1920	III.	1	3877–3899	IV.	36	12
Sinclair, C. S. B.	Chief Auditor, Eastern Bengal Ry.	21.12.1920	III.	9	3953–3965			
Church, R. W.	Mining Engineer, Railway Board	20.12.1920	III.	4	3900–3905			
		„	V.	3	3906–3913			
Legge, F. C.	Coal Transportation Officer, Railway Board.	„	III.	5	3914–3925			
Greenham, L.	Chief Auditor, B.N. Ry.	21.12.1920	III.	6	3926–3952			
Bell, E. A. S.	Member, Railway Board	22.12.1920	V.	6	3966–3997			

Name.	Designation, &c.	Oral Evidence.				Written Statements.		
		Date.	Vol.	Page.	Paragraphs.	Vol.	Page.	Statement No.
CALCUTTA—*cont.*								
Bagley, F. R.	Chief Engineer, State Railways (*retired*).	23.12.1920	III.	10	3998–4036	IV.	38	13
Carr, A. C. Duncan, H. G.	Acting Agent, B.N. Ry. Traffic Department (Transportation), B.N. Ry.							
Carroll, C.	Traffic Department (Commercial), B.N. Ry.	3.1.1921	III.	14	4037–4070	IV.	53	14
Taylor, W. O.	Chief Engineer, B.N. Ry.							
Wynne, Sir Trevredyn.	Managing Director, B.N. Ry. Co.	,,	III.	18	4071–4122	IV.	55	15
Hindley, C. D. M.	Agent, E.I. Ry.	5.1.1921	III.	22	4123–4169	IV.	63	16
Sheridan, Col. P. C.	General Traffic Manager, E.I. Ry.	,,	III.	28	4183–4197		78	16A
Purcell, E.	Rates Manager, E.I. Ry.	7.1.1921	III.	38	4297–4342			
Martin, O.	Martin & Co., Calcutta	5.1.1921	III.	27	4170–4182	IV.	97	17
Khaitan, Debi Prasad.	Marwari Association, Calcutta; and of Birla Bros., Calcutta.	6.1.1921	III.	30	4198–4226	IV.	98 & 99.	18 & 19.
Godfrey, J. J.	McLeod & Co.	,,	III.	33	4227–4248	IV.	102	20
Yeoman, H. F.	Place, Siddons and Gough, Calcutta	,,	III.	35	4249–4274			
MacKenna, J.	Development Commissioner, Burma	7.1.1921	III.	37	4275–4296	IV.	103	21
Warren, Sir Norcot	Secretary and Treasurer, Bank of Bengal.	,,	III.	43	4343–4364			
Stuart-Williams, S. C.	Vice-Chairman, Calcutta Port Commissioners.	8.1.1921	III.	46	4365–4398	IV.	105	22
Burns, W. A.	Traffic Manager, Calcutta Port Commissioners.							
Ghose, S. C.	——	8.1.1921	III.	49	4399–4409	IV.	106	23
		10.1.1921	III.	52	4441–4454			
		11.1.1921	III.	57	4478–4504			
Pattinson, J. H.	Chairman, Indian Mining Association.	10.1.1921	III.	50	4410–4440	IV.	110	24
Sen, Bisweswar	Asst. Secretary, Bengal National Chamber of Commerce.	,,	III.	54	4455–4470	IV.	111	25
Walsh, C. P.	Secretary to the Government of Bengal, Public Works Department.	11.1.1921	III.	56	4471–4477			
Baxter, A. W.	Narayanganj Chamber of Commerce.	,,	III.	60	4505–4513	IV.	113	26
Marshall, S. M. Dods, A. W. Fairhurst, G. H. Bury, E. Martin, H. P.	Tata Iron and Steel Company Indian Iron and Steel Company ,, ,, Eastern Iron Company Bengal Iron Company	12.1.1921	III.	61	4514–4519			
Chaudhury, K.	East Indian Railway Passengers' Association.	13.1.1921	III.	68	4520–4531	IV.	114	27
Ghosh, J. N. Choudhuri, N. M.	Indian Mining Federation ,, ,,	,,	III.	69	4532–4552	IV.	115	28
Nolan, T. R. Cooper, A. J.	Acting Agent, A.B. Ry. General Traffic Manager, A.B.Ry.	,,	III.	71	4553–4574	IV.	117	29
Roy, Tarit Bhushan	Secretary, Bengal Mohajan Sabha	,,	III.	74	4575–4593	IV.	120	30
Peat, H. M.	Chairman, Indian Jute Mills Association.	,,	III.	75	4594–4600	IV.	122	31
Watson-Smyth, R. M.	Vice-President, Bengal Chamber of Commerce.	14.1.1921	III.	76	4601–4636	IV.	124	32
				89	4637–4661			
Cochran, A.	Chairman Indian Engineering Association.	,,	III.	84	4662–4674	IV.	127	33
MADRAS.								
Barnardiston, Lieut.-Col. E.	Secretary to the Government of Madras, Public Works Dept. (Railway Branch).	18.1.1921	III.	85	4675–4731	IV.	127 130	34 34A
Moir, T. E.	Late Director of Civil Supplies, Madras.	,,	III.	93	4732–4744			
Magniac, Lieut.-Col. C. L.	Agent, M. and S.M. Ry.	19.1.1921	III.	95	4745–4826	IV.	130	35
Wathen, F. B.	General Traffic Manager, M. and S.M. Ry.	26.1.1921	—	151	5111–5138			
Simpson, J. F. Fraser, Sir Gordon Symonds, A. P.	Chairman, Madras Chamber of Commerce. Member, Madras Chamber of Commerce. Member, Madras Chamber of Commerce.	20.1.1921	III.	103	4827–4872	IV.	139	36

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MADRAS—*cont.*								
Saib, M. A. Ahmed Badsha.	Southern India Skin and Hides Merchants' Association.	20.1.1921	III.	108	4873–4892	IV.	140	37
Chetty, Sir P. Thyagaraya.	President, Southern India Chamber of Commerce.	21.1.1921	III.	109	4893–4923	IV.	141	38
Lamb, W. -	Deputy Secretary and Treasurer, Bank of Madras.	„	III.	114	4924–4939			
Ayyangar, C. Duraiswamy.	Madras Liberal League - -	22.1.1921	III.	116	4940–4965			
Rao, Dewan Bahadur M. Ramachandra.	President, District Board, Kistna.	22.1.1921	III.	118	4966–4979	IV.	143	39
		24.1.1921	—	126	5022–5057			
Mitchell, H. H. G. -	Chairman, Madras Port Trust -	„	III.	121	4980–4998	IV.	147	40
Iyengar, K. Parthasarathy.	Railway Passengers' Association, Madras.	„	III.	124	4999–5021	IV.	147	41
Hassan, Janoo -	Rice, Grain and Sugar Merchants' Association, Madras.	25.1.1921	III.	130	5058–5067	IV.	150	42
Peer Muhamed, Hajee Habib.								
Ayoob, Tar Muhamed.								
Noor Muhamed, Haji Jamal.								
Janoo, Tar Muhamed								
Lall, Pooran -								
Noor Muhamed, Abdul Karim.								
Logan, R. - -	Acting Agent, S.I. Ry. - -	„	III.	131	5068–5110			
Rowbotham, C. S. -	Deputy Traffic Manager, S.I. Ry.							
BOMBAY.								
Lloyd-Jones, C. W. -	Agent, Nizam's Guaranteed State Railway.	31.1.1921	III.	157	5139–5186	IV.	151	43
Macnaghten, H. P. W.	Deputy Chairman, Bombay Chamber of Commerce, and of Wallace & Co., Bombay.	1.2.1921	III.	163	5187–5227	IV.	152	44
		2.2.1921	III.	168	5228–5237			
Dalal, K. B. Adarji Muncherji.	President, District Board, Broach	„	III.	169	5238–5263	IV.	154	45
Rumboll, A. C. -	Agent, G.I.P. Ry. - -	4.2.1921	III.	172	5264–5311	IV.	158	46
Alexander, W. -	General Traffic Manager, G.I.P. Ry.	9.2.1921	III.	202	5503–5524		161	46A
Hawes, C. A. -	Chief Auditor and Accountant, G.I.P. Ry.	„	III.	209	5539–5551			
Hebblethwaite, H. P.	Killick, Nixon & Co., Bombay -	4.2.1921	III.	178	5312–5339	IV.	168	47
Godbole, Dewan Bahadur K. R.	Shapoorjee, Godbole & Co., Ahmedabad.	„	III.	182	5340–5362			
Naranji, Lalji -	Indian Merchants' Chamber and Bureau, Bombay.	5.2.1921	III.	184	5363–5396	IV.	169	48
Petit, Jehangir Bomanji.								
Madan, B. F. -								
Mehta, J. K. -								
Thackersey, Sir Vithaldas D.	Indian Millowners' Association, Bombay, and Indian Merchants' Chamber and Bureau, Bombay.					IV.	174	49
Patel, Goverdhandas I.	Hon. Secretary, Ahmedabad Millowners' Association.	7.2.1921	III.	187	5397–5417	IV.	176 & 178	50 & 50A
Reynolds, J. R. -	Manager, Port Trust Railway, Bombay.	„	III.	190	5418–5436	IV.	179	51
Hatch, G. W. -	Chairman, Bombay Port Trust -					IV.	179	52
Visvesvaraya, Sir M.	Dewan of Mysore (*retired*) -	8.2.1921	III.	194	5437–5470	IV.	180	53
Tilak, D. B. -	—	„	III.	198	5471–5485			
Bharmal, Ramji -	Grain Merchants' Association, Bombay.	9.2.1921	III.	200	5486–5502	IV.	182	54
Prasada, R. S. Chandrika.	All-India Hindu Sabha; All-India Railwaymen's Conference; United Provinces Zamindars' Association; Indian Economic Society -	„	III.	207	5525–5538	IV.	185 & 195	55 & 56

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		Date.	Vol.	Page.	Paragraphs.	Vol.	Page.	Statement No.
BOMBAY—*cont.*								
Freeland, Maj.-Gen. H. F. E.	Agent, B.B. & C.I. Ry.	10.2.1921	III.	211	5552–5590	IV.	197, 202 & 206	57, 57(*a*) & 57(*b*)
Pechey, W. P.	General Traffic Manager, B.B. & C.I. Ry.							
Morley, W. C.	Chief Auditor and Accountant, B.B. & C.I. Ry.							
Hepper, Sir H. A. Lawless.	Director of Development, Bombay	„	III.	217	5591–5624	IV.	207	58
Bilimoria, A. J.	Tata Sons, Ltd.	„	V.	9	5625–5635	IV.	211	59
Padshah, B. J.	„ „							
Curtis, Sir George	Member, Executive Council, Bombay	11.2.1921	III.	220	5636–5660			
Rahimtoola, Sir Ibrahim.	Member, Executive Council, Bombay							
Hayward, M. H. W.	Member, Executive Council, Bombay							
Setalvad, Sir Chimanlal.	Member, Executive Council, Bombay							
Dalal, Dadiba Merwanjee.	Merwanjee and Sons, Bombay	„	V.	10	5661–5678			
Mehta, Chunilal V.	Minister of H.E. the Governor of Bombay	„	III.	225	5679–5697			
Hussein, Hidayatullah Ghulam.	Minister of H.E. the Governor of Bombay							
Paranjype, R. P.	Minister of H.E. the Governor of Bombay							
Dhirajram, R. B. Himatlal.	Ambalal Himatlel & Co., Ahmedabad.	11.2.1921	III.	227	5698–5709	IV.	212	60
Doraiswami, S. V.	Indian Passengers' and Traffic Relief Association, Bombay.	„	III.	228	5710–5722	IV.	213	61
LUCKNOW.								
Harvey, F. J.	Agent, O. & R. Ry.	16.2.1921	III.	229	5723–5757	IV.	215	62
Anderson, Lieut.-Col. C. F.	Traffic Manager, O. & R. Ry.	22.2.1921	III.	254	5929–5948			
Khan, K. B Mansur Ali.	District Traffic Superintendent (Claims), O. & R. Ry.							
Izat, Lieut.-Col. W. R.	Agent, B. & N.W. Ry.	17.2.1921	III.	234	5758–5782	IV.	217	63
Westwood, J.	Traffic Manager, B. & N.W. Ry.							
Slane, E. M.	Chief Auditor and Accountant, B. & N.W. Ry.							
Mumme, E. C.	Acting Agent and Chief Engineer, R. & K. Ry.	„	III.	237	5783–5806	IV.	221	64
Laurie, G. D.	Auditor and Accountant, R. & K. Ry.							
Strachan, H. C.	Traffic Manager, R. & K. Ry.							
CAWNPORE.								
Smith, Sir Thomas	President, Upper India Chamber of Commerce	18.2.1921	III.	240	5807–5853	IV.	224	65
Shakespear, A. B.	Member, Upper India Chamber of Commerce							
Chopra, B. N.	Assistant Secretary, United Provinces Chamber of Commerce	19.2.1921	III.	245	5854–5899	IV.	225	66
Varshinie, I. D.	Member, United Provinces Chamber of Commerce							
LUCKNOW.								
Verrieres, A. C.	Joint Secretary to the Government of the United Provinces, P.W.D.	22.2.1921	III.	251	5900–5928	IV.	227	67
Billson, H. G.	Chief Conservator of Forests, United Provinces							

Name.	Description, &c.	Oral Evidence.				Written Statements.		
		Date.	Vol.	Page.	Paragraphs.	Vol.	Page.	Statement No.
LAHORE.								
Townsend, C. A. H.	Director of Agriculture, Punjab	24.2.1921	III.	258	5949–5974	IV.	228	68
Watts, A. G.	Manager, Bhupendra Flour Mills, Bhatenda.	,,	III.	263	5975–5991	IV.	230	69
Bhalla, Mulk Raj	Managing Director, Punjab Co-operative Bank.	,,	III.	264	5992–6008	IV.	232	70
Dayal, Seth Prabhu	Millowner, Multan	,,	III.	266	6009–6033	IV.	233	71
Scott, E. A.	Director of Industries, Punjab	25.2.1921	III.	268	6034–6062	IV.	235	72
Banfield, L. E.	Master, Punjab Trades Association	,,	III.	271	6063–6077	IV.	237	73
Ram, R. B. Ganga	Factory proprietor, agriculturist, &c.	,,	III.	272	6078–6099	IV.	238	74
Hadow, F. A.	Agent, N.W.R.	26.2.1921	III.	274	6100–6138	IV.	239	75
Boalth, V. H.	General Traffic Manager, N.W.R.	28.2.1921	III.	283	6180–6213			
Ayyar, K. V.	Deputy Auditor, N.W.R.	,,	III.	291	6237–6256			
Ram, Lala Kashi	Proprietor, Sutlej Flour Mills, Ferozepore.	26.2.1921	III.	279	6139–6153	IV.	242	76
Lal, Lala Harkishen	Minister in Charge of Agriculture, Punjab.	,,	III.	280	6154–6179	IV.	244	77
Roberts, O.	Clements, Robson & Co.	28.2.1921	III.	289	6214–6236	IV.	244	78
DELHI.								
Bell, E. A. S.	Member, Railway Board	2.3.1921	III.	295	6257–6318	IV.	245	79
Clark, A. M.	,, ,, ,,							
Tomkins, S. C.	Joint Secretary, Railway Board							
Tomkins, S. C.	Joint Secretary, Railway Board	3.3.1921	III.	302	6319–6359			
Collins, B. A.	Director of Industries, Bihar and Orissa.	,,	III.	306	6360–6378	IV.	259	80
Waghorn, Col. W. D.	President, Railway Board	4.3.1921	III.	308	6379–6450	IV.	245	79
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Tomkins, S. C.	Joint Secretary, Railway Board							
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EAST INDIA (RAILWAY COMMITTEE, 1920-21).

Report of the Committee appointed by the Secretary of State for India to enquire into the administration and working of Indian Railways.

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INDIAN RAILWAY COMMITTEE, 1920-21.

VOLUME II.

MINUTES OF EVIDENCE.

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PART I.

FIRST DAY.

Friday, 12th November, 1920.

PRESENT:

MR. W. M. ACWORTH (*Chairman*).

SIR HENRY BURT, K.C.I.E., C.B.E.
SIR ARTHUR ANDERSON, KT., C.I.E., C.B.E.
MR. E. H. HILEY, C.B.E.
MR. JAMES TUKE.

MR. WILLIAM GAULD (*Assistant Secretary*).

TERMS OF REFERENCE.

1. To consider, as regards railways owned by State, the relative advantages, financial and admininistrative, in the special circumstances of India, of the following methods of management:—

(*a*) Direct State management;
(*b*) Management through a company domiciled in England and with a Board sitting in London;
(*c*) Management through a company domiciled in India and with a Board sitting in India;
(*d*) Management through a combination of (*b*) and (*c*);

and advise as to the policy to be adopted as and when the existing contracts with the several Railway Companies can be determined.

In considering the question of the East Indian Railway, the Committee will take note of the decision to remove the management of that railway to India, which was arrived at when the contract with the present Company was extended on the amended terms in 1919.

2. To examine the functions and status and constitution of the Railway Board, and the system of control exercised by the Government of India over the Railway Administration, and recommend such modifications, if any, as are necessary for the adequate disposal of the railway business of Government.

3. To consider the arrangements for the financing of railways in India, and in particular the feasibility of the greater utilisation of private enterprise and capital for the construction of new lines.

4. To report whether the present system of control by Government of rates and fares and the machinery for deciding disputes between railways and traders are satisfactory, and, if not, advise what modifications are desirable.

5. To make recommendations that may seem germane to the enquiry.

India Office,
Whitehall, London, S.W.,
11th November 1920.

Sir,

With reference to the suggestion which you made verbally to Sir W. Duke that in paragraph 1 of the Terms of Reference to the Committee on Indian Railways the words "more especially" should be inserted before the words "as regards railways owned by the State," I am desired by the Secretary of State for India to say that, while he does not think it advisable now to modify the wording of the Terms of Reference, he will welcome any advice from the Committee as to the terms on which subsidiary railways should be constructed and managed. This, in fact, may be considered to be contemplated by paragraph 3 of the Terms of Reference.

With regard to the enquiry made in your letter of the 5th November as to the scope of paragraph 2 of the Terms of Reference, Mr. Montagu desires me to say that the phrase "the Government of India," as used in that paragraph, may be read by the Committee in its widest sense, *i.e.*, including the Secretary of State for India in Council.

I am, Sir,
Your obedient Servant,
(Signed) W. STANTIALL.

W. M. Acworth, Esq.,
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MR. WILLIAM STANTIALL, called and examined.

(*Chairman.*) I have two things to say. In the first place, in reference to the Terms of Reference, I was in communication with Sir William Duke, and I raised a small point with him in reference to the first paragraph, and I raised what might have been a more important point in reference to the second paragraph. I do not know whether the members of the Committee have the Terms of Reference before them, but they will be printed on the Notes, and also the letter from Mr. Stantiall on behalf of the India Office. The Terms of Reference deal with two things. The first is as regards railways owned by the State, the relative advantages of the different methods With regard to the letter addressed to me by Mr. Stantiall, which says: "With reference to the suggestion which you made "verbally to Sir William Duke, that in paragraph "1 of the Terms of Reference to the Committee on "Indian Railways, the words 'more especially' "should be inserted before the words 'as regards "railways owned by the State,'"—my point was that it would be impossible for us not to take into consideration non-State-owned railways, they must come into a general scheme.—"I am desired by the "Secretary of State for India to say that, while he "does not think it advisable now to modify the "wording of the Terms of Reference, he will "welcome any advice from the Committee as to the "terms on which subsidiary railways should be "constructed and managed. This, in fact, may be "considered to be contemplated by paragraph 3 of "the Terms of Reference," which was the reference about the employment of private capital. Then the second point is this. "With regard to the enquiry "made in your letter of the 5th November as to the "scope of paragraph 2 of the Terms of Reference, "Mr. Montagu desires me to say that the phrase "'the Government of India' as used in that para-"graph, may be read by the Committee in its "widest sense, *i.e.*, as including the Secretary of "State for India in Council." The Government of India, I gather, has very commonly the technical meaning of the Viceroy and the Executive Council. It seemed to me that it was impossible to avoid dealing with the question of the railways with the Home Government, and therefore I asked that it might be quite clear that also was within the Terms of Reference.

Then there is a further preliminary point, and that is this. We are sitting here without an opportunity of consulting our Indian colleagues, and without any opportunity for them to ask questions of the witnesses coming here in London, the representatives of the English railways. I think we all understood that our meetings here were preliminary and informal, and that the necessity of them was in order that we might be able to put before the full Committee, when it meets in India, the case as the Companies here in England view it, and that we should be able to take out the report of what they had said, to India, and submit it to the full Committee; and that clearly it would have to be understood that the question of how that evidence was to be treated would be reserved for the full Committee, and that the full Committee might, at a later stage, desire to meet in England for the purpose of dealing with the evidence that had been given to us now. That I think we all understood that we should have to reserve, and therefore I think it will be desirable that we should agree—I do not think the matter arises so much with the official witnesses—before the witnesses from the City come, upon a form of words which we should place before each witness, so that there might be no misunderstanding as to the fact that what we are doing here was preliminary and informal, for the purpose of placing the case from the London point of view before the full Committee, because otherwise, I think it seemed to all of us, we could never get to the end of the matter. If we were to go to India in ignorance of the English views, we should then have to come back to get the English views, and we might possibly have to go back to India to enable the Indian witnesses to express their opinions upon them. I do not know whether any member of the Committee wishes to say anything with regard to that.

(*Mr. Hiley.*) I think that puts the case correctly.

(*Sir Henry Burt.*) I agree with you.

(*Chairman.*) I think we are all agreed on that point of view, and we will try before we meet on Monday to agree upon a form of words. Probably the best plan, I should think, would be to have it printed, and to hand it to each witness. Do you not think so, Mr. Stantiall?

(*Mr. Stantiall.*) I agree.

(*Chairman.*) I think probably that will be the best plan. Then if there is nothing else of a preliminary nature I will ask Mr. Stantiall to give his evidence.

1. We had better get formally on the Notes who you are?—I am Secretary of the Public Works Department in the India Office.

2. As I understand, matters concerning Indian railways come to your Department. Do they all come in the first instance to your Department?—They come to the Office, and are handed over to my Department. All Indian railway administrative questions come to my Department.

3. They all come to your Department in the first instance?—Yes.

4. Even if, as they probably are, they are concerned with finance? You minute them forward in some way to the Finance Department?—We refer them to the Financial Department for their advice, and then sometimes they deal with them directly, but usually they return them to me with their advice, and I deal with them on their advice.

5. Do railway matters come to the Indian Council?—Yes, the procedure is this. They come to me in the first instance, to my Department. I minute on them, and prepare a draft letter or a draft despatch or telegram to India as may appear to me to be necessary. The papers go from me to the Under Secretary of State, and possibly to the Secretary of State, and he refers them to the Council.

6. He refers matters of sufficient importance to the Council?—There is a Public Works Committee of the Council, and he refers most papers to the Public Works Committee in the first instance. They consider them, and after they have made their recommendations the papers go to the Council, being either brought up at a Council meeting, or placed on the Council table for any member to criticise.

7. A paper formally passes the Council?—It formally passes the Council.

8. And then the letter or despatch or telegram goes out?—Every despatch to India has to go through that process. Letters to companies sometimes avoid it, unless they are of great importance; they can go out on the recommendation of the Committee, or a comparatively small matter will be dealt with without reference to the Committee. I deal with some papers on my own responsibility.

9. The despatch goes out in the name of the Council?—It is signed by the Secretary of State, but goes out under the authority of the Secretary of State in Council.

10. But the smaller matters you deal with?—Yes.

11. They go out in your own name?—I frequently send letters to companies in my own name, acting, of course, under the general authority of the Secretary of State.

12. The Government Director who sits on the Boards of the London companies is attached to your Department?—Yes.

13. And reports to you?—Yes. If he wishes to bring to the notice of the Secretary of State any question that arises at a Board, he does it through me.

14. Is there anything more you can usefully tell us about the machinery?—I think I might say that the Government Director, who is always a retired Indian railway official, acts also as adviser to the Secretary of State on technical railway questions.

15. I was thinking more of machinery at this moment?—No, I think there is nothing more to say. That covers the ground.

16. Can you give any idea of the volume of business that comes home, not referring to the Public Works Department as a whole, but to the railways?—The railway business of the Public Works Department is, measured by the time occupied, probably at least 75 per cent. of the whole. The bulk of my work is railway business.

17. One does not like to ask how many letters, because letters may be of such immensely varying importance?—Yes.

18. Could you put it in this way? How many subjects do you suppose come home for decision here in the course of a year?—Do you mean railway subjects?

19. Yes. I am aware that you are much better qualified than I am. Have you any way in which you can indicate to us how much really comes home, if you see what I mean?—Yes.

20. (*Mr. Hiley.*) What is the staff employed?

21. (*Chairman.*) Mr. Hiley suggests the staff employed?—It is very small. I have under me, normally, four clerks, or rather an assistant and three clerks, excluding what we call the Registry staff. At present I am working with an even smaller staff.

22. (*Mr. Hiley.*) Then there is the Government Director?—He does not take part in the work except in the way of giving advice.

23. Is he on your staff?—He is with me practically, but not under me in any sense.

24. (*Chairman.*) He must be pretty fully employed?—Yes.

25. I gather that the Boards of the Companies meet fortnightly?—Yes; half his time, I should think, is spent at Board meetings.

26. (*Sir Henry Burt.*) There is an Assistant Government Director?—Yes.

27. In case the Government Director was absent, or fell ill at any time, there must be somebody to carry on?—Yes.

28. (*Mr. Hiley.*) Has he a clerical staff?—No.

29. (*Chairman.*) Perhaps you can give us something which would give us an indication of the volume of railway business?—Yes. I will try to do so.

30. I think it is important as showing how much the control is, and how detailed?—Yes, I think the number of letters and telegrams from India, probably, and of letters from the railway companies, would be useful.

31. (*Sir Henry Burt.*) And the subjects?—Yes.

32. I think the subjects are as important as anything?—Yes. I will try to give you a summary.

33. (*Chairman.*) Perhaps you could let us have it before we go?—Yes.

34. (*Sir Arthur Anderson.*) In practice, are the references that the Government Director makes to the Secretary of State or to you for decisions over points arising at board meetings, of frequent occurrence?—Very infrequent.

35. (*Chairman.*) Would it be right to say that the bulk of your work is dealing with matters coming from India, and replying back to India?—No. Much of my work is correspondence with the companies in England. They all refer direct to the Secretary of State. They do not necessarily come through the Government Director.

36. (*Sir Arthur Anderson.*) I wanted to bring out that the Boards are fully conversant with their powers and the ideas of the Secretary of State or the India Office upon matters affecting their railways, and that they work in complete harmony with the Government Director?—That is so on the whole, undoubtedly.

Note by Mr. W. Stantiall, Secretary in the Public Works Department at the India Office.

Question 1.—The Indian railways owned by the State, *i.e.*, practically all the more important systems, are at present under one or other of two forms of management, viz., State management and English Company management. The systems under State management are the North-Western, the Eastern Bengal, and the Oudh and Rohilkhand, while those under English Company management are the East Indian; the Bengal-Nagpur; the Great Indian Peninsula; the Bombay, Baroda, and Central India; the Madras and Southern Mahratta; the South Indian; the Assam-Bengal; and the Burma. In addition the Bengal and North-Western and Rohilkhand and Kumaon Railway Companies, which own the lines from which they take their names, work the Tirhoot and the Lucknow-Bareilly State Railways respectively. There is at the present time no large system managed by a Company domiciled in India, although there are some small lines owned and worked by Indian Companies.

The method of management by English Companies dates back to the time of the introduction of railways into India in the middle of last century. It was then decided that the best course to adopt for providing India with railways was to engage English Companies to raise the necessary capital and to work the lines. The result of this decision was the formation of the East Indian; Great Indian Peninsula; Madras; Bombay, Baroda, and Central India; Scinde, Punjab, and Delhi; Eastern Bengal; Great Southern of India (afterwards amalgamated with the Carnatic Railway Company to form the South Indian Railway Company); Calcutta and South-Eastern; and Oudh and Rohilkhand Railway Companies.

In 1870 the policy of the construction and working of railways by the State was introduced and was pursued for 10 years. It was then found, however, that sufficiently rapid progress with the expansion of the Indian railway system was not being made, and the formation of English Companies was again resorted to, but on terms more favourable to the Government than those with the earlier Companies. The Companies formed since 1880 have been the Bengal Central (1881), the Bengal and North-Western, Rohilkhand and Kumaon, and Southern Mahratta (1882), the Indian Midland (1885), the Bengal-Nagpur (1887), the Assam-Bengal (1892) and the Burma (1897).

The arrangements with every Company were embodied in a contract which gave the Secretary of State power to purchase the railway at certain intervals. This power has been freely exercised, but on

acquiring a railway the Secretary of State has in most cases not brought the line under State management, but has entered into a further arrangement with a Company for working it. Thus the East Indian Railway Company (since 1879), the South Indian Railway Company (since 1890), the Great Indian Peninsula Railway Company (since 1900), and the Bombay, Baroda and Central India Railway Company (since 1905) have continued to work the lines which were formerly their property, while the Madras Railway on its acquisition by the Secretary of State in 1907 was divided between the Southern Mahratta (thereafter called the Madras and Southern Mahratta) and South Indian Railway Companies, and the Indian Midland Railway was in 1910 handed over to the Great Indian Peninsula Railway Company for working purposes.

Five lines originally constructed by English Companies have been transferred on purchase by the Secretary of State to State management, viz., the Calcutta and South Eastern (now incorporated in the Eastern Bengal system), the Eastern Bengal, the Scinde, Punjab and Delhi, the Oudh and Rohilkhand and the Bengal Central (also incorporated in the Eastern Bengal system). The Scinde, Punjab and Delhi was united with the Indus Valley and Punjab Northern State Railways to form the North-Western Railway, which it has for strategical reasons been considered necessary to retain under State management. As regards the Eastern Bengal (including the Calcutta and South-Eastern and Bengal Central Railways) and the Oudh and Rohilkhand lines, it was not originally intended that they should remain under State management, and as a matter of fact negotiations have more than once been entered into for transferring them to Companies, but have fallen through.

In 1908 the Mackay Committee suggested that one or more of the State lines might be leased to Companies. The Committee clearly had in mind Companies domiciled in England.

It will be gathered from what is said above that it has been recognised, at any rate until within the last few years, that the English Company method of management possesses advantages which have justified its existence and continuance. These advantages are both financial and administrative.

The financial advantage is that the Companies furnish a means of raising capital in this country alternative to the issue of direct Government loans. It is not necessary for me to enlarge on this point, as Mr. Kisch has dealt with it fully in his note which will be before the Committee, and will give evidence upon it.

The main administrative advantage is that the existence of the Companies with Boards of Directors in this country makes available for the management of the railways the knowledge and experience of a considerable number of retired Indian railway, financial and business men, which would otherwise be lost. The Companies further perform a very useful function in conducting the large amount of work in connection with the supply of stores and personnel from this country which would have to be done under any system of management.

Question 2.—Prior to 1905 the administration of the railways formed part of the functions of the Public Works Department of the Government of India, the Secretary of which was always a high railway official. In that year the Railway Board was set up in consequence of a recommendation by Mr. T. Robertson in his Report on Indian Railways of 1903. As originally constituted, the Railway Board consisted of a Chairman and two members. Two of the three were Indian railway experts and the third was an English railway expert.

At first each member of the Board had an equal voice in its decisions, but in 1908, on the recommendation of the Mackay Committee, the Chairman, whose designation was at the same time altered to that of "President," was given power to overrule his two colleagues, who might, however, represent their views in writing to the Government of India.

Early in 1914 the constitution of the Board was modified. It was decided that one of the members should be a man of financial and administrative experience, and that the railway expert from outside India should be dispensed with on the ground of the difficulty of obtaining such an expert with suitable qualifications and the ease with which information regarding the practice of other countries could be obtained by deputing officers from India to the countries concerned. The power of the President to overrule his colleagues was at the same time taken away. Each member was to be in charge of a branch of the work, with power to dispose of minor cases without reference to the Board as a whole. For matters which came within the cognisance of the Board as a whole, the decision was to be in accordance with the opinion of the majority, a dissentient member having the right to require a reference to the Member of the Governor-General's Council in charge of the Commerce and Industry Department.

In January last it was decided, as a provisional arrangement, pending the examination by the Committee of the question of the constitution of the Railway Board, that the member of financial and administrative experience should be replaced by a third railway expert, and that a Financial Adviser should be attached to the Board with a seat on it for deliberative purposes.

It has been suggested that the Member of Council for Commerce and Industry should be *ex-officio* President of the Railway Board, one of the three railway experts being called "Deputy President" and receiving the salary at present sanctioned for the President.

The functions and powers of the Railway Board are shown in a "Schedule of Powers of the Government of India and the Railway Department (Railway Board) in railway matters," of which copies will be available for the Committee.

It is unnecessary for me to say anything here as to the status of the Railway Board and the system of control exercised by the Government of India over the Railway Administration, as Sir Henry Burt and Sir Arthur Anderson have much greater knowledge on these points than I have.

Question 3.—Apart from branch, district board, and native State lines, the capital required for railway purposes in India is at present provided almost entirely either directly or indirectly by the Government (by indirect provision is meant the raising of money by Companies with the guarantee of interest by the Secretary of State). Even before the war the amount so provided had always fallen far short of that which could be spent with advantage on the improvement of the existing lines and the construction of new lines. During the war comparatively little capital could be supplied, and the result is that there is a great amount of leeway to be made up. Large sums have been spent last year and this year, but, owing to the high prices of materials, they cannot be regarded as adequate. Nevertheless, it is scarcely doubtful that it will be necessary to reduce the rate of expenditure next year unless some new

source of supply can be found. Proposals have been made by the Government of India, and will be placed by them before the Committee, for the formation of Indian Companies, affiliated to the English Companies, with the object of raising capital in India with a Government guarantee.

At present the branch line terms offer practically the only means of raising any considerable amount of capital in India for railways, apart from the Government loans. The original branch line terms were issued in 1893. They were revised somewhat in 1895 and 1896, but they did not prove attractive, only nine Companies having been formed under them by 1910. In that year they were further revised and improved, and since then a considerable number of branch line Companies have come into existence. Two alternative methods of financial assistance were offered under the 1910 terms, a guarantee of $3\frac{1}{2}$ per cent. or a rebate towards making up a return of 5 per cent. on the branch line Company's capital. These terms have not since been altered, but it may be doubted whether some improvement is not now necessary in view of the general rise in the rate of interest on money resulting from the war.

Question 4.—I cannot offer any useful remarks on this beyond explaining that the present system of control by Government of rates and fares is that the Government lays down maximum and minimum rates for each class of traffic, leaving the administration of each railway to fix and vary its rates within the maxima and minima.

W. STANTIALL.

8th November 1920.

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37. (*Chairman.*) Then, to come to your statement, the first question you deal with is that the Indian railways owned by the State, which represent the bulk of the Indian railways, are partly under State management and partly under English Company management?—Yes.

38. There are no State-owned railways managed at present by a Company domiciled in India?—No.

39. Roughly, if I am not incorrect, the State manages a little more than a quarter, and the Companies a little less than three quarters?—About that.

40. It is about that proportion?—Yes.

41. We need not read the names, but there are Companies in addition, of which the Bengal and North-Western and the Rohilkund and Kumaon are the two important ones, owning their own lines?—Yes.

42. And working their own lines?—Yes.

43. But controlled to a very considerable extent by the Government?—Yes.

44. So that we have State railways worked by the State, State railways worked by Companies, Company railways worked by Companies, and, I believe, there is at least one instance of a Company railway worked by the State?—The Southern Punjab.

45. Is that the only one, or the only important one?—That is the only English Company whose line is worked by the State.

46. So that you have got all systems In this you are leaving out what I called, I think, branch line Companies?—Yes.

47. Would you kindly explain? The branch line Companies are largely owned in India?—Almost entirely.

48. And they are worked——?—Partly by the main lines to which they attach themselves, and sometimes the branch line Companies themselves work them. There are a few instances in which the Companies themselves work them, but they are mostly worked by the main lines.

49. Do you call the Southern Punjab a branch line Company?—It was constructed under the branch line terms.

50. It is a branch line Company worked by the State-managed railway because it naturally belongs to their area?—Yes, there are several instances of that.

51. Are there other instances of branch line Companies worked by a main line system managed by the State?—Yes.

52. I thought you said the Southern Punjab was the only Company owned line worked by the State?—The only English Company. In India there are some small branch line Companies whose lines are worked by the State.

53. And a considerable number of similar lines worked by the big guaranteed Companies?—Yes.

54. (*Sir Arthur Anderson.*) Did I understand you to say that the Southern Punjab was constructed under branch line terms?—Yes.

55. Surely it was constructed before the branch line terms were introduced?—No, it was one of the first branch lines. The formation of the Company practically coincided with the first issue of branch line terms. I know that because I was here at the time, and it seemed to me rather peculiar that it should be constructed under the branch line terms.

56. What are known as branch line terms are of comparatively recent creation?—1893 was the date of the first issue.

57. I was under a wrong impression?—My memory probably goes back further than yours. The first issue of branch line terms was in 1893.

58. (*Chairman.*) The system of operation by guaranteed Companies was the original system?—Yes.

59. It was about 1850 that it began?—Yes, the first contract was 1849.

60. You give a list of the Companies then formed?—Yes.

61. Then in 1870 there was a change of policy?—Yes.

62. Railways were constructed and worked by the State?—Yes.

63. Are there any of the existing organisations that date from that period? Does the North-Western?—Not as a whole. There were two lines, the Indus Valley and the Punjab Northern, constructed in this period. They were worked at first separately.

64-5. As State lines?—Yes. They are now part of the North-Western State Line?—Yes. In 1885 or 1886, when the Secretary of State took over the Scinde, Punjab and Delhi Railway, he amalgamated these three lines together and constituted the North-Western system, which has been worked as a State line ever since.

66. The North-Western has extended very largely out into the west?—Yes.

67. Then it was found that sufficiently rapid progress was not made under the 1870 system?—Yes.

68. Then there came a second period of development under guaranteed Companies?—Not all guaranteed. The Bengal and North-Western Company was formed at this time, and that is not

guaranteed. The Rohilkund and Kumaon Company had a guarantee or a subsidy for 10 years, but since then it has been unguaranteed. The Bengal Central also was at first unguaranteed. This was unsuccessful and the Secretary of State gave a guarantee after a few years.

69. The Bengal Central is not guaranteed?—It was not at first, but after three or four years the Secretary of State gave a guarantee. He altered the contract.

70. You give lists of the second period in which you mention the Bengal Central?—Yes.

71. And the Bengal and North-Western, Rohilkund and Kumaon, and so on; I think we need not read all of them. Three of the big Companies date from that period, the Bengal-Nagpur, the Assam-Bengal and the Burma?—And the Southern Mahratta.

72. Which is now?—The Madras and Southern Mahratta.

73. Then the arrangements with the original Companies gave the Secretary of State a right to acquire within what period?—A lease was given for 99 years, but the Secretary of State had power to purchase at 25 or 50 years.

74. And at 25 were all the powers that he could exercise, exercised?—No, he waived his right to purchase at 25 years in the case of the Great Indian Peninsula, the Bombay, Baroda and Central India and the Madras, and so they went on for 50 years.

75. That would carry on roughly to 1900?—They vary.

76. Something like that?—Yes. The Great Indian Peninsula was the first in 1900, the Bombay, Baroda and Central India in 1905, and the Madras in 1907.

77. They belonged to the first period?—Yes, and their original contracts continued in force for 50 years.

78. We may put it in this way: the powers that arose somewhere after 1875 were exercised in some cases and not in others?—Yes.

79. It would be about after 1875?—Yes. 1879 was the first. That was the East Indian. They were not all exercised at the first period, but they were all exercised sooner or later. Some were exercised at the 50 year limit.

80-1. Some were exercised at 25 years?—Yes, the East Indian was one.

82. Otherwise they were exercised at the expiration of 50 years?—That is so.

83. Then you mention that five lines originally constructed by English Companies have been transferred on purchase by the Secretary of State to State management. Those were guaranteed Companies?—Yes.

84. You have mentioned the Calcutta and South-Eastern, which is now incorporated in the Eastern Bengal system. Those two are put together?—When we purchased the Eastern Bengal, the Calcutta and South-Eastern had for several years been worked as a State line. It was taken over by the State in 1869. It was an unsuccessful line, and the Government bought it and worked it until 1884, when they bought the Eastern Bengal. Then it was amalgamated with the Eastern Bengal, and they have since been worked as a State line.

85. Were the Companies bought out on terms contained in the original contract?—Yes, except the Calcutta and South-Eastern. That was purchased on special terms. The East Indian, the Eastern Bengal, the Scinde, Punjab and Delhi, the Oudh and Rohilkhand, the South Indian, the Bengal Central, the Indian Midland, the Bombay, Baroda and Central India, and the Madras Railways were all purchased under the terms of the contract.

86. You mention that there is a special reason for State management in the case of the North-Western Railway?—Yes. It has always been considered that the North-Western must be a State line, because it is on the frontier, and for strategical reasons it is therefore necessary that it should be in the hands of the State.

87. Is there any distinction made in the accounts or constitution between what may be regarded as commercial lines and lines which must be purely military lines?—Yes, separate accounts are kept for the commercial lines and the military lines.

88. Could you give us their relative importance in mileage or in any other way?—The mileage of the commercial section is given in March 1919 as 2,538 and of the military section as 1,266.

89. It is almost exactly in the proportion of one to two?—Yes.

90. It is one-third military and two-thirds commercial?—Yes.

91. Do they keep separate accounts?—Yes. The earnings of the commercial section are given separately.

92. May we assume that the military section does not pay its way?—Undoubtedly.

93. Who stands the loss, the Railway Department?—Yes, the Railway Department.

94. It is not charged as a War Department expenditure?—No, it is charged against the railway accounts.

95. Do you think you could give us the amount of the loss on the military section?—I have not the figure here with me, but I could get it out.

96. Will you kindly do that for us?—Yes.

97. Is the capital of the military section kept separate?—I expect it is shown separately in the accounts.

98. Will you say in the statement that you prepare how much capital is allocated and what the receipts are?—Yes.

99. The question is interesting from the point of view of how it appears to the Public Works Department. Is it quite fair, in your opinion, that a charge of that kind should be made against the railway accounts?—No. I have always protested against it from the railway point of view.

100. The question has been raised?—Yes, but it has been decided that the military lines are railways and that the charges must therefore go into the railway accounts. I notice that these are the figures that are given in the Indian Railway Administration Report for the two sections. On the commercial section the gross earnings per mile per week were Rs. 784 in 1918-19, and on the military section they were Rs. 193 per mile per week. The proportion of expenses to earnings on the commercial section was 49·61 and on the military section 87·92.

101. On the military section only 12 per cent of the gross receipts are left as net income, and we may assume, I suppose, that that 12 per cent. does not cover the capital expenditure?—It does not cover the interest.

102. Perhaps you could put some figures in on that subject?—Yes, I will do so.

103. Then you mention that as regards the lines other than the North-Western it was proposed to hand them over to Companies, and that negotiations were carried on?—Yes, at different times.

104. But they fell through?—Yes.

105. Can you tell us the reason?—We failed to come to terms with the applicants.

106. You could not find a Company that would take them over on the terms that the Office thought were reasonable?—No.

107. (*Sir Henry Burt*) There were plenty of Companies willing to take them over?—Yes, negotiations were entered upon on several occasions.

108. It was all a question of terms?—Yes.

109. (*Mr. Hiley.*) Has there been any suggestion of separating the commercial from the military section of the North-Western?—You mean putting them under a separate management?

110. Yes?—No, not so far as I know.

111. (*Chairman.*) I suppose that the military section would go back to the great towns in the Punjab, down to Lahore, but Lahore is also a great centre of trade, and therefore it would be difficult to separate them?—Yes.

112. (*Sir Arthur Anderson.*) The commercial section must benefit to a very considerable extent from military traffic. It is in its earlier stages carried over the commercial section?—Yes, in a period of war that would be of great benefit to the commercial section.

113. (*Chairman.*) Do you know anything about the rates and fares which are charged for military traffic? Are there any special rates in India?—I think usually they are carried at lower rates than the commercial.

(*Sir Arthur Anderson.*) They have scheduled rates.

114. (*Sir Henry Burt.*) They are all scheduled in agreement with the Military Department?—I am afraid I do not know much about the details of the rates and fares.

115. (*Chairman.*) That is like the system that exists in England. You cannot tell us whether it is anything like the Continental system, where it is a quarter?—No, I am afraid I know nothing about the details of the rates and fares.

116. You mention that the Mackay Committee suggested that one or more of the State lines might be leased to Companies?—Yes.

117. That, I suppose, assumed that "Companies" meant the Companies with which we are familiar, guaranteed Companies?—Do you mean an existing guaranteed Company?

118. "Company," I suggest, meant a London Company practically?—Yes, undoubtedly.

119. There was no suggestion as early as that of there being Companies domiciled in India big enough to deal with main line railways?—No. They meant English Companies.

120. Has the system of management through London Companies been challenged until recently from the point of view of its being in London?—Not until within the last seven or eight years, I think. I should say that is about the time.

121. That is when it was first raised?—That is when we first heard of it here.

122. One of the advantages that has been put forward as a justification for the system is the duplicate method of raising capital. You have two strings to your bow, so to speak. Sometimes the Secretary of State raises the capital and sometimes the Companies raise the capital?—Yes.

123. We had better get particulars of that in detail from Mr. Kisch. What would you say is the administrative advantage as distinct from the financial advantage?—I think the main administrative advantage is that it enables retired people from India to continue their connection with Indian railways, and to give the benefit of their experience and knowledge to them; otherwise, when they retired from India they would sever their connection entirely with Indian railways.

124. And their experience would be lost?—Yes.

125. You speak also of the supply of stores?—Yes, the Companies do all the supplying of stores for their lines from England.

126. And engage any officers that go out?—Yes, they engage all the personnel in this country.

127. With regard to stores, the Indian Government is a large purchaser of stores apart from railway stores?—Yes.

128. That business, I understand, has now been transferred from this Office to a High Commissioner appointed by the Government of India?—That is so.

129. If any railway were managed in India one may presume it would probably do the same thing; it would employ its own agents to purchase in London?—It must do, I should think.

130. It must either purchase stores through the existing High Commissioner or through what you might call a railway commissioner?—Every Company managing railways in India would have to employ its own separate agent. The High Commissioner would not act for a Company, I imagine; he acts for the Government.

131. (*Sir Arthur Anderson.*) If he were asked to do so he might undertake the work, might he not?—Yes, probably, on payment.

132. (*Chairman.*) Do you see any reason why he should not do so from the administrative point of view?—It would be more convenient undoubtedly to have it all in the hands of one man, and I can see no reason why he should not do it.

133. Of course, you had expert advisers while you did the purchasing here?—As a matter of fact, we had a special department in this Office called the Store Department, which carried out the purchase of stores, and that department has been transferred bodily to the High Commissioner.

134. That department had its own experts?—Yes, it had its own consulting engineers; that is to say, there is a firm of consulting engineers who have been appointed consulting engineers to the Secretary of State, and the Director-General of Stores consulted them.

135. Do not let me misunderstand you. One understands by consulting engineer a person outside the Office who is called into consultation from time to time?—The Secretary of State employs a firm of consulting engineers outside the Office, and refers matters to them from time to time.

136. They are not whole-time officers of his?—No.

137. They are what one ordinarily understands by consulting engineers?—He pays them an annual fee.

138. Sometimes you pay consulting engineers a fee for particular pieces of work, and sometimes you pay them an annual fee?—Yes.

139. They were an outside firm of Westminster consulting engineers?—Yes.

140. And the High Commissioner took them over?—Yes.

141. He has taken over both the staff inside the Office and also the consulting engineers outside?—Yes, he still refers to them, of course.

142. Each Company, as I understand, has its own consulting engineers?—Yes.

143. The great bulk of them employ the same firm?—They employ the firm which acts for the Secretary of State.

144. (*Sir Arthur Anderson.*) The change which has been made is that the Store Department has been transferred from the control of the Secretary of State to that of the High Commissioner, who is an Indian official?—That is so. It is a matter of form more than of substance.

145. (*Chairman.*) That is the first instance, I suppose, of the Government of India dealing with

matters in England otherwise than through the Secretary of State?—Certainly.

146. Can you tell us how that came about? It was, I presume, through a request from India?—It really came about under the Government of India Act. It was part of the Reform Scheme.

147. You cannot tell us anything very definite?—No, I am not fully conversant with the matter. All I can tell you is this. This Office was formerly entirely separate from the Home Government, and all the expenses were drawn from India, but now it has been put under the Treasury. The Treasury now deal with this Office, but they do not deal with the distinctly Indian part of the business.

148. We are to understand that the expense of this Office has been transferred to the English Budget?—Yes, except the portion which is put under the High Commissioner.

149. Does he still live in the building?—For the time being.

150. But presumably, in the course of time, he will have other offices?—It is intended that he shall remove from here.

151. So to speak, the control of the Department is left here, but the English Budget is responsible for it?—Yes.

152. But the actual commercial expenditure part of the charge, so to speak, is naturally left on the Government of India?—Yes, the idea is that all work which is done for the Government of India, agency work, shall be done by the High Commissioner. Control work will be done by the Secretary of State.

153. Now let me take you to the second part of our Reference, the functions of the Railway Board. The Public Works Department in India controlled the administration of railways up till 1905?—Yes.

154. You say that the Secretary of that Department was always a railway man?—Yes.

155. Then in consequence of the Robertson Report the Railway Board was set up?—Yes.

156. The Railway Board consisted, and still consists, of a Chairman and two members, one of whom came out from England?—Yes, when it was originally constituted.

(*Sir Arthur Anderson.*) It is added to now by the addition of the Financial Adviser.

157. (*Chairman.*) As originally constituted the members had equal votes?—Yes.

158. And being only three there could not be a casting vote?—That is so.

159. Then the Mackay Committee recommended that the Chairman should be called "President" and should have a decisive voice?—Yes.

160. Though his colleagues had a right to represent their views to the Government of India, which of course could over-rule the Board?—Quite so.

161. But, in the meanwhile, as executive action his decision was final?—Yes.

162. Then in 1914 they went back on that, and the Board was reconstituted and once again each member was given an equal vote?—Yes, practically.

163. Then the member imported from England retired, and was not replaced by another English representative?—That is so.

164. That was in 1914?—Yes.

165. You say it was decided that one of the members should be a man of financial and administrative experience?—Yes.

166. Does that mean apart from railways?—Apart from railways. As a matter of fact Sir Robert Gillan, who was an Indian civil servant in the Financial Department, was appointed.

167. The work was divided between the members of the Board?—Yes.

168. You mention that the Board officially approaches the Government of India through the Member of Council in charge of Commerce and Industry?—Yes.

169. And that he is usually at least appointed from England?—There have been four, I think, during the existence of the Board, and two of them were Indian civilians.

170. The last two have been from England?—Yes.

171. And they have not been railway men?—No, they have both been officials of the Board of Trade in England.

172. Then there was a further change made in January 1920. In January 1920 it was decided as a provisional arrangement, pending the report of this Committee, to replace the non-railway finance expert by a third railwayman?—Yes.

173. And in order to get financial advice, a financial adviser from outside was attached to the Department?—To the Board.

174. That is Mr. Ryan, who is going to act as the Secretary to this Committee, who is, I understand, a civil servant?—No, he is an accountant. He was in the Accounts Branch; then he became Secretary to the Railway Board; then he went to the Munitions Board, and he has now been attached to the Railway Board.

175. Do you not call him a civil servant?—He is not in the Indian Civil Service.

176. In India civil servant means only a member of the covenanted service?—Yes.

177. (*Mr. Hiley.*) Who pays Mr. Ryan's salary? Is he paid entirely by the Railway Department?—I do not know.

(*Sir Arthur Anderson.*) The final arrangements had not been made when I left India, but the idea was that it should be shared between the two Departments.

(*Mr. Hiley.*) Between the Financial and the Railway?

(*Sir Arthur Anderson.*) Yes.

178. (*Chairman.*) I do not think we need ask you anything about the functions, the status, or the powers of the Railway Board, because we shall get that evidence elsewhere. Do you want to make any suggestions on the point?—I do not think so. I think I would prefer you to get evidence on these points in India.

179. Then we pass to question 3. You say that capital for railway purposes is at present almost entirely provided, either directly or indirectly, by the Government, that is to say, the guaranteed Companies proper never raise any money merely on their own security; it always has a State guarantee behind it?—Invariably.

180. Whether it be debentures or any other form of capital?—Yes.

181. Are there any preference shares in these railways?—Not in any of the guaranteed Companies.

182. So that it is all either debentures or ordinary shares?—Debentures, debenture stock or share capital.

183. The difference between debentures and debenture stock being only the question of the time of repayment?—Yes.

184. Are the debentures all short term?—The debentures are short term usually.

185. And the debenture stock?—No. The debenture stocks are long term; they go on for many years, in fact I believe some of them are only redeemable at the option of the Secretary of State, if I remember rightly.

186. Some are perpetual?—Yes.

187. The interest on them comes back on the Secretary of State's guarantee if the Company

disappears?—He takes over all liabilities.

188. I need not, I think, ask you about the amount of money available, because we shall have evidence on that subject from Mr. Kisch?—Yes.

189. Under present conditions the only way in which Indian capital can be brought in, practically speaking, is for branches?—Yes, under what we call the branch line terms.

190. We cannot imagine Indian capital subscribing for debentures placed in London?—The great difficulty is that they would be liable to English income tax, otherwise we should be rather glad if the Companies could place debentures in India; but that seems to be a very difficult thing.

191. The branch line terms were originally issued in 1893, and they were revised in 1895 and 1896, but still they were not sufficiently attractive to get the capital?—Yes.

192. In the 17 years between 1893 and 1910, under the terms twice revised, only nine Companies were formed?—Yes.

193. Under the revision of 1910 a considerable number of branch line Companies have come into existence. Could you give us a list of the number of Companies and the mileage before 1910, and the number of Companies and the mileage since then?—Yes, I will have that prepared.

194. There are two forms of assistance, are there not—guarantee and rebate?—Yes.

195. Could you distinguish between them when you make out the list?—Yes.

196. (*Mr. Hiley.*) Have you a copy anywhere of the original terms and the revisions?—Yes, I could give you those.

197. (*Chairman.*) I suppose we shall find those in the *History of Indian Railways*?—I do not think you will—not the original terms. I can supply the Committee with copies of the original terms and of the 1895 and 1896 revisions. They were presented to Parliament.

198. Are they all bound together?—There are three bound up together—1893, 1895, and 1896.

199. And 1910?—No, they are separate, but I can supply you with all these.

200. Probably we want not only mileage but capital, do not we?—Yes.

201. Number of companies, mileage, and capital. I do not think you need trouble to give them separately?—Very well.

202. With regard to question 4, I suppose any such terms as a guarantee of 3½ per cent. or a rebate up to 5 per cent. are hardly practicable in order to raise money under present conditions?—I should scarcely think so.

203. Are there any branch line Companies being put forward?—I believe not. I do not know of any recent ones.

204. It is almost impossible for them to be formed; they could not get the material apart from the money?—That is so.

205. (*Mr. Hiley.*) Have you received any applications for revised terms from Companies who are contemplating raising money?—Yes, I saw a proposal the other day.

206. From the Bengal-Nagpur Company?—Not from the main line Company, but from a promoting Company; it was a branch of the Bengal-Nagpur. The promoters wish to have a branch there, and they asked for improved terms.

207. (*Chairman.*) Is anything being done in the direction of drawing up a revised contract?—Not so far as I know.

208. Probably they will wait for this Committee's Report?—Yes.

209. (*Mr. Hiley.*) Did they make any proposal?—They made it informally. Proposals of the kind are mostly made in India. They do not come to us direct. We only hear of them from India.

210. (*Chairman.*) You say you do not wish to say anything on question 4, which refers to rates and fares. I think we know what is the essence of the system—that the original concession lays down a maximum and a minimum, and within those the Company is free to alter?—It is not quite that. You say "the original concession." What we do is to take power in the contract to fix maximum and minimum rates, and then after that the Government of India say what the maximum and minimum rates are to be. It is practically the same thing.

211. They are annexed to the contract, in other words?—No.

212. They are not formally annexed?—No. We have a clause in the contract saying the Secretary of State shall have power to lay down maximum and minimum rates and fares and to fix the classification of goods, and after that the Government of India say what the rates are to be.

213. Are they the same for all companies or are they different?—I think they are practically the same for all railways.

214. (*Sir Henry Burt.*) Except in special cases. The Government of India has the power to vary that maximum and minimum schedule?—Yes, they have the power.

215. (*Mr. Hiley.*) Without consultation with the Secretary of State?—Yes, we do not interfere with it at all.

216. (*Chairman.*) Is it correct to say that the Companies' accounts of receipts and expenditure in India are audited by officers appointed by the Government of India?—Yes.

217. The Companies' receipts and expenditure here are audited by this Office?—Yes, by an officer of the Accountant-General's Department.

218. On behalf of the Government nobody puts the two together, so to speak? It is an audit from the point of view of seeing that the expenditure is correctly vouched?—Yes.

219. But there is no audit of the balance-sheet of the Company as a whole, except that of the Company itself?—I think not, no.

(*Sir Arthur Anderson.*) The Government auditor signs the Company's annual accounts.

(*Chairman.*) Where?

(*Sir Arthur Anderson.*) In India.

220. (*Sir Henry Burt.*) That is not the Chairman's point. The accounts in India are audited by the Government examiner, but not the London office accounts?—Yes. The Company then put them together.

221. (*Chairman.*) When they are finally complete they are not audited as complete accounts?—I believe not.

222. Is there anything you desire to add to your evidence?—You asked me this morning, Sir, whether the administration of the railways was entirely under the Government of India or under the provincial Governments, and I told you that it was under the Government of India. I told you further that when the Railway Board was appointed in 1905 the Secretaries to the Government of Bombay and to the Government of Madras were abolished, and the whole of the administration of the railways in Madras, Bombay, and elsewhere came under the Railway Board. That, I think, was the point the Chairman made.

223. (*Sir Henry Burt.*) Was strong exception taken by the Local Governments to that action?—Yes. They greatly disliked it. I think they have an official even now in Madras whom they call Railway Secretary, but he is not on the same footing as before. Formerly there was a Railway Department

with a secretary, but that was abolished by the Government of India.

224. (*Chairman.*) There were also people called consulting engineers, were there not?—Yes. They were quite different from the consulting engineers over here. They were Government controlling officers.

225. (*Sir Arthur Anderson.*) The consulting engineer and the secretary were generally one and the same man?—Yes.

226. (*Chairman.*) They also disappeared?—Yes, they have been abolished.

227. And such control as is exercised now is exercised wholly by the Railway Board and its officers?—Yes, entirely.

228. How about the audit?—The audit is under the Financial Department.

229. That is not under the Railway Board?—No.

230. All control except audit is under the Railway Board?—Yes. The accounts officers are Financial Department officers.

231. (*Sir Henry Burt.*) I should like to ask you one question mainly for the information of the Committee. Could you by a concrete instance or two illustrate the usefulness of the London Boards to the Secretary of State from the administrative side and not necessarily from the financial side?—Yes, there are two instances in my mind, one particularly. When the new capital of Delhi was being formed, Sir Trevredyn Wynne, who was then the President of the Railway Board, devised a scheme for a terminal station there, the cost of which was anticipated to be somewhere about 1,000,000*l.* I do not think any exact estimate was ever prepared, but it was anticipated that the cost would be about 1,000,000*l.* When the matter came before the Secretary of State from the Government of India he called the Chairmen of the Companies concerned together and put the matter before them. They pointed out the serious defects of this scheme, and as a result it was abandoned and a much smaller and probably a better scheme has been adopted for the station. But for that, if the administration had been entirely in India the Railway Board scheme would no doubt have been accepted and this very large and expensive station would have been built at Delhi. That is an instance in which the advice of the Railway Companies was distinctly advantageous to the Secretary of State. Another instance was the proposal to build a direct line from Delhi to Karachi, instead of the present roundabout line. Sir Trevredyn Wynne devised a scheme for that. When it came before the Secretary of State he referred it to the Companies, and they again advised him in another direction. The result of that also has been a better scheme probably.

232. (*Chairman.*) When you say "referred it to the Companies" would the South Indian Railway Company, for instance, be consulted?—No. When I said "referred it to the Companies" I meant the Companies concerned.

233. (*Sir Arthur Anderson.*) That scheme has not matured yet, has it?—No.

234. It is still under consideration?—Yes. The Secretary of State did not sanction it as it was put before him by the Government of India; he referred it back for further consideration as the result of his consultation with the Companies.

235–6. (*Chairman.*) I suppose in that case it would mean calling in the consulting engineers of the Companies concerned to supplement the traffic experience of the members of the Board?—No, the consulting engineers over here would not have anything to say about it.

237. Were not they consulted?—In a question of that kind they are not necessarily consulted. Their function is mainly to arrange for the supply of stores.

238. (*Sir Henry Burt.*) And to deal with alterations and strengthening of bridges?—Yes.

239. (*Chairman.*) But this was really the members of the Board who were expert railway men?—Expert engineers.

240. And who knew the *locus in quo* very well?—Yes, many of them were engineers.

241. (*Chairman.*) I have seen it stated in various places that dividends have increased because it was impossible to spend money on renewals?—That is certainly the case.

242. Supposing a Company was in the habit of laying 1,000 tons of rails per annum and it could not buy the rails, has it divided the money?—Yes, in some cases it has. Some of the Companies have made proposals to establish reserve funds, but the Government of India has been rather opposed to them.

243. Has the Secretary of State in any case approved of Companies dividing money which was required for the renewal of rails merely because the rails could not be bought?—I am afraid that is so.

244. Whose business would that be? Would it be the business of the auditor in England or the auditor in India?—It would scarcely be the business of the auditor, I should think, to decide.

245. (*Sir Henry Burt.*) The system would be responsible?—Yes, the system would be responsible for that. The auditor simply has to deal with the actual facts, the actual expenditure. It is not for him to question the policy of expenditure, I should imagine.

246. (*Mr. Hiley.*) Would the Government Director have an opportunity of criticising the matter at the Board meeting before the balance sheet was approved by the Board?—No. I do not think it would be his function to do that.

247. So that you really have no control over that?—No.

248. (*Chairman.*) I understand, however, that some Companies at least have asked to be allowed to carry it to reserve for the purpose of deferred maintenance, and the Secretary of State has agreed to permit that to be done?—Yes, in some cases.

249. But no steps have been taken to see that it is done in all cases?—No.

250. (*Mr. Hiley.*) As a matter of fact, has a reserve fund been provided by any Company other than the Bengal and North-Western Company?—No, I think not.*

* *I have since ascertained that the Rohilkhand and Kumaon Company has also been allowed to establish a reserve fund.*

(*Chairman.*) We are much obliged to you, Mr. Stantiall, for your evidence.

The witness withdrew.

(Here follows statement by Mr. William Stantiall.)

SUPPLEMENTARY NOTE BY MR. STANTIALL.

I.—Volume of Railway Business dealt with in the Public Works Department of the India Office. (Questions 16 to 33.)

In my answer to question 2 I stated that all Indian administrative railway questions come to the Public Works Department. It is perhaps desirable for me to explain that questions connected with the supply of stores for the Indian State Railways are dealt with by the Stores Department, and accounts matters by the Accountant-General's Department.

The numbers of letters and telegrams from India on railway matters, and letters from the Railway Companies received in this Department during the 12 months ending on the 18th November 1920, have been approximately as follows:—

Letters from India	From the Government of India	46
	From the Secretary to the Railway Board	178
Telegrams from India		132
Letters from Railway Companies		496

The numbers of letters and telegrams to India on railway matters, and letters to Railway Companies issued by this Department during the same period, have been as follows:—

Letters to India	To the Government of India	68
	To the Secretary to the Railway Board	197*
Telegrams to India		130
Letters to Railway Companies		316†

The most important of these are the letters from the Government of India and the replies. Of the 46 letters from the Government of India, 16 related to *new lines or works*, and in most cases asked for sanction by the Secretary of State. (The new lines or works included the quadrupling of sections of the Great Indian Peninsula and Bombay, Baroda and Central India Railways; the doubling of a section of the Bengal-Nagpur Railway; the electrification of a section of the Great Indian Peninsula Railway; new lines in Assam, Burma and Bikanir; a ropeway to Naini Tal; the remodelling of the yard and passenger station at Poona, on the Great Indian Peninsula Railway; the transfer of the locomotive shops on the South Indian Railway from Negapatam to Trichinopoly; rebuilding of certain bridges on the Bombay, Baroda and Central India Railway, &c.) Of the remaining 30, 13 related to various *establishment or personal matters*, including the recommendations of the Public Services Commission on the State Railway Engineer Establishment; the conditions on which leave is admissible to members of the Railway Board; the proposed grant of a special gratuity to Mr. Haughton, late Engineer-in-Chief of the Eastern Bengal Railway; the deputation of officers on duty in England; the grant of special allowances to certain officers, &c. The subjects of the other letters from India were:—

the formation of the Committee of Enquiry into Indian Railways (terms of reference, &c.);
the transfer of the administration of the Port of Chittagong to the Assam-Bengal Railway Company;
a draft agreement for the working of the Southern Shan States Railway by the Burma Railway Company;
the procedure to be followed when increases of pay are granted to railway subordinates;
the proposed compilation of Indian railway accounts and statistics annually instead of half-yearly;
the position of the Nushki Railway extension in relation to the North-Western State Railway;
a question as to the charge to be made against the Bengal and North-Western Railway Company for accommodation at Anwarganj, Cawnpore;
a complaint by the Bengal and North-Western Railway Company against the East Indian and Oudh and Rohilkhand Railways as regards through traffic;
the Railway Programme for 1920–21;
the creation of Railway Companies in India affiliated to the London Companies; and
questions in connection with the Provident Funds of Indian railways.

The most important subjects dealt with by telegram and not included above were:—

the rate of exchange to be applied to the transactions of Railway Companies;
the unrest among the Indian railway subordinate staff;
the establishment of a Committee to enquire into the systems of railway accounts in England and America;
the proposed arrangements with Messrs. Armstrong, Whitworth & Co. for establishing a locomotive manufacturing industry in India;
the waiver of the Secretary of State's right to determine the contract with the Assam-Bengal Railway Company in 1921;
the settlement of a draft contract with the Delhi-Umballa Kalka Railway Company as to the Jind-Panipat Railway, and
complaints as to the shortage of wagons for manganese traffic.

The telegraphic correspondence related very largely to personal and establishment matters.

The correspondence with the Railway Board and the Railway Companies also dealt to a very large extent with personal questions, but the following additional subjects may be mentioned:—

the settlement of the new contract with the East Indian Railway Company, and questions arising in connection with it;
the interpretation of the contract with the South Indian Railway Company relating to the Dharmapuri-Hosur Railway and the Nilgiri extension;
a question raised by the Rohilkhand and Kumoan Railway Company as to the treatment of traffic between Sitapur and Bombay, which has been referred to the arbitration of Lord Inchcape;
the question of the compensation to be allowed to Railway Companies from which rolling stock, &c., was commandeered during the war;
the method of dealing with losses through enemy action in the war;
the increase of the fees allowed to the Directors of the Indian Railway Companies;

* Letters merely giving cover to documents excluded as far as possible.
† Circulars to all the Companies counted as one letter.

the postponement of the operation of a contract with the Barsi Light Railway Company requiring them to construct extensions;
the proposed transfer of the Dacca-Mymensing Railway to the Assam-Bengal Railway Company;
the increase in the rate of interest payable on advances made by the Secretary of State to Railway Companies;
arbitration on questions in difference between the South Indian Railway Company and the Ceylon Government Railways in relation to through traffic between India and Ceylon;
the purchase by Government of the Mymensing-Jamalpur-Jagannathganj Railway;
a proposed increase in the borrowing powers of the East Indian Railway Company;
recovery from the Ministry of Shipping of freight charges on Guaranteed Railway Companies' stores in excess of rates on Government stores; and
the question whether German tenders for stores of Railway Companies should be accepted.

In the short time available I have not been able to attempt to give an exhaustive description of the Railway questions dealt with by the Public Works Department of the India Office, but I hope that the foregoing particulars will be sufficient for the purposes of the Committee.

II.—Capital Cost and Earnings and Expenses of the Commercial and Military Sections of the North-Western Railway respectively. (Questions 95 to 104.)

North Western Railway.

COMMERCIAL.

Year.	Capital.	Gross Earnings.	Working Expenses.	Net Earnings.	Per cent. of Net Earnings on Capital.
	Rs.	Rs.	Rs.	Rs.	
1911–12	56,93,87,962†	8,78,75,014	4,65,31,429	4,13,43,585	7·26
1912–13*	60,13,89,873	9,13,15,407	4,94,49,081	4,18,66,326	6·90
1913–14	64,66,38,790	9,21,58,624	4,97,21,602	4,24,37,022	6·56
1914–15	67,14,97,853	8,49,67,770	4,96,26,394	3,53,40,376	5·26
1915–16	67,55,43,591	8,89,23,485	4,76,00,740	4,13,22,745	6·12
1916–17	68,01,88,151	10,20,86,106	5,25,91,797	4,94,94,309	7·28
1917–18	68,31,29,829	12,55,16,494	5,15,50,985	7,39,65,509	10·83
1918–19	70,42,24,980	11,15,00,000‡	4,72,00,000‡	6,43,00,000‡	9·13‡
		MILITARY.			
	Rs.	Rs.	Rs.	Rs.	
1911–12	18,41,30,897†	57,39,877	65,99,173	−8,59,296	—
1912–13*	18,46,24,379	57,83,449	60,12,223	−2,28,774	—
1913–14	18,47,71,143	64,02,117	63,57,211	44,906	0·02
1914–15	18,53,28,358	72,56,414	69,85,523	2,70,891	0·15
1915–16	18,56,77,382	77,37,706	69,12,634	8,25,072	0·44
1916–17	18,60,78,934	85,45,549	70,70,461	14,75,088	0·79
1917–18	18,81,89,085	1,04,23,640	79,73,585	24,50,055	1·30
1918–19	19,15,12,913	1,37,00,000‡	1,08,00,000‡	29,00,000‡	1·51‡

* After 31st December 1912 the accounts were changed from the calendar to the financial year. The figures for 1911–12 and 1912–13 have been calculated approximately by adjustment of the calendar year accounts. † Figure for 31st December 1911. ‡ These figures and percentages are approximate only.

III.—Branch Line Companies formed before and after the 1910 Revision of Branch Line Terms. (Question 193.)

A.—FORMED BEFORE 1910.

Line.	Total Capital Outlay to 31st March 1919.	Total Mileage.
I.—Rebate Companies.	Rs.	
1. Ahmedabad-Parantij	37,23,000	88·70
2. Ahmedabad-Dholka	11,18,000	33·54
*3. Mymensingh-Jamalpur-Jagannathganj	26,83,000	56·05
4. Tapti Valley	1,32,39,000	155·72
5. Southern Punjab	6,54,37,000	916·65‡
6. Amritsar-Patti	31,26,000	54·26
7. South Bihar	1,19,77,000	79·19
II.—Guarantee Companies.	10,13,03,000	1,384·11
†8. Brahmaputra-Sultanpur	29,82,000	59·37
9. Hardwar-Dehra	30,54,000	32 04
	60,36,000	91·41
Total A.—I. and II.	10,73,39,000	1,475·52

* Purchased by the State on 31st December 1919.
† Purchased by the State on 1st April 1904. The capital outlay shown is that incurred to date of purchase. ‡ Of this total mileage, 208·16 miles (Sutlej Valley Railway) was temporarily dismantled in 1917–18 on account of the war, but is being replaced.

Branch Railway Companies—*continued.*

B.—FORMED AFTER 1910.

Line.	Total Capital Outlay to 31st March 1919.	Total Mileage.
I.—Rebate Companies.	Rs.	
Central Provinces (Ellichpur - Murtajapur-Yeotmal and Pulgaon Arvi).	84,02,000	139·49
Guzerat (Nadiad-Kapadvanj and Godra-Lunawada).	28,05,000	53·46
*Champanir-Shivrajpur-Pani - - -	16,30,000	32·40
Dhond-Baramati - - - -	11,74,000	27·26
Upper Sind Light Railways (Jacobabad-Kashmore).	22,16,000	76·70
Sara-Serajganj - - - - -	86,67,000	52·99
Mandra-Bhon - - - - -	21,55,000	46·38
Hoshiapur Doab (Jullundpur-Mukerian, Phagwara Rahon, and Nawashahr to Saijon).	56,27,000	90·02
Sialkot-Narowal - - - -	23,04,000	38·16
Pachora-Jamner - - - -	16,65,000	34·62
Mayurbhanj (including Baripada-Talbond) -	10,51,000	38·71 (under construction only)
Larkhana-Jacobabad - - - -	3,88,000	75·45 (under construction only)
Khulna-Bagirhat - - - -	7,96,000	19·75
Panposh-Raipura - - - -	11,56,000	14·30 (under construction only)
	4,02,36,000	739·69
I.A.—Guarantee and Rebate Companies.		
Mymensing-Bairab Bazar - - -	1,07,27,000	100·68
II.—Guarantee Companies.	Rs.	
Burdwan-Katwa - - - -	18,09,000	32·52
Bankura-Damoodar - - - -	35,43,000	59·95
Ahmadpur-Katwa - - - -	19,66,000	32·26
Dashgara-Jamalpurganj Extension (Bengal-Provincial Railway).	2,57,000	8·31
Kalighat-Falta - - - -	17,60,000	25·33
Futwah-Islampur - - - -	6,86,000	27·00 (under construction only)
Chaparmukh-Silghat - - - -	22,82,000	52 80 (under construction only)
Katakhal-Lalabazar - - - -	3,58,000	23·30 (under construction only)
Arakan Light - - - - -	28,87,000	18·25
Total II. - - - -	1,55,48,000	279·72
Total B., I., I. A., and II. - -	6,65,11,000	1,120·09
Grand total - - -	17,38,50,000	2,595·61

* Constructed under the Indian Tramways Act, but agreement is about to be concluded for its incorporation in the Guzerat Railways on much the same lines as Godra-Lunawada Railway.

IV.—Branch Line Terms. (Question 199.)

I have handed to the Assistant Secretary to the Committee copies of the Branch Line Terms of 1893, 1895, 1896, 1910 and 1913 (the last with amendments introduced in 1914). The essential point in which the several issues differ is the nature and degree of financial assistance offered by the Government. This is as follows in each case:—

1893 *Issue.*—Rebate not exceeding 10 per cent. of gross earnings of main line from interchanged traffic towards making up (together with net earnings of branch) return of 4 per cent. per annum on capital expenditure on branch line.

1895 *Modification.*—Rebate not exceeding net earnings of main line from interchanged traffic towards making up dividend of 3½ per cent. on capital expenditure on branch line.

1896 *Issue.*—(1) Guarantee of 3 per cent. per annum on capital expenditure with such share of surplus profits as may be agreed upon, or

(2) Rebate as in 1895 modification, the whole earnings in excess of 3½ per cent. per annum going to the branch Company.

1910 *Issue.*—(1) Guarantee of 3½ per cent. per annum on capital expenditure, or

(2) Rebate not exceeding earnings of main line from interchanged traffic towards making up dividend of 5 per cent. on capital expenditure.

In both cases any surplus net earnings in excess of 5 per cent. per annum to be divided equally between the Branch Line Company and the Government.

1913 *Issue.*—As in 1910 issue, with substitution of "approved paid up share capital of the Company" for "capital expenditure."

1914 *Modification.*—This allows capital to be raised for the same branch partly under the guarantee system and partly under the rebate system.

19th November 1920. W. S.

MR. GEORGE DUCHARS, called and examined.

See Written Statement No. 1, Vol. IV.

251. (*Chairman.*) You have been for 1½ years Government Director of Indian Railways?—Yes.

252. Having previously been Deputy Government Director?—Yes.

253. May we know your Indian experience?—I had 32½ years' service in India on State lines entirely.

254. On railway service?—On railway service entirely.

255. In what departments?—Chiefly in construction, but also on open lines.

256. That means as an engineer?—Yes.

257. Not as a traffic man?—No.

258. We know the functions of the Government Director consist of attending the Board meetings and reporting upon them?—Yes.

259. There is a clause in each of the Company's contracts, is there not, authorising the appointment of an *ex-officio* Director?—Yes.

260. And, as I understand, that power is always exercised?—Yes. There always has been a Government Director, as far as I know.

261. The Government Director is mentioned among the Directors in the Annual Report?—Yes.

262. But not the Deputy Director?—No.

263. The deputy or assistant is only what they call in the South African Companies an "alternate"?—Yes.

264. He attends if his chief cannot do so?—Quite so.

265. Of course the merely Company business of transferring the stocks and dividends and so forth does not concern you; it is management that is your business?—Yes.

266. Your only power over money sanction is that you can sanction certain excesses over estimates against indents from India?—I have to sanction the placing of all orders against indent. They are placed subject to my sanction, and I have the power of sanctioning excesses, if necessary.

267. To any extent, or to a limited extent?—There is no limit.

268. Provided you are satisfied that the excess of cost over the estimate cannot be avoided you sanction it?—Yes.

269. You are present at the whole of the meetings of the Board?—Yes, either I or my assistant.

270. The Boards correspond on the one hand with the Secretary of State here, and on the other hand with their own agent in India?—Yes.

271. Is the agent for all purposes what we in England call a general manager?—In India, yes.

272. He has the full powers of a general manager?—I do not know exactly what the full powers of a general manager are.

273. The general manager is over everybody else on his line?—Yes.

274. Does the agent occupy that position in India?—Yes, he has that position in India.

275. You say that all the official correspondence of the Boards is approved at the Board meetings?—Yes.

276. Therefore it comes before you?—Yes.

277. Is it submitted to you beforehand in draft?—As a rule it is, yes. Letters from the Boards to the agent are always sent to me before the meeting.

278. Before the meeting of the Board?—Yes.

279. And if you have any comments to make you make them when you are at the Board meeting?—Yes.

280. Theoretically at least, then, the letter can only go as altered by you?—Yes.

281. Presumably in some cases they satisfy you that they are right in what they are proposing, and you withdraw your objection?—Quite so.

282. Of course the agent is subject to a double check. If he proposes expenditure, or works that imply expenditure, he first of all gets his own Board's approval?—Yes.

283. And then he has to get the approval of the Railway Board in India, because the bulk of the cost falls on the Secretary of State?—Yes.

284. You say: "The Secretary of State is "made cognisant of all the proceedings of the "Boards by having submitted to him copies of the "minutes of each meeting, and of all letters "despatched to the several agents in India." Is that literally true? Does a copy of each minute every fortnight come to this Office?—Yes.

285. (*Sir Arthur Anderson.*) The printed ones—the official letters?—The minutes.

286. (*Chairman.*) Both letters and minutes. What is the procedure? Does the secretary of the Company forward them?—Yes. They are forwarded every fortnight, after they are confirmed at the subsequent Board by most of the Companies.

287. They are not forwarded until the subsequent Board meeting confirms them?—In most of the Companies. One or two of the Companies send them on before confirmation.

288. The secretary of the Company sends them to whom?—To the Public Works Department.

289. So that there is a complete file of minutes such as you would find in the Board room?—Yes.

290. It is not part of your business to be responsible for that?—The Public Works Department used to send me the minutes when they got them, and I used to initial them in the corner and send them back, but now they have stopped doing that for some reason or other.

291. From what point of view did you initial them?—Just to show that they corresponded with what had passed at the Board meeting.

292. I assume that that is hardly necessary?—No, I do not think it is.

293. They are sent to the Secretary of the Public Works Department?—Yes.

294. But he does not now send them on to you?—No, he does not now.

295. So that you have not a file on your own account?—No. The minutes are gone through at the subsequent Board meeting. They are either read at the Board or circulated among the directors before the Board meeting.

296. So that you are fully conversant with them?—Yes.

297. I am not in the least suggesting that you are not conversant with them. Not only do the instructions from the Board of Directors to their agents come to the Secretary of the Public Works Department here, but they are also sent to the Railway Board in India?—They are sent to the Railway Board in India by this Office.

298. In other words, the Company here cannot give any instructions to its own agents without their being brought to the knowledge of the Railway Board, which is the controlling authority over the agents?—That is so.

299. Is there any restriction on the Companies sending unofficial letters?—To their agents?

300. Yes?—They are not supposed to give their agents instructions without my knowledge, but as a matter of fact demi-official letters are sent. Some of the Companies make a point of showing me their demi-official letters and some do not.

301. Supposing you thought something was not correct, would you have any power to call for any papers in the Office?—Yes.

302. You could call for letters whether official or not?—I understand that I could. That is within my powers.

303. One is familiar with cases, especially of municipal bodies, which go into Committee of the whole body when they do not want the reporters to be present. Supposing the Board were to go into Committee, what happens?—There is nothing confidential from me, if I want to know about it. I have the right to attend all Committee meetings.

304. You have the right under the contract to see all documents, formal or informal?—Yes. The contract says I have the power of veto over all proceedings of the Board whatsoever. That is how it is put. That extends over all proceedings of the Board, including demi-official letters. I do not know that it is exactly laid down, but I suppose demi-official letters come under it. In any case I have the rights of an ordinary Director to see all letters whether demi-official or other.

305. You call it a "veto." I think I saw in one of the contracts that your power is to suspend for 28 days?—I do not know that. May I see that contract?

306. Probably I am wrong; it may be in something else. As far as you know, you have an absolute power of veto?—Yes.

307. If they think you are wrong, the only thing the Company can do is to appeal over your head to the Secretary of State?—I do not know what they would do. As a matter of fact, the veto has never been exercised.

308. You mention in your statement that you never have vetoed anything?—Yes.

309. And as far as you know no predecessor of yours ever has?—No. The Companies always give way with a good grace when there is a difference of opinion.

310. You practically know what would be the policy of the Government, and you say: "Do not do this, otherwise I shall have to object to it." That is about what happens, I suppose?—Yes.

311. Matters of importance on railway policy generally come to this Office and are referred from the Government of India as well as from the Companies?—Yes.

312. They go, as we have been told by Mr. Stantiall, generally to the Public Works Department, but sometimes to the Finance Department?—Yes.

313. Do all these papers pass through your hands?—Not from the Finance Department. The Public Works papers mostly do if they concern me at all.

314. They are sent to you for observations?—Yes.

315. And on your observations and their own opinions the Department acts?—Yes.

316. Supposing, for the sake of argument, a case comes up where the Companies take one view and the Board in India takes another, and it comes up to the Secretary of State in Council, the Public Works Department, I suppose, would put the case before the Council?—It would be considered first of all in the Public Works Committee.

317. Would you be present at that Committee?—Yes.

318. And then again at the Council?—No, not at the Council.

319. Not at the Council, but at the Committee?—Yes.

320. If it comes up to the Council, then the Secretary for the Public Works Department would be there?—No, he does not go to the Council either.

321. The Council sit alone, do they?—Yes.

322. With regard to the question of State *v.* Company management, you have annexed a Table. Will you kindly explain that Table to us?—The Table gives the amount paid by the Government to eight guaranteed Railway Companies for working its lines. The Table shows certain details with regard to each of these Companies. Column No. 1 gives the names of the Companies.

323. We have the Table before us. Will you tell us the point of it—why you have put it in?—The point of it is to try and arrive at some idea of what it costs the Government to manage their railways through Companies. Column No. 10 gives the net earnings, 1,305·86 lakhs. Out of those net earnings the Companies receive 145 lakhs, that is column 8. The share capital altogether is 2,711 lakhs, column 3. If the lines belonged to the Government, the Government would have to pay interest on the amount of capital which belongs to the Companies. The amount of that interest at 4 per cent. is 108 lakhs, as per column 13. The 145 lakhs actually received by the Companies, minus 108 lakhs which the Government would have had to pay as interest on the Companies' share capital, is an indication of what the Companies get for managing the lines, that is, 36½ lakhs, in column 14. The figures are for the year 1913–14.

324. The moral of that is that statements have been made to the effect that the Companies took the whole of their dividends out of India, so to speak?—Yes. It appears to dispose of the idea some people have that Indian Railway Companies are making huge profits out of India.

325. Whereas the only portion that they can be said to have got for themselves is the difference between what they get and what the Secretary of State would have had to pay for the money anyway if he had raised it himself?—Yes.

326. And that is 36½ lakhs?—Yes, or about 2·8 per cent. of the net earnings.

327. (*Mr. Hiley.*) Excluding the East Indian Railway?—Yes.

328. (*Chairman.*) That makes it 55 lakhs?—Yes. The Companies' capital is taken at Rs. 15 to the £, as stated in column 3.

329. You say in your statement: "The Companies have been earning higher dividends since "the war, but this is partly due to the fact that "working expenses have been low owing to renewals "and betterments having to be postponed for want "of materials from England"?—Yes, but I ought to have used the word "returns" instead of "dividends."

330. You will agree that, if you cannot spend money on renewals because you cannot get the materials, it is not an extra profit; it is only deferred expenditure?—Yes.

331. We have been discussing this subject with Mr. Stantiall, and apparently only one railway has carried it to reserve; the rest have divided it, and the Secretary of State has taken his share. Do you agree that that is dangerous finance?—I think most of the Companies have got large reserve funds. They do not all call them "deferred renewal funds" or anything of that kind, but they have mostly got a considerable amount of money in reserve in anticipation.

332. But those are reserves of unexpended profits?—Yes.

333. This is not a profit at all. It is no more a profit than if I did not pay the bills of my butcher or baker or candlestick maker?—And therefore they put some of it into a reserve fund.

334. Has the Secretary of State put any to reserve?—No, he has not put anything to reserve.

335. Has this question ever been raised at any of the Boards here in London?—The question about deferred renewals?

336. Yes?—Yes, it was raised by one or two of the Boards.

337. What has happened?—I am afraid my memory is rather deficient on the point. I should like to have time to look the matter up.

338. (*Sir Henry Burt.*) I think it was left in this way—that if anything was to be done in the matter the initiative should come from the Government of India.

339. (*Chairman.*) Your service has, you have told us, been entirely on State railways?—Yes, except that I was lent to the Burma Railway Company for some time.

340. Speaking purely of management, apart from any political question, you say you do not think there is any serious difference between the two systems?—No. It is a matter of the personality of the agent chiefly, I think, in regard to the actual management and efficiency of working.

341. It is very easy for non-technical people to choose one particular instance, but you can choose them either way?—Yes.

342. You have given us some interesting information in your statement. You say there are 10 Companies whose meetings are attended by the Government Director?—Yes

343. But you mention only eight in your table?—Yes. The other two are not guaranteed Companies—the Bengal and North-Western and the Rohilkund and Kumaon.

344. You have the right to attend the meetings of those lines?—Yes They not only work their own line but a State line also.

345. Is it in that capacity you attend?—Yes.

346. You would not have the right to attend so far as the management of their own line is concerned?—No, there would be no necessity.

347. That makes the 10?—Yes.

348. You say there are 58 directorships which are held by 44 gentlemen of whom 20 are retired Indian railway officials and 10 are retired Indian Government officials?—Yes.

349. Fourteen are business men selected as business men, and not necessarily of Indian experience?—Yes, but most of them have had Indian experience, I think.

350. The 14 then would include retired Indian merchants?—Yes.

351. Do questions of alterations of rates or proposed alterations of rates often come home to the London Board?—Yes, fairly often.

352. The agent says: "I think I should like "to make considerable changes in such and such "rates for such and such traffic"?—Yes.

353. Questions of that kind do come home?—Yes, occasionally.

354. That, as I understand, is within the competence of the agent on his own account?—Very largely.

355. It is not a matter the Government controls provided it is within his maximum and minimum?—That is so.

356. Would you interfere on a question of that kind?—Not so long as they were within their maximum and minimum.

357. Supposing he says: "I want your approval," and they say: "We approve," would an official or an unofficial letter of the Board be sent?—It would most probably be unofficial—demi-official, I should say.

358. That would not normally be submitted to you?—It would be discussed at the Board meetings.

359. Would you hear of it?—Yes, but I should not interfere.

360. Would you not have the right to take part?—I do not know whether I should have a right to take part: I do not think I should.

361. Morally you would not have a right. That is what it comes to, is it not?—Yes.

362. That would not be recorded in the Office here. That is not the kind of letter that would be reported to the Office here?—If it came in an official letter it would.

363. But would it be an official letter?—It might or might not.

364. (*Sir Henry Burt.*) Lately there have been several proposals from the agents in India in connection with the general increase of rates brought about by the increase of working charges?—Yes.

365. All those, I take it, have been dealt with officially, have they not?—Yes, I think they have.

366. It went so far as some railways asking the Boards to agree to their agent going up to the Government of India to get the maximum increased?—In passenger rates.

367. And, I think, in the Great Indian Peninsula in goods too?—There was a long official letter from the Great Indian Peninsula.

(*Chairman.*) How did it start?

(*Sir Henry Burt.*) In connection with the increased rates of working the agents wrote home to their Boards suggesting that there should be a considerable increase in the rates and fares, and in the case of many lines that was only an increase within the existing maxima. But some lines went further than that and asked their Boards to approve of an increase in the maxima, both for passengers and goods.

(*Chairman.*) There you would have to go to the Railway Board. As I understand it, the Secretary of State could authorise the payment of a lakh a mile if he chose. It is not embodied in a contract. It is free to him to raise the maximum at any time.

368. (*Sir Henry Burt.*) Yes. I was only bringing out the point that lately at any rate all really important questions of rates come up officially, do they not?—Yes.

369. Would you agree to that?—Yes. I agree to that.

370. (*Mr. Hiley.*) In that case would the correspondence be kept in this Office too?—Yes.

371. (*Sir Arthur Anderson.*) I understood you to say that all expenditure in India which is sanctioned by the Home Boards is subject to the sanction of the Railway Board being obtained by the agent. There is a certain amount up to which the Boards can go without Government sanction, is there not?—That is only to simplify the procedure.

372. That power in most cases is transferred to the agent so that he can spend up to a lakh or two?—You might add the words "where necessary" to what I said.—"subject to the agent "obtaining the sanction of the Railway Board "where necessary." It is really the same thing.

373. (*Chairman.*) I presume we may take it that the agent would not ask the authority of his Board in England to spend a small trifling sum?—No. Certain powers have been delegated to the Boards of the railways and to the agents by their Boards.

374. Is there much difference between one Company and another in the amount of freedom

left to an agent?—Yes, there is a good deal of difference. Some Companies leave their agents a much freer hand than others.

375. (*Mr. Hiley.*) Do you join in the discussions at the meetings of the Public Works Committee or are you simply just there in case you are wanted?—I am only supposed to give my opinion when I am asked.

(*Chairman.*) Thank you very much Mr Deuchars, for your evidence.

The witness withdrew.

(Adjourned for a short time.)

**

MR. CECIL HERMANN KISCH, C.B., called and examined.

376. (*Chairman.*) We had better formally put on the notes what is your position?—My present appointment is that of Deputy Secretary in the Financial Department of the India Office. Previously I was Secretary to the Indian Currency Committee, and prior to that Private Secretary to the Secretary of State.

377. You have lost two Financial Secretaries within quite recent times?—Yes the late Sir Lionel Abrahams was Assistant Under Secretary of State, and had charge in that capacity of the financial work of the India Office.

378. He had been in charge of the work?—Yes, he had been in charge of the financial work of the India Office for many years, and his death was followed a few months later by the death of Mr. Frank Lucas, who was then Financial Secretary.

379. I think we shall probably put, if not the whole, at any rate the greater part of this memo. in at the beginning of your evidence; I think it will be desirable to have it. We may think that something might be omitted, the appendices for example, but we think we ought to put it in?—I quite agree to that.

NOTE.

The Provision of Funds for Capital Expenditure on Indian Railways.

1. The question of railway finance was last examined by a Committee appointed by Lord Morley in 1907. The Committee consisted of Lord Inchcape (then Sir James Mackay), Sir Walter Lawrence, Sir Felix Schuster, Sir David Barbour and the late Sir Lionel Abrahams. In the course of their report they investigated the question as to the amount of capital that the Secretary of State might expect to provide annually for capital expenditure in India, and they arrived at the conclusion that this amount might under the conditions then existing, be placed at 14,000,000*l.* This estimate included the following amounts to be provided in India:—

Sums to be provided in India.

	Lakhs.
(A) Revenue surplus - - - -	100
(B) Annual appropriation from revenue for reduction or avoidance of debt.	75
(C) Savings bank deposits - - - -	100
(D) Rupee loan - - - - -	325
(E) Moiety of profits on coinage - - -	150
Total - - -	750

At the then rate of exchange of 1*s.* 4*d.* per rupee = 5,000,000*l.*

The balance of the amount required for capital purposes was to be found from borrowings in the United Kingdom estimated to amount to about 9,000,000*l.* a year.

2. Of the 14,000,000*l.* to be provided from India and the United Kingdom for capital expenditure it was assumed that 1,000,000*l.* would be devoted to irrigation works, but after allowing for other expenditure from borrowed money and the uncertainties of the money market, it was hoped that it would be possible to finance a railway programme of 12,500,000*l.* a year.

3. It is generally accepted as desirable that the capital required for Indian public works should be provided as far as possible in India, and the question of the amount which may be required from sources outside India can conveniently be approached by an examination of the amount that may be expected to be obtained in India in the next few years.

4. Since Lord Inchcape's Committee reported, the position has been profoundly changed by the war. Conditions are still unstable, but, even when the extreme uncertainties of the present time are relieved, it must be assumed that for the next decade at any rate those responsible for the financing of Indian railways will have to

deal with a set of factors differing entirely from those familiar before the war. These new factors affect the general scale of expenditure and prices, the rate of interest, and the borrowing capacity of the Government of India. On these questions it is impossible to speak with any certainty. But an examination of some of the wider considerations must nevertheless be attempted.

5. It has to be noted in the first instance that the rate of exchange has risen substantially from that existing at the time of the 1907 Committee's report, and now stands at about 1*s.* 7*d.* sterling. The policy of establishing the rupee on a gold basis at the equivalent of Rs. 10 to the sovereign has now been definitely embodied in Indian legislation, but it has not yet been found practicable to make the new rate effective. For the present purpose it seems best to assume a rate of exchange of 2*s.*, which is the rate adopted in the Government accounts.

6. It will now be convenient to consider in greater detail the sources of capital receipts enumerated (A–E) in paragraph 1 above.

The Government of India's accounts for 1918–19 and the revised estimates for 1919–20 have shown deficits of 3,820,000*l.* and 10,000,000*l.* respectively. The prospects of the existing year are uncertain, but it may be assumed that when the temporary difficulties arising from fluctuations in exchange, abnormal military commitments and other exceptional features pass away, the revenue accounts will ordinarily reveal an annual surplus. As regards this surplus it might be possible, by imposing additional taxation, to obtain for capital purposes a higher amount than the 100 lakhs assumed by Lord Inchcape's Committee, but there are strong objections to the imposition of taxation to meet expenditure on capital projects, which, from their remunerative character, are appropriately financed from borrowed funds. It has, moreover, to be remembered that in connection with the scheme of constitutional reform the Government of India have made large assignments of revenue in favour of the Provinces, and the Select Committee of Parliament have recommended in the strongest terms that the Government of India and the Secretary of State should so regulate their financial policy as to enable the Central Government to dispense as soon as possible with the annual contributions from the Provinces, which are required to make good the deficiency in the Government of India's revenue, as compared with the expenditure they have to meet.[1] In all the circumstances it is improbable that more than 1 crore of rupees will be regularly available from revenue surplus for expenditure on railway capital works.

As regards (B), the item arose from the grant of 1,000,000*l.* a year which was set aside from Imperial revenues for famine relief and insurance. Under the new accounting arrangements which are to be introduced in connection with the constitutional reforms, this grant will disappear and with it the special head "Reduction or avoidance of debt."

As regards (C), it may perhaps be assumed for the purposes of the argument that with growing prosperity and the general advancement of education, receipts from Savings Bank deposits will produce 300 lakhs.[2]

As regards (D), the experience of the war has shown that with the increased wealth of India and improved methods of publicity, greatly increased resources may be obtained by local borrowings. In the current year it was provisionally assumed that 15 crores could be borrowed in India, and the actual receipts from the loan have been 29 crores, of which 11 crores represents new money, the balance taking the form of bonds tendered for conversion into the new loan. But account must be taken of the fact that under the new constitutional scheme for the development of provincial autonomy Local Governments will themselves be competing borrowers with the Government of India in the Indian money market. The Government of Bombay, for instance, is known to require 30 crores in the next few years for housing and local development, and the return on Provincial loans may be expected to be higher than that offered by the Government of India loans.

[1] *Vide* Second Report from the Joint Select Committee on the Government of India Act, 1919 (Draft Rules), No. 172 of 1920.

[2] The Budget estimate for 1920–21 assumed a net deposit of Rs. 2,50 lakhs in respect of Postal Savings Banks and Provident Funds.

Mention must also be made of the legacy of floating debt and short-term bonds with which India, like other countries, has been saddled by the war. In the next few years the following amounts approximately of short-term War Bonds and also the 1915–16 Loan have to be repaid or funded before the position can be regarded as secure :—

	Lakhs.
1921 Bonds	25,65
1922 Bonds	11,33
1923 Bonds	2,15
1923 Repayment of 1915–16 Loan	5,00
1925 Bonds	4,19
1928 Bonds	25,20

In 1930, at latest, provision has also to be made for the funding or repayment of 28 crores of 10-year bonds issued this year.

On 1st October 1920, the Treasury Bills outstanding (excluding those held in the Paper Currency Reserve) amounted to 37 crores.

A prudent policy demands that steps should be taken, as opportunity offers, to reduce the embarrassing floating and short-term debt. It would therefore be unwise to reckon on more than 10 to 12 crores as the sum that the Government of India may be expected to obtain annually by direct borrowing in India for purposes of new capital expenditure.

As regards (E), no reliance can be placed on profits on the coinage of rupees. The Government of India have to meet heavy charges from the depreciation of their sterling securities and gold holding by reason of the rise in exchange. Until these have been made good, and until further experience has been gained of the course of exchange at the new level fixed for the rupee, strong objection can be taken to the appropriation of profits from this particular source for capital purposes. Indeed, the Secretary of State in Council has determined that when the Gold Standard Reserve has reached a total of 40,000,000*l.* the interest on investments held in the reserve as well as the profits on coinage shall be utilised towards wiping out the loss through the depreciation of the gold and sterling securities held in the Paper Currency Reserve in consequence of the change in the ratio of the rupee.

7. If the figures in paragraph 1 are revised in the light of the above review, the Indian contribution to the programme of capital expenditure may be provisionally taken as follows : —

	Lakhs.
(A) Revenue surplus	1,00
(C) Savings Bank deposits	3,00
(D) Rupee loan	12,00
Total	16,00

i.e., 16,000,000*l.* at the new parity of exchange.

8. It will now be convenient to turn to the question of the Government of India's expenditure on capital account. The Railway Committee of 1907 were of opinion that the Government of India would require for capital purposes all the funds that could be provided in India and the United Kingdom. They came to the conclusion, however, that in the circumstances then existing not more than 14,000,000*l.* could be so provided. Of this amount they hoped that 12,500,000*l.* would be available for railway purposes, and recommended that the programme of annual expenditure on railway construction and development in India should be fixed for the eight years following the presentation of their Report at this figure. This period was interrupted by the war. Statement I. (*a*) in the Appendix shows the amount spent on railway construction since 1908. For the years 1908–9 to 1914–15 the average annual expenditure on Indian railway construction amounted to 9,800,000*l.* The highest figures attained were those of 1913–14 and 1914–15, when an expenditure of 12,500,000*l.* and 12,000,000*l.* respectively was incurred. In view of the uncertainty attaching to the level of prices of railway material imported from this country and

elsewhere, and the cost of construction in India, it is difficult to offer any confident opinion as to the amount that would to-day correspond to the figure of 12,500,000*l.* recommended by the Committee of 1907. The rise in the cost of wages and materials in India in recent years is notorious, and it is doubtful when imported rolling stock will be purchasable under substantially more favourable conditions than at the present time. For 1920-21 the capital expenditure on railway construction in India (taking exchange at 2*s.* per rupee) has been estimated at about 25,000,000*l.* The estimate has been swollen to an abnormal extent through the non-delivery of stores for which payment was provided in the previous year's programme, and for which fresh provision has again to be made. But, as will be seen from Statement I (*b*), the bulk of the moneys available have under present conditions to be devoted to open line works, while the outlay on new lines is being strictly limited. The Railway Board anticipate that it will probably be necessary to follow a similar policy for the next few years. In the circumstances it would seem unreasonable to take any lower figure than 25,000,000*l.* as the sum required for Indian railway development in the years ahead.

In addition to the amount required for railway purposes provision must be made for capital expenditure on irrigation, and for the next few years for the construction of New Delhi. Perhaps 1,500,000*l.* may be assumed as the minimum likely to be required for these purposes. It would probably not therefore be far from the mark to assume that about 27,000,000*l.* at least will be required annually by the Government of India for the next few years for the purpose of railway construction and other works financed from capital, if an adequate programme is to be maintained.

9. It has previously been suggested that, under accepted methods of finance, the Government of India may hope to provide 16,000,000*l.* annually towards this programme from funds obtained in India. This leaves a balance of 11,000,000*l.* to be provided either by borrowings in the United Kingdom or by some fresh method of raising funds in India.

10. In present conditions it is not easy to forecast to what extent and on what terms India will be able to raise money in this country during the next few years. The conditions of the London money market have been completely changed as a result of the war and any conclusions arrived at must necessarily be provisional. In the course of the current year the Secretary of State considered very carefully the question of floating a loan in London, and only reluctantly abandoned the idea because he was advised that in the circumstances of the time the issue of a loan of even moderate amount would have to be made on terms that would militate against India's credit in London. Indian loans have for various reasons lost favour in the market of recent years. They have had to contend against increased competition on the part of other borrowers. But the difficulties of placing Indian loans have been aggravated in some measure by political considerations.[1] Statement II. in the Appendix exhibits the relative decline in the price of India 3½ Stock and Consols in the last few years. The table inevitably exhibits some anomalies, but the main tendency is clearly that of an increasing difference in the yield per cent. obtainable on British and Indian Government securities. Thus whereas 15 years ago an investment in 3½ per cent. India Stock only yielded ½ per cent. more than an investment in Consols, to-day the difference exceeds 1 per cent. The significance of these figures will be appreciated when it is remembered that in the last few years the

[1] *Extract from* Evening Standard, *dated 20th September* 1920.

Indian Investments.

Political considerations, rather than economic factors, continue to govern the course of Indian investments. Indian 3 per cent. have gravitated to a level representing a yield of 6*l.* 18*s.* per cent., while the 3½ per cent. show approximately 6*l.* 16*s.* per cent. to the purchaser. The 2½ per cent. at 37-39 represents about 6*l.* 11*s.* per cent.

* * * * *

The contrast with kindred British securities is becoming more pronounced. Consols represent a yield of approximately 5*l.* 9*s.* per cent. at the current price. Irish land 2¾ per cent. would give only 5*l.* 17*s.* per cent. Local loans 3 per cent. stands at a price yielding 5*l.* 15*s.* per cent.

All come into the category of gilt-edged investments selling at a big discount, and therefore possessing that virtue of appreciating in capital value when the investment standard is more modified and becomes stabilised. We are inclined to believe that the margin of virtually 1½ per cent. between the yield on Consols and Indian 3 per cent. is more than a generous allowance for the theoretical investment risks of the two securities.

market has been literally flooded with new British Government securities, whereas no issue of India Stock has been made since 1912. Under existing conditions it is cheaper for India to borrow locally than to enter the London market, and future policy will, no doubt, be directed to confining the demand on London to a minimum.

In present circumstances it must be recognised that it is beyond the reach of the Secretary of State to raise regularly as much as 11,000,000*l.* in London from year to year. Statements III. (*a*) and III. (*b*) in the Appendix show the amounts borrowed for capital purposes in the United Kingdom in the past 20 years distinguishing between monies raised by the creation of India debt and monies borrowed through railway companies. Statement III. (*a*) exhibits the gross borrowings but takes no account of the frequent repayments of India bills and of the periodical renewals of Indian railway debentures. Statement III. (*b*) allows for these corrections and is therefore more relevant to the present discussion. It will be seen that only in 1905–06, 1907–08, 1908–09, 1909–10, and in 1914–15 did the net borrowings in London exceed 9,000,000*l.* The largest single issues of India stock at any one time amounted to 7,500,000*l.* in 1909 and 1910, but it has always been felt that it would be undesirable to rely solely on such direct issues by the Secretary of State. The contracts with the railway companies have accordingly been drawn so as to give the Secretary of State definite powers to call upon the companies to raise capital. A brief summary of the relevant provisions will be found in Statement IV. It will be seen from Statement III. (*b*) that in the 20 years 1901 to 1920, 54,500,000*l.* net were borrowed by the Secretary of State direct, while 30,500,000*l.* net were raised by the railway companies, a proportion of 64 to 36 per cent. Reference may here be made to Statement V., showing the capital liabilities of the Indian Guaranteed Railway Companies outstanding on the 31st March 1920, which shows that existing capital to the nominal value of 65,000,000*l.* has been raised by the Guaranteed Railway Companies taken together. Of this amount 25,000,000*l.* has been raised by the East Indian Railway Company. In the matter of Debenture Stock, the usual form of new borrowing, 33,000,000*l.* nominal capital was outstanding on 31st March last, of which 18,500,000*l.* has been provided by the East Indian Railway Company. The difficulties that may be anticipated in the way of providing adequate funds for capital expenditure in India make it important that no action should be taken that would impair the availability of all the means hitherto open to the Secretary of State for raising funds, and in this matter the Guaranteed Companies have in the past played a most valuable part.

11. But even if all the sources hitherto utilised for the provision of capital for Indian railway development continue to be available, it is difficult to see how the full amount that is necessary can be provided unless fresh channels for raising money can be provided in India. The Government of India have for many years been prepared to offer assistance in the way of guarantee or rebate, with the view to the encouragement of the construction by the agency of private companies in India of branch lines forming feeders either to State lines worked by the State, or to railways worked by the companies. The terms on which Government assistance is given are set forth in the Railway Board Resolution dated 14th November 1913. The amount of money actually raised in India and spent on the construction of lines under these terms amounted on the 31st March 1919 to about 10 crores of rupees. In addition a certain amount of money has been raised in India through the agency of District Boards and Companies subsidised otherwise than under the "feeder line" terms. Suggestions for enabling the Guaranteed Railway Companies to borrow funds in India have been considered from time to time, but at the present moment a serious difficulty in the way of such schemes lies in the fact that under existing law interest paid by the Guaranteed Companies to subscribers of rupee capital resident in India would apparently be liable to British, as well as to Indian, income tax. This difficulty might be surmounted by the creation of affiliated companies in India, and would not arise in the case of independent Indian companies, guaranteed or otherwise, domiciled in India. It seems desirable, therefore, to explore every avenue that may help towards the creation of such new bodies, which could play their part in the financing of Indian railway development. Capital can obtain a high return in India, and in order to attract it to the work of railway enterprise, it may be necessary to offer substantial inducements in the way of profit-earning potentialities.

12. It may be asked whether, if fresh sources of capital supply can be developed in India, the Government is likely to be able to dispense with any of the sources hitherto available. This question might be asked with particular reference to the Guaranteed Companies domiciled in England, whose maintenance raises issues of a political as well as financial character. Some of these are referred to in the correspondence dealing with the renewal of the East Indian Railway Company's contract in 1919 for five years, which will doubtless be laid before the Committee. While it is desirable that funds for Indian railway development should as far as possible be provided in India, other countries, such as Canada, the Argentine and Brazil, have in the past looked to the London market for funds required for railway enterprise, and until India is in a position to supply all the capital needed for the purpose, it would seem that the urgency of her economic development should not be subordinated to other considerations.

Different views have been held regarding the relative efficiency and economy of State and company management of the Indian railways, as will be seen on reference to the correspondence relating to the East Indian Company above referred to. In connection with the cost of the different systems to the Government, attention is invited to the figures set forth in Statement VI., exhibiting the net profits to the State from the Indian railways and the amounts paid away in surplus profits in recent years. These latter figures, however, are in excess of the real cost of this element in the system, since were it not for the prospect of earning surplus profits, the fixed rate of interest guaranteed by the Secretary of State would have had to be on a higher scale. Moreover, having regard to the higher yield capital now commands, and the prices at which profit-sharing stocks of the Indian railway companies can be purchased, it would probably not be suggested that the State has made an unfavourable bargain for itself. The question of the liability that the State would incur on the termination of the existing contracts also demands consideration. There are important differences in this respect between the various companies (*vide* Statement IV.). In the case of the East Indian Railway, the actual payments on termination of the contract are limited to annuities. In the case of other companies, termination of contracts would involve heavy cash disbursements, which it might be difficult at the time to arrange, to pay off existing stockholders. In the case of a company like the Assam-Bengal, which earns no surplus profits and whose stock stands at a heavy discount, termination of the contract would be financially disadvantageous to Government. It is worth mentioning that in the course of the current year the Secretary of State in Council, with the concurrence of the Government of India, has informed the company that he does not propose to exercise his option of termination in 1921.

13. Those who are concerned with the provision of funds for Indian railway enterprise would welcome any suggestions that may help to increase the means for obtaining fresh capital. The conclusions to which this note tends are that in the years ahead India is likely to require all the capital that it can obtain from every source, and that while the development of fresh sources of supply in India is of the highest importance, it is also essential to maintain the link with British capital, which has done so much in the past for the development of the Indian railway system.

C. H. K.

FINANCIAL DEPARTMENT, INDIA OFFICE,
20th October 1920.

APPENDICES.

STATEMENT I. (*a*).

SUMMARY of EXPENDITURE on CONSTRUCTION of INDIAN RAILWAYS during the Financial Years 1886–87 to 1918–19 inclusive, and of the provision made on that account by Companies and by the State respectively.

Year.	Expenditure on Lines worked by Companies.	Expenditure on State Lines.	Total.	Capital raised by Companies.	Provided by the State.	Total.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	£	£	£	£	£	£
1886–87	3,508,550	3,580,588	7,089,138	3,402,645	3,686,493	7,089,138
1887–88	5,751,732	1,516,290	7,268,022	5,712,874	1,555,148	7,268,022
1888–89	5,734,633	803,353	6,537,986	5,091,139	1,446,847	6,537,986
1889–90	2,856,100	1,472,271	4,328,371	1,236,651	3,091,720	4,328,371
1890–91	2,168,050	1,648,769	3,816,819	*— 798,367*	4,615,186	3,816,819
1891–92	1,045,100	2,227,409	3,272,509	*— 168,125*	3,440,634	3,272,509
1892–93	1,352,423	2,762,076	4,114,499	1,622,234	2,492,265	4,114,499
1893–94	1,263,225	2,312,291	3,575,516	133,688	3,441,828	3,575,516
1894–95	1,278,555	2,720,539	3,999,094	364,048	3,635,046	3,999,094
1895–96	1,501,039	2,438,241	3,939,280	1,081,815	2,857,465	3,939,280
1896–97	2,736,531	3,352,230	6,088,761	3,944,275	2,144,486	6,088,761
1897–98	3,844,083	2,244,389	6,088,472	2,260,603	3,827,869	6,088,472
1898–99	3,938,270	2,608,631	6,546,901	1,872,602	4,674,299	6,546,901
1899–1900	4,130,602	2,123,688	6,254,290	1,929,725	4,324,565	6,254,290
1900–01	3,436,140	1,864,642	5,300,782	3,244,234	2,056,548	5,300,782
1901–02	3,862,868	2,118,909	5,981,777	3,068,828	2,912,949	5,981,777
1902–03	3,524,350	3,369,370	6,893,720	2,629,996	4,263,724	6,893,720
1903–04	3,274,321	3,267,886	6,542,207	*— 66,595*	6,608,802	6,542,207
1904–05	3,768,744	3,597,209	7,365,953	2,412,320	4,953,633	7,365,953
1905–06	2,772,485	6,337,659	9,110,144	1,452,321	7,657,823	9,110,144
1906–07	4,099,945	5,603,244	9,703,189	*— 254,440*	9,957,629	9,703,189
1907–08	3,367,195	4,528,898	7,896,093	2,243,776	5,652,317	7,896,093
1908–09	3,710,235	6,371,300	10,081,535	5,298,853	4,782,682	10,081,535
1909–10	4,061,162	4,405,405	8,466,567	2,457,210	6,009,357	8,466,567
1910–11	3,506,998	4,073,978	7,580,976	2,381,519	5,199,457	7,580,976
1911–12	3,402,815	4,610,459	8,013,274	17,497	7,995,777	8,013,274
1912–13	5,112,457	4,888,443	10,000,900	578,079	9,422,821	10,000,900
1913–14	7,580,096	4,917,455	12,497,551	4,752,147	7,745,404	12,497,551
1914–15	7,204,000	4,811,164	12,015,164	4,548,590	7,466,574	12,015,164
1915–16*	3,370,469	1,848,179	5,218,648	3,865,447	1,353,201	5,218,648
1916–17	1,583,500	1,061,169	2,644,669	555,431	2,089,238	2,644,669
1917–18	53,413	2,823,121	2,876,534	*—1,305,810*	4,182,344	2,876,534
1918–19	706,853	3,573,321	4,280,174	*—1,419,639*	5,699,813	4,280,174
TOTAL	109,506,939	105,882,576	215,389,515	64,145,571	151,243,944	215,389,515

* From 1915–16 onwards war conditions necessitated a restriction of Indian capital expenditure.

STATEMENT I. (*b*).

ALLOCATION of CAPITAL EXPENDITURE on Railways financed through the Railway Programme between "New Lines" and "Betterments" (comprising Open Line Works and Rolling Stock charged against Capital).

(These figures have been estimated on the basis of the diagram on page 3 of the Indian Railway Administration Report for 1918–19 *and are approximate only).*

Year.	New Lines.	Open Line Works and Rolling Stock charged against capital.	Total.
	£	£	£
1908–09 - -	1,400,000	8,700,000	10,100,000
1909–10 - -	1,800,000	6,617,000	8,417,000
1910–11 - -	2,500,000	5,000,000	7,500,000
1911–12 - -	2,830,000	5,030,000	7,860,000
1912–13 - -	2,670,000	7,230,000	9,900,000
1913–14 - -	1,300,000	11,030,000	12,330,000
1914–15 - -	900,000	10,500,000	11,400,000
1915–16 - -	650,000	3,950,000	4,600,000
1916–17 - -	760,000	1,240,000	2,000,000
1917–18* - -	930,000	1,600,000	2,530,000
1918–19 - -	340,000	3,830,000	4,170,000

* The figures for this year are based on revised calculations.

STATEMENT II.

RETURN on India Stock and Consols calculated on the middle price between highest and lowest price levels of certain Years.

Year.	INDIA 3½ PER CENT. STOCK. Mean Price.	Yield per cent.	CONSOLS. Mean Price.	Yield per cent.	Difference.
1903 -	105⅞	3·3	90⅜	2·8	·5
1904 -	104 1/16	3·3	88 3/16	2·8	·5
1905 -	106 1/16	3·3	89 1/16	2·8	·5
1906 -	104⅜	3·4	88⅝	2·8	·6
1907 -	100 1/16	3·5	84⅛	3·0	·5
1908 -	100⅛	3·5	85⅞	2·9	·6
1909 -	98⅛	3·6	84	3·0	·6
1910 -	95 5/16	3·7	80⅝	3·1	·6
1911 -	94⅜	3·7	79¼	3·1	·6
1912 -	92 1/2	3·8	75 3/16	3·3	·5
1913 -	88	4·0	73⅜	3·4	·6
1914 -	88 3/16	3·9	73 7/16	3·4	·5
1915 -	82 3/16	4·3	62 3/16	4·0	·3
1916 -	72 3/16	4·8	57¾	4·3	·5
1917 -	65 3/16	5·3	53 1/16	4·7	·6
1918 -	67¾	5·2	58⅜	4·3	·9
1919 -	65 1/16	5·3	54 5/16	4·6	·7
1920 (to end of Sept.) -	56⅜	6·2	48½	5·2	1·0
6th Oct. 1920	53	6·6	46	5·4	1·2

[*Note.*—The general tendency of the above table is clear. The anomalies are due to the fact that an individual transaction, effected at a specially high or low price, would be reflected to a wholly undue extent in the table.]

STATEMENT III (*a*).

STATEMENT showing the amounts borrowed for Capital purposes in the United Kingdom—

(1) by the India Office;

(2) through Railway Companies;

from 1900–01 to 1919–20.

Year.	Money raised by creation of India Debt.	Borrowed through Railway Companies.
	£	£
1900–01 -	8,356,992	3,414,802
1901–02 -	5,971,722	3,021,820
1902–03 -	5,018,668	2,742,294
1903–04 -	3,479,905	—
1904–05 -	2,892,754	3,264,887
1905–06 -	*11,638,096	2,037,963
1906–07 -	1,892,573	—
1907–08 -	8,518,281	3,179,162
1908–09 -	11,335,580	5,298,546
1909–10 -	15,069,573	2,459,426
1910–11 -	10,200,757	2,294,278
1911–12 -	7,355,103	—
1912–13 -	2,748,934	495,000
1913–14 -	—	4,832,788
1914–15 -	7,000,000	3,882,581
1915–16 -	7,000,000	3,459,580
1916–17 -	—	—
1917–18 -	—	—
1918–19 -	—	—
1919–20 -	—	—
	108,478,938	40,383,127

* Including proceeds of 10,089,146*l.* India 3 per cent. Stock issued in payment of part of the purchase price of the Bombay, Baroda and Central India Railway Company's undertaking.

STATEMENT III (*b*).

STATEMENT showing the net amounts borrowed for Capital purposes in the United Kingdom—

(1) by the India Office;

(2) through Railway Companies;

from 1900–01 to 1919–20.

Year.	Net Amount raised by creation of India Debt.	Borrowed through Railway Companies.
	£	£
1900–01 -	5,356,992	3,237,003
1901–02 -	971,520	3,021,820
1902–03 -	1,018,668	2,569,774
1903–04 -	*— 20,095*	*— 80,000*
1904–05 -	892,754	2,403,672
1905–06 -	11,138,096	1,401,221
1906–07 -	1,392,573	*—302,792*
1907–08 -	8,518,281	2,240,651
1908–09 -	10,335,580	5,238,582
1909–10 -	9,069,573	2,404,843
1910–11 -	4,200,757	44,278
1911–12 -	1,855,103	*—40,000*
1912–13 -	2,248,934	495,000
1913–14 -	*—500,000*	4,552,788
1914–15 -	6,500,000	3,882,581
1915–16 -	*—500,000*	3,084,580
1916–17 -	*—7,500,000*	*— 75,000*
1917–18 -	*—500,000*	*—1,582,500*
1918–19 -	*—500,000*	*—1,531,900*
1919–20 -	—	*— 568,000*
	54,478,736	30,396,601

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STATEMENT IV.

Contracts with Indian Railway Companies (guaranteed by the Secretary of State).

Provisions relating to the Supply of Additional Capital, Division of Surplus Profits, and Termination of Contracts.

Company.	Date of Contract.	Provision as to supply of Additional Capital.	Method of Division of Surplus Profits between Company and Secretary of State.	(1) Provisions as to, and (2) Date of Termination of, Contract.	Provisions for Acquisition of Line by Secretary of State on Termination of Contract. (In all cases the Secretary of State, in addition to making the payment stated, is bound to indemnify the Company against outstanding debts and liabilities which may have been incurred with his sanction.)
Assam-Bengal.	26th April 1892.	"The Secretary of State shall at his option either contribute" further moneys required or "enable the Company to raise them, by the issue, at his option, of shares or of debentures in such manner with such guarantee by the Secretary of State, and generally on such terms as shall be agreed upon between the Secretary of State and the Company." (Clause 43.)	In the ratio of the amounts of capital expended on the undertaking by the Company and the Secretary of State respectively. (Clause 65 (6).)	(1) The Secretary of State may, if this Contract shall not have been previously determined, determine the same on 31st day of December 1921 or on the 31st day of December of any succeeding tenth year, by giving to the Company in England not less than 12 months' previous notice in writing of his intention in that behalf (clause 92 of Contract of 26th April 1892). (2) The Secretary of State has decided not to determine the contract on the 31st December 1921 (P.W. 2440/20), and the next date of possible determination is therefore 31st December 1931.	The Secretary of State shall, out of the revenues of India, pay to the Company in London an amount in sterling equal to the amount which shall have been paid by the Company to the Secretary of State in respect of its original share capital of 1,500,000*l.* and of any further share capital or stock (clause 97 of Contract of 26th April 1892).
Bengal-Nagpur.	6th Nov. 1912.	"All moneys which shall after the 31st day of December 1910 be required for capital expenditure on the undertaking shall, at the option of the Secretary of State, be provided either by means of advances by the Secretary of State (in which case he shall be entitled to require the Company at any time afterwards to raise money for the repayment thereof), or by the issue as the Secretary of State shall decide of debentures or debenture stock of the Company, or by the issue of further ordinary shares to be converted when fully paid into ordinary stock of the Company. Any such debentures or debenture stock shall be subject to the provisions with respect to debentures contained in the Contract of 1901, as varied by any other of the supplemental Contracts or by these presents." (Clause 5.)	In proportion to the respective shares in which the capital for the time being (excluding debenture capital) has been contributed by them (clause 9 of the Contract dated 5th November 1912). The Secretary of State's capital is taken at 15,500,000*l.* (as on the 31st December 1910), to which is added the amount up to the date of his subsequent advances and the Company's capital at 3,000,000*l.* (clauses 2 and 3 of the Contract dated 5th November 1912).	(1) The Secretary of State may terminate this Contract on 31st day of December 1950 or on 31st day of December of any succeeding fifth year by giving to the Company in England not less than 12 calendar months' previous notice in writing of the termination of this Contract (clause 15 of Contract dated 5th November 1912). (2) Next date of possible termination 31st December 1950.	The Secretary of State shall, out of the revenues of India, pay to the Company in sterling in London an amount equal to so much of the Company's original share capital of 3,000,000*l.* as shall have been paid to the credit of the Secretary of State in the manner provided by the Contract, together with the amount of any paid up ordinary capital issued by the Company with the sanction of the Secretary of State for the purpose of providing money for capital expenditure on the undertaking, other than any sum or sums paid by way of premiums in raising these amounts (from clauses 94, 38 and 34 of the Contract of 9th March 1887, and clause 16 of Contract dated 5th November 1912).

BOMBAY, BARODA AND CENTRAL INDIA.	24th Oct. 1913.	"Capital required for the purposes of the undertaking (exclusive of the subsidiary lines) after the 31st December 1911 shall, at the option of the Secretary of State, either be advanced by him (in which case he shall be at liberty to call on the Company subsequently to raise money for its repayment) or be provided by the Company by the issue, as the Secretary of State shall decide, of further ordinary stock or of debentures or debenture stock, in such manner and at such time and on such terms as to interest or otherwise as the Secretary of State shall determine, but in deciding how capital is to supplied the Secretary of State shall, if so requested by the Company, agree to the issue by the Company from time to time of additional ordinary stock to such an amount as shall be necessary in order to maintain as nearly as possible, as between the preferred capital of the Secretary of State and the Company's capital, the ratio of 14 to 1 established as at the 31st December 1911 by clause 9 hereof." (Clause 14.)	In proportion to the respective shares in which the capital for the time being (excluding debenture capital) has been contributed by them (clause 20 of Contract dated 24th October 1913). The Secretary of State's capital is taken at 38,500,000*l.* (as on 31st December 1911), to which is added the amount of his subsequent advances and the Company's capital at 2,000,000*l.* (clauses 12 and 13 of Contract dated 24th October 1913).	(1) This Contract may be determined by the Secretary of State on 31st day of December 1941 or on 31st day of December in any succeeding fifth year by giving to the Company in England 12 calendar months' notice in writing (clause 2 of Contract dated 24th October 1913). (2) Next date of possible termination 31st December 1941.	The Secretary of State shall pay to the Company in sterling in London the equivalent at par of the capital stock of the Company (clause 76 of the Contract dated 8th April 1907).
BURMA	9th March 1897 and 9th June 1909.	"The Secretary of State shall, at his option, either contribute the whole or any part of" further moneys required, "or enable the Company to raise the same or such parts thereof as shall not be contributed by him, in such manner (by the issue, at the option of the Secretary of State, of shares or of debentures or otherwise), and with such guarantee by the Secretary of State, and generally on such terms as shall be agreed upon between the Secretary of State and the Company." (Clause 45.)	In the ratio of 5¾ for Secretary of State to 3 for Company (clause 17 of Contract of 9th June 1909).	(1) The Secretary of State may, if this Contract shall not have been previously determined, determine the same either on the 31st day of December 1928 or on the 31st day of December 1935 or on the 31st day of December 1941 (clause 93 of Contract of 9th March 1897 as modified by clause 18 of Contract of 9th June 1909). (2) Next date of possible termination 31st December 1928.	The Secretary of State shall pay to the Company in London an amount equal to the share capital or stock at par so far as it shall have been paid up in full (*see* clause 98 of Contract dated 9th March 1897 and clause 11 of Contract dated 9th June 1909).
EAST INDIAN	14th Nov. 1899 and 17th Dec. 1919.	"All capital monies required by the Company for the purposes of the undertaking shall, at the option of the Secretary of State, either be provided by him or be raised by the Company by the issue of debentures or debenture stock, in such manner and on such terms as to interest or otherwise as the Secretary of State shall determine." (Clause 7.)	Of the first 29 lakhs of rupees of surplus profits the Company is to take ⅛th and the Secretary of State ⅞ths. Of the remainder the Company is to take $\frac{1}{100}$th and the Secretary of State $\frac{99}{100}$ths (clause 2 of Contract of 17th December 1919).	(1) The said notice by the Secretary of State of his intention to determine the principal Contract on the 31st day of December 1919 is hereby withdrawn and subject to the provisions hereinafter contained the principal Contract as varied by the other indentures hereinbefore referred to shall continue in force until the 31st day of December 1924 when the same shall determine (clause 1 of Contract of 17th December 1919). (2) Date of termination 31st December 1924.	On the determination of the Contract the Secretary of State will resume the payment to the Company of the portion (⅛th) of the annuity of 1,473,750*l.* which is deferred during the continuance of the Contract (section 13 of East Indian Railway Purchase Act, 1879).
GREAT INDIAN PENINSULA.	21st Dec. 1900.	"All capital moneys required for the purposes of the undertaking shall, at the option of the Secretary of State, either be provided by him . . . . . or be raised by the Company by the issue of debentures or debenture stock in such manner and on such terms as to interest or otherwise as the Secretary of State shall determine." (Clause 22A.)	$\frac{1}{20}$th to the Company and $\frac{19}{20}$ths to the Secretary of State.	(1) On the 30th day of June 1925 the Company shall give the Secretary of State possession of the undertaking (clause 60 of Contract dated 21st December 1900). (2) Date of termination 30th June 1925.	The Secretary of State shall pay to the Company the amounts paid up or credited as paid up on all shares or stock in the Company's new capital (*i.e.*, the capital created on the occasion of the reconstruction of the Great Indian Peninsula and Indian Midland Railway Company in 1900 as one system) (clause 60 of Contract dated 21st December 1900).

Company.	Date of Contract.	Provision as to supply of Additional Capital.	Method of Division of Surplus Profits between Company and Secretary of State.	(1) Provisions as to, and (2) Date of Termination of, Contract.	Provisions for Acquisition of Line by Secretary of State on Termination of Contract.
SOUTH INDIAN.	24th Nov. 1890 and 21st Dec. 1910.	"Any further moneys which may from time to time be required . . . . . for any other purposes sanctioned by the Secretary of State under this Contract shall, at the option of the Secretary of State, either be provided by him or be raised by the Company in such manner (by the issue, at the option of the Secretary of State, of shares, stock, debenture stock or otherwise), and on such terms as shall be agreed upon between the Secretary of State and the Company." (Clause 42 of Contract dated 24th November 1890 and clause 17 of Contract dated 21st December 1910).	In proportion to the respective shares in which the capital for the time being (excluding debenture capital) has been contributed by them. The Secretary of State's capital is taken at 13,000,000*l.* (as on 31st December 1910), to which is added the amount of his subsequent advances, and the Company's capital at 1,000,000*l.* (clauses 14 and 25 of Contract dated 21st December 1910).	(1) The Secretary of State may, if this Contract shall not have been previously terminated, terminate the same either on the 31st day of December 1945 or on the 31st day of December of any succeeding fifth year by giving to the Company in England not less than 12 calender months' previous notice in writing of the termination of the Contract (clause 90 of Contract dated 24th November 1890 read with clause 29 of Contract dated 21st December 1910). (2) Next date of possible termination 31st December 1945.	The Secretary of State shall pay out of the revenues of India to the Company in London in sterling the amount of the share capital or stock of the Company excluding any sum or sums paid by way of premium (clause 95 of Contract dated 24th November 1890 and clause 32 of Contract dated 21st December 1910).
MADRAS AND SOUTHERN MAHRATTA.	26th June 1908.	"All moneys which may, during the continuance of the original Contract as hereby varied be required for capital expenditure on the Company's and State lines, and on any lines which may be constructed under clause 49 of the original contract,* shall, at the option of the Secretary of State, be provided either by means of advances by the Secretary of State (which the Company shall repay when required by him to do so), or by the issue of debentures or debenture stock of the Company, or by the issue of further capital stock of the Company. All such debentures or debenture stock or capital stock shall be issued subject to such regulations and upon such terms and conditions and at such times and in such manner as the Secretary of State may approve, and as to debentures or debenture stock shall bear interest at such rate as the Secretary of State may approve, and no debentures or debenture stock or capital stock of the Company shall at any time be issued without the previous sanction of the Secretary of State." (Clause 9.) (* 1st June 1882.)	In proportion to the respective shares in which the capital for the time being (excluding debenture capital) has been contributed by them (clause 17 of Contract dated 26th June 1908). The Secretary of State's capital is taken at 11,250,000*l.* (as on 31st December 1907) to which is added the amount of his subsequent advances, and the Company's capital at 5,000,000*l.* (clause 8 of Contract dated 26th June 1908 and clause 1 of Contract dated 16th March 1911).	(1) This Contract may be determined by the Secretary of State on the 31st day of December 1937 or on the 31st day of December in any succeeding fifth year reckoning from that date by giving to the Company in London not less than 12 calendar months' notice in writing of such determination (clause 2 of Contract dated 26th June 1908). (2) Next date of possible termination 31st December 1937.	The Secretary of State shall pay to the Company in London a sum equal to the nominal amount of the capital stock which shall have been issued by the Company at his request or with his sanction, and in respect of which full payment shall have been made to his credit (clause 23 of the Contract dated 26th June 1908).

STATEMENT V.—SHOWING THE CAPITAL LIABILITIES OF INDIAN GUARANTEED RAILWAY COMPANIES OUTSTANDING ON 31ST MARCH 1920.

Railway Company.	Share Capital.		Debenture Stock.		Debentures.			Permanent Advances made to Companies from the proceeds of India Debt raised for that purpose.	
	Amount.	Rate of Interest Guaranteed.	Nominal Amount.	Rate of Interest.	Nominal Amount.		Rate of Interest.	Amount.	Rate of Interest.
	£	%	£	%	£		%	£	%
Assam-Bengal -	1,500,000	3	—	—	125,000		4½		
					300,000		4¾		
					480,900		4½		
						£ 905,900			
Bengal-Nagpur -	3,000,000	4	2,000,000(*a*)	4	770,500		5		
					870,000		4¾	2,900,000(*c*)	3¼
					2,505,900		4½		
					500,000		3½		
						4,646,400			
Bombay, Baroda and Central India.	2,000,000	3	1,000,000(*d*)	3½					
Burma Railways -	3,000,000(*b*)	2½	1,250,000(*e*)	3					
East Indian -	6,550,000 (Deferred Annuity).	4	8,000,000(*f*)	3					
			7,000,000(*g*)	3½					
			3,500,000(*h*)	4½					
Great Indian Peninsula.	2,575,000	3	3,500,000(*j*)	3½	—	—	—	2,500,000	3¼
Rohilkund and Kumaon Joint Debenture Stock.	—	—	800,000(*k*)	4					
South Indian -	1,000,000	3½	2,318,248(*l*)	4		895,000	4½		
Madras and Southern Mahratta.	5,000,000	3½	2,500,000(*n*)	4	100,000		4¾		
			1,200,000(*o*) (Mysore).	4	1,068,000		4½	2,129,900(*m*)	3¼
					475,000		3½		
						1,643,000			
TOTALS -	24,625,000	—	33,068,248	—		8,090,300	—	7,529,900	—

Remarks:—

(*a*) Cash actually received amounted to 1,948,587*l.*
(*b*) Cash actually received amounted to 3,020,000*l.*
(*c*) Now incorporated in Secretary of State's capital invested in the undertaking.
(*d*) Cash actually received amounted to 959,364*l.*
(*e*) Cash actually received amounted to 1,199,818*l.*
(*f*) Cash actually received amounted to 7,577,824*l.*
(*g*) Cash actually received amounted to 6,716,841*l.*
(*h*) Cash actually received amounted to 3,459,580*l.*
(*j*) Cash actually received amounted to 3,253,158*l.*
(*k*) The proceeds of this loan were not paid over to Government.
(*l*) Cash actually received amounted to 2,295,244*l.*
(*m*) Now incorporated in Secretary of State's capital invested in the undertaking.
(*n*) Cash actually received amounted to 2,471,538*l.*
(*o*) Cash actually received amounted to 1,224,000*l.*

STATEMENT VI.

STATEMENT for the years 1900-19 showing (1) the net Profits to the State from the Indian Railways; and (2) the amounts paid away in Surplus Profits.*

Year.	Gain to the State.	Amounts paid away in Surplus Profits.	Year.	Gain to the State.	Amounts paid away in Surplus Profits.
	£	£		£	£
1899-1900	747,141	415,011	1909-10 -	842,709	322,483
1900-01 -	819,449	355,111	1910-11 -	2,028,193	464,012
1901-02 -	1,154,583	315,756	1911-12 -	3,808,922	482,001
1902-03 -	451,617	293,593	1912-13 -	4,825,916	709,642
1903-04 -	1,114,350	330,715	1913-14 -	4,705,684	440,857
1904-05 -	2,267,707	356,529	1914-15 -	2,272,558	690,898
1905-06 -	2,292,011	418,992	1915-16 -	4,164,620	603,827
1906-07 -	2,560,366	396,300	1916-17 -	7,548,503	770,442
1907-08 -	1,979,968	430,239	1917-18 -	9,937,465	994,404
1908-09 -	— *1,204,768*	320,889	1918-19 -	10,777,613	1,264,237

* Exchange has been taken at Rs. 15 = 1*l.* for the purpose of these tables.

380. You will appreciate that this is, so to speak, a preliminary and informal obtaining of facts for the purpose of taking it out for the benefit of our Indian colleagues when the Committee proper meets?—Certainly.

381. The facts in this paper represent official facts?—Certainly.

382. But so far as the opinions expressed are concerned, they are not?—No, they are the opinions of the writer.

383. You first call attention to the Committee of 1907, which we always know as the Mackay Committee?—Yes.

384. Lord Inchcape was Chairman, and I am afraid that probably we shall not be able to get his evidence?—That is a pity.

385. I do not think it will be possible, but we will see. Sir Walter Lawrence, Sir Felix Schuster, Sir David Barbour and Sir Lionel Abrahams were members of the Committee. The question referred to them was particularly the provision of funds for capital expenditure on Indian railways?—Certainly.

386. There was no question that the amount was less than it was desirable that it should be. That was accepted on all hands, was it not?—Certainly. If the amount obtainable could have been greater, they would have welcomed it.

387. The question really was how much you could obtain and by what methods?—Certainly.

388. This estimate included 750 lakhs to be provided in India?—Yes.

389. Do you want to say anything about that?—No, I have nothing to say about those figures beyond what I have said in the succeeding paragraphs.

390. How are they made up? For instance, do the extraordinary changes in exchange value affect the profits on coinage? Do they effect them at all?—The profits on coinage are dependent on other things besides the actual exchange, in particular on the relation the exchange has to the price at which you can buy the silver.

391. Silver has gone up, we know, from 26 to 56, or something in that proportion?—The real relevance of the coinage profits is explained in the latter part of paragraph 6 of my memorandum, from which you will see that we cannot reckon on getting anything out of coinage profits for the purpose of railway finance.

392. (*Mr. Hiley.*) This source of revenue is now withdrawn?—Yes. Actually one million odd pounds have been found in the past for railway finance from that particular source. It was an operation to which much exception was taken in certain quarters in India, and the idea was dropped some years ago, before the decision to which I refer at the end of paragraph 6 of my note was taken.

393. (*Chairman.*) Shall we get you to give a brief answer upon each of those headings (A) "Revenue Surplus" and so forth?—Certainly.

394. You say that the last year or two showed the contrary of surpluses?—Yes.

395. I suppose we might say that nobody can say the next few years what the position will be?—It is very uncertain, but we do reckon to budget for a surplus in normal times, and barring accidents, such as those due to exchange, famine or military operations, it is a reasonable assumption that there will be a surplus. I do not think it will be safe for the purpose of providing funds for railways to reckon that the surplus will be more than 100 lakhs.

396. May we assume that the railways would get the first call on it?—Yes, in the following way. The surplus will go into the balances of the Government of India, and in so far as they have free balances, it has always been customary to draw on them in order to relieve the strain on the borrowing operations of the Government.

397. You see no reason why that practice should be interfered with?—No.

398–400. Then as regards (B), that we may wipe out?—Yes.

401. Then with regard to (C), "Savings Banks Deposits," you are assuming 300 lakhs?—Yes.

402. There again you see no reason why anybody else should get in front of you to claim it for something else than railways?—No, it should be available for capital purposes.

403. Do you want to say anything on (D), "Rupee Loans"?—Yes, it is a very speculative figure.

404. Probably it is a thing that people in India will have their pulse on more than anybody here?—Yes, they will be in a better position to speak than I am. I can only give such an opinion as I can form on the basis of previous experience and discussion with people familiar with the position in India.

405. Then with regard to (E), "Moiety of Profits on Coinage;" this you agree has gone?—Yes, nothing can be expected from that source.

406. So your estimate of the total annual capital available from India to-day is 1,600 lakhs against 750 lakhs estimated by the Mackay Committee?—Yes, 16 crores.

407. That is on the assumption that your rupee loan can be practically quadrupled, that is, raised from 3·25 to 12?—Yes.

408. Then the expenditure on capital account I will ask you about quite shortly. You have given me the amount spent on railway construction since 1908 up to what we may call the time when India really got into the war as slightly under 10,000,000*l.* per annum?—Yes.

409. Railway construction means additions to open lines and construction of new lines?—Yes.

410. You have been good enough to give me a table dividing those two items?—Yes.

411. And for the information of the Committee I am going to give it. Taking the average for those seven years you say it is nearly 10,000,000*l.*?—Yes.

412. On the construction of new lines the highest figure was 2,830,000*l.*, which is less than one-third of the average expenditure. There were only two other years where it got as high as over 2,000,000*l.*, and in another three years it was under 2,000,000*l.*, and in the last year it was only 900,000*l.*?—In 1914–15.

413. Yes, the last of your seven years?—Yes.

414. To take 1913–14 separately, the expenditure in 1913–14 was over 12,000,000*l.*, but 11,000,000*l.* of it went in improvements of existing roads?—That is so.

415. Your year ends on the 31st March?—Yes.

416. So that in taking 1914–15 it is mainly 1914?—Yes.

417. In 1914–15 the expenditure was 11,400,000*l.*, of which 10,500,000*l.* was on improvements and only 900,000*l.* on new lines?—That is so.

418. I think that is really of great importance, and I am going to ask you to put that table in as an appendix in the shape you have given it. I suppose it does not come before you actually what the rise in wages and prices is in India?—Yes, we have had a good deal of information on that subject.

419. What is your impression, I mean as a generality?—I should say about 100 per cent. since 1914.

420. Not more?—That estimate is based on the index number of the prices of representative articles which we have had from India recently.

421. Is that materials only, or wages and materials?—I am thinking particularly of foodstuffs, and making a rough estimate. The rise in prices in India has not been as steep as it has been in this country.

422. I had an estimate submitted by a very responsible official the other day, compared with a pre-war estimate of a commission made on the best advice, and he said to-day you should multiply the figures by four for the cost of executing that work.

(*Mr. Hiley.*) That includes wages.

(*Chairman.*) The cost of doing the work. It was the question of the construction of the improvement of a certain canal, and the witness said: "The Royal Commission figures in 1907 were 1,300,000*l.* I estimate it will cost four times."

(*Sir Arthur Anderson.*) In India?

423. (*Chairman.*) No, here. India is what I am trying to get. You would say that the corresponding figure for India is not worse than 100 per cent.?—Perhaps I did not express myself clearly. The figure I had in mind was the increased price of representative foodstuffs and other necessaries which enter into the requirements of the ordinary Indian.

424. You are assuming that wages have to go up in that proportion?—I did make an attempt before coming here to gather some information regarding wages especially, but the materials in this office were very defective.

425. Then for the sake of dealing with the question at this moment we may assume at any rate 100 per cent.?—Yes, I think so.

426. Therefore, clearly on these figures we may say that there is no money worth speaking of available for extensions?—I am afraid that is so.

427. Unless there is some reason to suppose that the improvements on the existing roads are complete?—Your conclusion must, I think, be accepted.

428. Half of 900,000*l.* is not worth talking about?—No. Perhaps I might make one qualification here. In India movements in prices are liable to rapid changes from sudden causes. For instance, the war with its demand for labour for Mesopotamia and elsewhere produced a very rapid effect on the labour market, and a shortage of rain will send up the price of foodstuffs very sharply. Just as there is a rapid movement up at one time I think your colleagues would confirm me that in India there are also rapid movements down.

429. The fact you have to contract over long periods in advance for material from England would rather tend to stabilise your material prices?—I should think that would be so.

430. Did the Mackay Commission distinguish at all between new works and betterments?—They recommended that the equipment and improvement of existing lines should take precedence of the construction of new lines.

431. (*Chairman.*) You say the actual expenditure on railway construction in India, taking the exchange at 2*s.*, has been estimated this year at 25,000,000*l.*?—Yes, I obtained that figure by telegraph from India.

432. You say that the bulk of that will have to be devoted to open line works?—Yes.

433. (*Sir Arthur Anderson.*) Is that 25,000,000 10-rupee pounds?—Yes.

434. (*Chairman.*) Taking the exchange at 2*s.*, and you think that the same amount will be required next year?—I see no reason for thinking that a lower figure would be adequate.

435. The Railway Board think it will be for the next few years, and I assume in that they are taking it that the open line works, as you call them, will absorb the bulk of the 25,000,000*l.*?—Undoubtedly.

436. From that you arrive at the fact that somehow the Government, with or without the assistance of private capitalists other than as subscribers to Government loans, will have to find 25,000,000*l.* a year?—Yes.

437. You suggest, taking the rupee at 2*s.*, that 16,000,000*l.* can be provided in India, which leaves 11,000,000*l.* to be provided in England?—I would like to draw attention to the actual words used —"Under accepted methods of finance" we hope to get 16,000,000*l.* in India.

438. That leaves 11,000,000*l.* to be provided, we may say, by private finance either in England or India?—Yes.

439. That would be correct, I think?—Yes.

440. You will not prophesy as to India, I take it?—No, I can only offer an estimate.

441-2. I think I remember that Lord Rothschild and Mr. Daniel, of Messrs. Mullens and Marshall, the Government brokers, gave evidence to the Mackay Commission that probably 10,000,000*l.* was as much as you could raise in London?—I think that was said.

443. Have you any wish to express an opinion as to the possibilities in England to-day?—It is very difficult to express any opinion when conditions are in such a fluid state, but I endeavoured, in writing this note, to take a rather long view of the position from such knowledge as I have and information I have been able to obtain. I think that it is thought, in competent quarters, that present conditions will not go on indefinitely and that we may hope some day for a change to conditions in which Indian loans may again be welcomed. In writing this note I have not had in view this year or the next year, but a long range of time over which the Committee's recommendations will presumably operate, and in that period, I hope, there will arise conditions in which Indian loans will be welcomed and as readily accepted by the investing public as they were in the past.

444. (*Sir Henry Burt.*) In England?—Yes.

445. (*Chairman.*) You have extracted an interesting note from the *Evening Standard*, the effect of which is that the gap which was quite small between the Indian securities and English securities has widened?—Yes.

446. Do you wish to express any opinion upon that? I suppose it is a fact?—It is undoubtedly.

447. We may assume it to be the fact?—Yes. Detailed figures are given in Statement II. of this paper. One must make some allowance for the decreased purchasing power of money so that a 10*s.* gap to-day may mean a purchasing power gap of 5*s.* before the war. That is one point, but the fact that there has been a gap of increasing divergence is notorious, and I think most people would agree that to some extent the decline in the popularity of Indian investments has been due to a certain amount of apprehension on the part of investors as stated in this extract. I hope this is a passing phase.

448-9. It is an allowance, in the phrase in the note, for the theoretical investment risks of the two securities, which the writer thinks is a more than generous allowance?—Yes, and I may say that I agree with his opinion.

450. Can you tell us what is the total debt of the Government of India to-day?—On 31st March 1920 the total debt of India, including short-term debt, was somewhat in excess of 400,000,000*l.*, of which the sterling debt was about 170,000,000*l.*

451. The total is trifling compared to the resources?—The total unproductive debt was formerly very small, but owing to India's contribution to the war, this portion of the debt has risen substantially in the last few years, and on the

31st March 1920 stood at about 100,000,000*l.* These figures include Treasury Bills and short-term bonds. The debt figure includes the productive debt of about 300,000,000*l.*, which represents the capital which the Government has invested in its railways and canals.

452. Paying a high rate of interest?—Yes.

453. Then you deal with the question of the liabilities of the Indian Guaranteed Companies, showing that it is a total of 65,000,000*l.*, and I think your Statement V. divides it up into detail?—Yes. In the latter part of paragraph 10 reference is made to the fact that "existing capital to the "nominal value of 65,000,000*l.* has been raised "by the Guaranteed Railway Companies taken "together."

454. 65,000,000*l.*, of which more than half, nearly two-thirds, is debentures of some kind. Is there any importance in distinguishing between debentures and debenture stock?—The debentures are bonds of short currency, which may or may not be renewed by the Secretary of State. They are at present mostly two-year bonds, but the debenture stock is practically all irredeemable.

455. The debentures are short-term notes, as the Americans would call them?—Yes, most of them now are for two years, maturing over a period of time to suit our convenience, but the debenture stock is practically entirely irredeemable.

456. Entirely irredeemable—it is perpetual?—Yes.

457. That is quite important, I think?

458. (*Mr. Tuke.*) I take it at the option of the Government?—Certainly.

459. (*Chairman.*) I suppose the Government can redeem it at par?—Except in case of 3,500,000*l.* 4½ per cent. debenture stock issued by the East Indian Railway Company in 1915, the stockholders cannot claim redemption. The Government has the right at certain periods to pay off.

460. At par?—Yes.

461. It is not likely to be exercised at present?—No.

462. You said the debentures are short currency?—Yes.

463. And the Secretary of State could redeem?—The debentures must be met at maturity unless the holders are willing to accept the terms which the Secretary of State may offer for their renewal.

464. He could pay off?—Yes, they mature periodically. He either pays off or renews them.

465. I observe that some are 5 per cent., or one of them at least, and others 4¾ per cent.?—Since these tables were prepared we have had to renew debentures with a running rate of interest of 6½ per cent. Statement V. only runs up to March last.

466. It is fairly clear that these are two years' debentures, and they are all nearly under 5 per cent., none over. The interest on those would be quite considerably higher as they get renewed?—Certainly, under present conditions.

467. The share capital shows something over 24½ million pounds. Is that the original capital as from the date of the current contracts?—I think I am correct in saying that in none of the cases mentioned has the profit-sharing capital been increased since the constitution of the several Companies under their latest contracts.

468. The East Indian, for example, under the new five years' contract, presumably just retains its old capital?—Yes.

469. It was not worth talking about for five years?—That is so.

470. Frankly, I do not understand this point which Sir Arthur Anderson calls attention to. What is the difference between a deferred annuity and an ordinary share—is it not the case that the deferred annuity is pushed aside for the time and the amount of it is treated as the share capital as long as the Company continues working under the contract?—Yes, that amount was the capitalised value of a certain amount of annuity that was deferred, and the amount of the annuity that was deferred became the profit-sharing capital of the Company as constituted under their contract.

471. So that the owner of any portion of this 6,550,000*l.* has not the certificate of an ordinary share, but the certificate of a deferred annuity. Is that what it would be?—That is a technical point upon which I should prefer not to offer an opinion, but the position is that while the East Indian Railway Company endures he is the holder of a certain amount of profit-sharing capital.

(*Mr. Tuke.*) There are different kinds of annuities.

(*Chairman.*) Yes, I know there are many.

(*Mr. Tuke.*) Some have sinking funds, and some are wasting annuities.

472. (*Chairman.*) Yes, I know that is so. None of those are in here?—The position may be stated in this way. When the contract of purchase was made the investors whose interests were bought out were to be paid off by annuities, but a certain amount of that annuity was deferred and has been represented to date by a capitalised value, 6,550,000*l.* When the Company ceases to exist as a company those people whose annuities were deferred will revert to the position of annuitants, and the 6,550,000*l.* will disappear as an operative figure. They will become entitled to receive annuities instead.

473. As Mr. Tuke says, there are a number of annuities quoted on the Stock Exchange?—That is so.

474. They are people who are wiped out as far as anything to do with the railways is concerned. They are mere annuitants?—Yes, that is so.

475. Whose interest is charged on the revenues, of course?—The Secretary of State has to meet the annuities.

476. He has to meet them?—Yes.

477. He claims from the Indian Railways the money to meet them?—They are charged on the revenues of India as a whole, of which the railway revenue forms a part.

478. We have to appreciate this, I think, that the railway capital, the railway revenue and the railway expenses are all integral parts of the capital debt, the revenue and the expenses respectively of the Government of India as a whole?—Yes.

479. There is no separate railway budget? Am I right in thinking that the money received from rates and fares is paid over to the Government?—It will pass through the Government accounts. It passes into the account as a receipt of the Government.

480. Payment of the stationmaster's wages is expenditure of the Government as a Government?—I do not know the machinery, whether they use the money they take in the station to pay the station clerks.

481. It appears as expenditure?—Ultimately it is incorporated entirely with the Government's accounts.

(*Sir Henry Burt.*) They have to be paid into the Government Treasury?

(*Chairman.*) Even the private unguaranteed railways?

(*Sir Henry Burt.*) They are all paid into the Government Treasury.

(*Sir Arthur Anderson.*) That is a convenience I suppose?

482. (*Chairman.*) Do you care to express an opinion upon that?—It seems to be a matter of administrative convenience.

483. (*Sir Arthur Anderson.*) With regard to these annuities, there is a portion of the East Indian annuities that has an interest in the working of the line?—Those are the people whose annuity is deferred and who form what one describes in other Companies as the ordinary stockholders of the Company.

484. That interest would cease if the contract comes to an end. It would be continued as an ordinary annuity?—That is so.

485. (*Mr. Hiley.*) Now they share in the extra profits?—Yes.

486. (*Chairman.*) They will relapse from 7 per cent., or whatever it is, to $3\frac{1}{2}$ per cent.?—$4\frac{1}{2}$ per cent.

(*Chairman.*) Whatever the guarantee is.

487. (*Sir Henry Burt.*) My impression is that the deferred annuitants who form the shareholders of the East Indian Railway did not change their status. They were still annuitants except that their interest, instead of being, as it was previously, guaranteed at $4\frac{1}{2}$ per cent., was lowered to 4 per cent., and then they get beyond that their share of the surplus profits?—That is so.

488. (*Chairman.*) On an estimated capital which was estimated by capitalising their annuity?—Yes.

489. How were these share capitals fixed? Take, for instance, the Bombay, Baroda; has not that passed away from the original contract? Is not that a renewed contract?

489A. (*Sir Henry Burt.*) It is renewed?—May I refer you to Statement IV, under column 2. It gives a general idea of how that particular case is worked out. There is a brief summary there of the contract of October 1913 as to the Bombay, Baroda.

490. (*Chairman.*) I do not think that deals with my question, if you will forgive me saying so. The point I am upon is this. The Bombay, Baroda was constructed under a contract we will suppose dating from somewhere about 1850 or 1860?—Some date in the remote past.

491. At the end of 50 years it passed into the possession of the State?—The Secretary of State exercised his option to purchase.

492. His power to purchase?—Yes.

493. How is it that there is a profit-sharing capital in that case instead of deferred annuitants, as in the case of the East Indian? That is the question I want to put to you?—I can give my answer by a general example as to how a railway is dealt with when its contract expires. You will understand that the sum required for purchase can be paid either in the form of annuities or as cash down. Assume at a particular moment there is a Railway Company of which the private shareholders hold 1,000,000*l.* of capital, when its contract comes to an end. The method of dealing with it would be this. Assume we wish to renew the contract with the Company, one would discover what the net earnings of that line are and make an estimate of what they are likely to be in the future. Assuming the rate of interest to be provided was to be 4 per cent., one would multiply the net earnings by 25 and thus get a certain figure, say the figure might be 60,000,000*l.*, which would form the assumed capital of the Company. Then one would say that in future 1,000,000*l.* of this shall be the Company's share, and the Secretary of State shall have 59,000,000*l.* as his share. The Secretary of State shall get $\frac{59}{60}$ths of the surplus profits and the Company one-sixtieth. A guaranteed rate of interest would be prescribed according to the monetary conditions prevailing at the time and taking into account the estimate of profit-earning possibilities.

494. The only thing you leave out there is how do you ascertain the proportion of interest, you see the sense in which I am using the word interest, of the Secretary of State and the shareholders respectively?—Having capitalised the line.

495. As a whole?—Say you want to make it produce 5 per cent. return; then you capitalise it by multiplying the net earnings by 20. You might, in order to keep the Company secure of a certain amount, make a guarantee of $3\frac{1}{2}$ or 4 per cent. Suppose the capitalised result was 60,000,000*l.*, then the Company, on the assumption that the private stockholders' capital was 1,000,000*l.*, would be entitled to one-sixtieth of the surplus profits and the Secretary of State to fifty-nine-sixtieths.

496. I do not follow on what basis you give one-sixtieth? Why not one-hundredth or some other figure?—You would, in the hypothetical case taken for illustration, have assumed that on the basis of the net earnings the capitalised value of the undertaking was 60,000,000*l.*

497. That is so?—The Company would have actually put in 1,000,000*l.* of capital and you would then assume that the Secretary of State had put in the balance, viz., 59,000,000*l.* He may have put in 30,000,000*l.* or 40,000,000*l.* and the line might have been extremely productive, but for the purpose of dividing surplus profits under the new contract, you assume that his interest is 59,000,000*l.* and the Company's 1,000,000*l.*

498. In the case of the Bombay, Baroda the 2,000,000*l.* figure is presumably the survival of what its old capital was?—The 2,000,000*l.* was the portion of the purchase price of about 11,000,000*l.* which was left invested in the undertaking.

499–501. (*Sir Arthur Anderson.*) The effect of these conditions is that the interest of the Government and the working company are the same?—In proportion to their capital.

502. One draws 5 per cent. and the other draws 5 per cent.?—Yes.

503. If one draws $5\frac{1}{2}$ per cent. the other draws $5\frac{1}{2}$ per cent.?—Yes, except in the case of a Company that does not earn its guaranteed interest.

504. Where there are no surplus profits?—Certainly.

505. (*Chairman.*) The question I was going to put was this. The assumption at the end of the period is that the Secretary of State has the power to buy at 25 years and he does buy?—Yes.

506. At the end of the period the Company, if it is allowed to carry on, has no goodwill whatever?—No.

507. The whole of the goodwill is surrendered as soon as the Secretary of State buys. He takes the whole of the goodwill?—Yes. That is a most important point, and I am glad to have an opportunity of emphasizing it. Under the most recent form of contract the Secretary of State has the option to repay, but the Company has not the option of demanding; therefore, if conditions work out adversely to the Companies the Secretary of State would not, so far as financial considerations go, buy them out. He would leave them alone to continue their work as we have done in the case of the Assam-Bengal Railway Company, mentioned in paragraph 12 of my note, which does not get any surplus profits. If we terminated that contract, if we were unwise enough to do so, we should have to pay off a stock valued in the market at 40*l.* at par.

508. You are looking at this from the point of view of the Secretary of State?—Yes. An important consideration from his point of view is that he

should not be under an obligation to repay the private capital in a line at a fixed date. Compulsory repayment might conceivably be a very inconvenient liability, and it is to be remarked that such repayment entails a heavy demand on the capital resources available for railway construction.

509. The point that is clear is that in the case of the old Companies who would say—we need not discuss whether accurately—that they bore the burden of the heat of the day and developed the traffic, and at the end of 25 years you took it from them and claimed the whole of the goodwill for the State.

(*Sir Arthur Anderson.*) And revalue it at its increased earning power.

510. (*Chairman.*) That is, you have taken the whole of the goodwill for the State. Secondly, in the revised contracts you not only claim this, but you say, "Heads we win, tails you lose, if not, "we will let you wait with nothing but your "guaranteed interest." Is that right?—That is a broad and general way of looking at it.

511. That is how the City investors presumably would look at it?—Possibly.

512. It is not disputed that that is the bargain that is offered to an English investor.

(*Sir Arthur Anderson.*) It is rather worse, because the earnings of the line which presumably have increased during the currency of the original contract are taken at the end of the period and the line is capitalised on a 4 per cent. basis, or it has been in the past. It is on that basis that new capital is fixed.

(*Chairman.*) That is what I call goodwill. You capitalise goodwill in effect. Have I put it fairly, Mr. Tuke?

(*Mr. Tuke.*) I agree.

513. (*Chairman.*) That will be a large part of the case that I suppose the Directors will make?—I think they have always recognised that risk when they enter into these contracts. The India Office has to remember the point of view of the taxpayer. After all, the Secretary of State, who puts up the bulk of the capital, has to protect the taxpayers' interest, and if the Railway Companies are prepared to accept these terms it is their business.

514. I am not expressing any opinion that it is unwise, I am only trying to see how it would strike the investor?—Quite so.

515. The only profit in it is the difference between the guarantee and the surplus profits which last for a few years, 25 or something of that sort?—Yes.

516. Which *ex hypothesi* will be very small at the beginning?—Which may be small at first unless there is an unusually rapid traffic development.

517. *Ex hypothesi* it will normally be small? Yes, at first.

518. It may run up to 3 or 4 per cent. at the end, or it may not?—Quite so, and is liable to any of the accidents that may upset railway finance.

519. The only thing he can rely on is his $3\frac{1}{2}$ or 4 per cent. guarantee?—Yes.

520. Are there any cases in which the railways who receive notice to terminate their contracts have declined to negotiate for a new one or where negotiations for a new one broke down?—The only case of the kind I can recollect is that of the Indian Midland a few years ago. In that case the negotiations for a continuation or renewal of the contract failed to mature and the shareholders were paid off by the Secretary of State.

521. I think Mr. Stantiall this morning gave us somewhat analogous cases on lines that the Government had bought themselves and that they tried to lease. Was it the Rohilkund and Kumaon?—The Oudh and Rohilkund and the Eastern Bengal.

522. The Government tried to lease to a Company and they could not find the Company to take it.

523. (*Sir Henry Burt.*) On the terms offered?—Yes.

(*Sir Henry Burt.*) I think it may be said that in addition to the disadvantages which the shareholder suffers, as put by the Chairman, there is the additional disadvantage that his property is not properly developed for want of funds. Do you think that is fair? He does not get sufficient capital from the Government to develop his property under the financial arrangements of the contract.

(*Mr. Hiley.*) He always has the option of declining if he does not like the terms.

524. (*Chairman.*) We are assuming a case where, after he has taken it, it cannot be developed to a higher degree because the capital cannot be raised. We may carry that a stage further?—The suggestion being that if the Company could go to the market and offer, say, 8 per cent. cumulative preference shares it would get the money.

525. Calculating that it would gain more than 8 per cent. on it?—Yes.

526. Is it a fact that a Company is not allowed to raise capital? The Secretary of State has, I believe, in some cases at least, refused to allow a Company to raise the capital for improvements that it had asked to be allowed to raise?—All raising of capital by guaranteed Companies has to be on terms subject to the approval of the Secretary of State.

527. (*Sir Arthur Anderson.*) In practice a Company has never increased its share capital after its first inception?—Not as far as I recollect. Since the latest contracts there has not been any increase.

528. The Secretary of State makes advances from time to time. I see a case here where 2,000,000*l.* borrowed at $3\frac{1}{4}$ per cent. has been transferred as capital of the undertaking?—That, no doubt, has now been incorporated in the capitalised value of the Secretary of State's share in the Company as determined under the latest contract.

529. In this particular case the Secretary of State had originally 11,500,000*l.* That is now apparently about 13,000,000*l.* or 14,000,000*l.* share capital?—Yes.

530. So that he borrowed at $3\frac{1}{2}$, puts it into the development of the system and gets 9 or 10 back which is denied to the shareholders?—Yes, if they wish to increase their profit-sharing interest they must issue further profit-sharing capital and put it in. That has never yet occurred.

531. That has never been allowed?—No.

532. (*Chairman.*) You have given us here a statement that 40,000,000*l.* odd have been raised by the Companies as debentures or debenture stock. The short-term debentures clearly are issued from time to time, but do the Companies continue to issue debenture stock?—The Secretary of State calls upon them to issue debenture stock as it suits his requirements. The Companies do not themselves initiate the issues of debenture stock on their own. When they issue such debenture stock the proceeds are paid to the Secretary of State and form part of the fund available for the use of all the Railway Companies. Such money, although it may be raised through the stock of the particular Company, is not earmarked for that Company.

533. Do you mean to say that the Secretary of State can say to the South Indian Railway "You are to raise *x* million pounds of debenture stock," and

then spend it on the Assam Railway?—If the Company is not in debt to the Secretary of State, he would pay them interest on the extent to which he is obtaining funds upon which they have to pay interest without enjoying their use.

534. I understand that all the debentures are guaranteed by the State, are they not?—The interest on debenture stock and the debentures are guaranteed by the Secretary of State.

535. In effect it is guaranteed, whether it is formally or not—if you guarantee the ordinary stock the ordinary stockholder must pay the debenture holder before he can take anything?—Yes.

536. But it is formally guaranteed?—Certainly, it is a trustee security.

537. I am right in saying that he can use the South Indian Railway as a mere conduit pipe to convey debenture money for use in Eastern Bengal. I am not asking whether he does or not?—Theoretically he could do that. He might have to pay the Company interest in the contingency mentioned above.

538. I follow that?—Not only in the sense of guarantee, but he would make a payment to the Company from general revenues in consideration of the fact they were having to pay interest on debenture stock issued to raise funds of which they had not had the use.

539. Suppose the amount of the payment the South Indian had to make was 100,000*l.*, would he pay them more than 100,000*l.*?—The rate he pays the Company would be dependent either on market conditions or the terms laid down in their contract.

540. Suppose they borrow on debentures an amount of money that implies an annual service for the debentures of 100,000*l.*, he will pay that 100,000*l.*?—That is the idea of it probably.

541. Does he pay them for the use of their office and the trouble?—That comes out of working expenses?—That comes out of working expenses. It is necessary to add that in most of these cases the Railway Companies are already heavily overdrawn on the Secretary of State. When they raise a loan of this sort, the effect is to cancel a previous debt of their own.

542. He does it at his time; he initiates and not they?—Certainly.

543. (*Sir Arthur Anderson.*) It is the Government loan under another name?—It is a different form of appealing to the City adopted for various reasons. I should like at this point to get on the record the reason for adopting this method of finance. It is suggested that this issue of debenture stock through railway companies is merely an alternative to Government borrowing. That is so in a sense, but the adoption of this method has certain advantages. Experience has shown that the amount of India stock (which is the only direct stock that is issued by the Secretary of State) that the market will absorb at one time is limited. We often have to borrow a considerable amount in the course of the year, and if we had to rely entirely on India stock it might mean two issues in the course of one year. Assuming that two issues of the same stock in the course of one year are undesirable we might have to make unwieldy large single issues. The adoption of the Railway Companies as a means of borrowing enables us to place on the market a security of a different type. The yield is slightly higher than on India stock, and it has another advantage to which importance is attached in the City, namely, that the railway debenture stock is by its name shown to be required for productive purposes. The issue of India stock does not bear that on its face. Some investors attach importance to the fact, especially in these days of heavy unproductive Government expenditure, that the loan should be earmarked for productive purposes and should bear evidence of this in its description.

544. They have tangible assets instead of credit of the Government?—The credit of the Government comes behind the tangible assets in both cases. There is not much in it from the point of view of security, but some investors do attach importance to the fact that the money is earmarked for a railway purpose.

545. Do you know whether the debenture gives an enforceable charge on anything corresponding to the putting in of a receiver?—Happily, that has not ever arisen as a practical point.

546. You do not know whether theoretically there is?—No, before that would occur the general revenues of India would be called into play.

547. I understand that, but the decision then really is this, that, so to speak, the East Indian Railway puts its name on a bill which is drawn on the Indian Government?—That is very largely it.

548. It does not add much to the credit of the Indian Government, but the Company does put its name on the bill, and does not get a commission for doing so?—No.

549. You laid stress on the point of the double method of borrowing. Has the question of making the railways purely separate from the Government, as is done, for instance, in the case of the Swiss Railways, ever been raised?—I think it was discussed before the Mackay Committee. It has been raised at various times, but it has always been rejected because the railway accounts are so entirely mixed up with the Government accounts, and railway revenue forms a definite portion of the necessary revenue of the Government of India. The budgetting for railway capital expenditure shows the close connection between railway finance and general finance, because in the past a large part of the money available for expenditure on Indian railways has been found from Government balances which have at times been swollen to large figures by abnormal causes, such as exceptional receipts from opium.

550. Do you care to say anything about the much-discussed question of the great disadvantage of the dependence of the railways on the fluctuation of general Indian finance? I do not know whether you wish to say anything about it, but it is a thing that we shall hear a great deal about obviously?—So long as the railways are mainly dependent on the State for the provision of funds I feel that in this respect it is very difficult to get away from the considerations that have determined policy in the past. Moreover, so long as Government finance depends largely on the growth of railway revenue, it would be difficult to dissociate railway accounts from the general revenue accounts.

551. Let us understand what that means. Is your point that the omelette has been mixed and it is very difficult to unscramble it, or are you dealing with the future?—I am considering the future, which, as far as I can envisage it, will stil find railway and Government finance in close relationship.

552. Do you think that there would be no serious difficulty in setting out a balance-sheet of debtor and creditor as between the Government and the railways at the present moment, starting it afresh? Would there be any practical difficulty in doing that? I am not discussing terms. For the sake of argument you can imagine a new railway budget in which the railways undertake to pay 6 per cent. on the money supplied by the Government?—I can imagine that being done.

553. So that the Government *qua* Government would not lose. Leaving that out, would there be any difficulty in setting up an account that cleared it up?—I am inclined to think there would be, because the transactions of the past are exceedingly complicated. The conditions under which the purchase of lines has been undertaken and the expenditure on meeting capital charges entailed by purchase which are not shown in these figures, would introduce serious complication.

554. Of course, that is a kind of thing that, if it were an arbitration between two people at arm's length, might be exceedingly complicated and difficult; but assuming that the Railway Board, if it were to become independent, was really the Government of India under another aspect, it would be a perfectly friendly arbitration. There would be no reason why either side should desire to be unfair to the other?—I imagine it would be possible to produce some sort of figures.

555. Suppose, for the sake of argument, that this were done, how would a separate railway undertaking with a capital of, say, 300 million pounds showing a return of 8 per cent. for the current year—how would an entity of that kind be able to finance itself?—The Government of India rely on the railway revenue for their general purposes to a large extent.

556. Assume a settlement made by which it was recognised to be fair that although the Government had supplied the money in the past at $3\frac{1}{2}$ per cent., for years past it had been getting 5, and therefore the Railway Board's debt to the Government should be recognised as a 5 or 6 per cent. debt—assume that, I am concerned with the question, how would the Railway Board be able to deal with its finance itself? It wants millions of money for new loans?—I do not think it will be in as favourable a position for finance as it is at present. Parliament has recognised the securities guaranteed by the Secretary of State as trustee securities. They probably would not at once be willing to recognise as such securities of the Indian Railway Board.

557. (*Sir Arthur Anderson.*) Guaranteed on the securities of the properties?—They would not be regarded as trustee securities under the existing Trustee Act.

558. (*Chairman.*) There are no securities outside the British Isles recognised as trustee securities except certain Government securities. That is the present position?—I think so. It is a great thing for the Indian railway securities to be trustee securities; it enables them to appeal to a certain class of investor, and also to get their money on cheaper terms than they otherwise could.

559. Have you any idea what the difference is? What is the difference between an Argentine railway, a first mortgage of the Buenos Aires Great Southern Railway and an Australian loan?—I cannot say.

560. That is a real point?—It is a very important point.

561. Now about whether the Indian Railway Board could finance as easily as the Secretary of State with the two strings to his bow?—I feel that this point about trustee securities is of the greatest importance in considering the whole question of Indian railway finance. These securities that are issued here by the guaranteed sterling Companies are able to be reckoned as trustee securities because they are guaranteed by the Secretary of State. The position of such securities would be altered at once if the management were not under the control and in direct touch with the Secretary of State.

562. Not necessarily, I think. For instance, is not there a Turkish tribute loan? That is a trustee security because guaranteed by the English Government?—If so, it is guaranteed at the expense of the British taxpayer. The guarantee of the Indian taxpayer can only be properly given by the authority who controls Indian policy in its widest sense.

563. (*Sir Arthur Anderson.*) In the case of new capital, could not that be guaranteed in the same way as the old?—Guaranteed by the Secretary of State?

564. Yes?—But I think people in London who lend money for Indian purposes like to feel that the authority to whom they lend that money has also some control over the way the money is spent and the way in which the undertakings in which it is, are run. Similar considerations are also of importance to the authority who gives the guarantee.

565. (*Chairman.*) This guarantee is the Secretary of State in respect of the Government of India?—Yes.

566-7. The English Government does not guarantee?—No.

568. You do not care to express an opinion how far such a pre-eminently Indian security would appeal to the Indian?—If you imagine the Railway Board issuing rupee securities or sterling securities?

569. Both. You have told us what you think about London?—Yes.

570. Have you any view as to how it would affect India?—It is very desirable to devise fresh methods for issuing rupee securities in India with a view to raising funds for railway purposes. I think one of the most important tasks before this Committee is to explore the possible means of increasing the various channels for getting money in India.

571. Let us carry that a little further. Two channels would be either the existing method of issuing a rupee loan in India?—Yes.

572. Or of issuing rupee capital, whether shares or debentures, for the individual railways?—Yes. It is worth while to complete the story. The terms for the construction of branch and feeder lines already make some provision for getting money for railway purposes in India.

573. They are comparatively small in money?—Yes.

574. The suggestion of a Railway Board with a general stock secured on the whole Indian system would be a third method?—Yes. The rights and privileges of existing stockholders would, of course, have to be carefully considered. I suppose such a security would be issued in India?

575. Available in India?—Yes. On that it is important to say that the Government of India are faced with growing charges in future and rely in part on a growing railway revenue. Therefore, the fixed guarantee that was suggested of, say, 7 or 8 per cent. on the amount of capital invested, would not suit the Government of India at all. They hope to get a continuously rising revenue from the railway just as they do in this country from income tax.

576. Have you ever heard of a railway when it was earning 8 per cent. which was allowed to devote its further profits to dividends instead of putting them into the road in some way? I suggest to you that you will find that a railway stands to be shot at, and if it is earning 8 per cent. the pressure that it shall improve its services or reduce its rates is so great in every country that in fact they never can increase. I doubt whether the Indian Government can safely rely on that source of revenue.

577. (*Sir Arthur Anderson.*) In the Canadian Pacific it goes up to 10 per cent.?—There may be a limit to the amount the Government can get out

of the railways. But it is fair to say that they have had in past years an increasing amount from the railway revenue. I took out some figures from the Railway Report, and in 1914–15 the percentage of net earnings to total capital outlay was 5·33, and in 1918–19, 8·09 per cent. The Government hopes to get a growing increase.

578. It is the fact that the Indian Government relies on its railway earnings; in fact, it depends on the railway budget for its balances. It is that fact that has led railways into the difficult position they have been in for securing funds?—It is only one element in the sources of Indian revenue, which comprise land revenue, customs, income tax and other heads, but it is a very important receipt.

579. It is a very important item?—Yes.

580. (*Mr. Hiley.*) The land receipt depends on the extension of the railways?—Yes. Most sources of revenue benefit, I think, from improved communications.

581. (*Chairman.*) I do not think you have given any figures about the branch railways?—I have mentioned in paragraph 11 the amount that was actually raised up to 31st March 1919, viz., 10 crores of rupees.

582. That is not related to any miles of railway?—No.

583. Mr. Stantiall will give that?—Yes, that is more in his line of country than mine.

584. Have you any suggestions? I think the Committee obviously agree with you that it would be very valuable if you can suggest methods of raising money in India?—Nothing I can suggest will be particularly new. I think the idea of getting subsidiary work done by special Companies created in India is worth pursuing. A case that occurred the other day was the electrification of certain lines in India. I believe the Company has already made its arrangements for this. I happened to see the chairman, and said that I thought that class of work would be suitable for a separate Company, who would put up a power-house and supply electric power and relieve funds in that way. I think that kind of enterprise and any other subsidiary work connected with the manufacture of rolling stock might also be developed on independent lines.

585. That is to say, if the railways cannot get enough money it is desirable to keep them as strictly as possible to pure railway business?—I think it would be a good thing to do.

586. To take the side shows off their shoulders?—Yes, that is one suggestion worth exploring.

587. That will not touch the question of the building of new lines?—For that, I think, the branch line terms require revision in the light of the changed monetary position. Guarantees of 3½ per cent. to 5 per cent. are not going to appeal greatly to the Indian investor who has competing channels for investing his money.

588. What would they be? Would they be subordinate Companies or small nominal Indian Companies, being really controlled by the parent English Company?—I speak with diffidence in front of your colleagues with so much greater knowledge of Indian conditions. But if it is true, as people have said, that India could profitably double the amount of line mileage it has, I suggest that there must be room for both new Companies and for subsidiary Companies working in close association or affiliation with the parent Company. I think both these avenues ought to be explored.

589. (*Sir Arthur Anderson.*) Branch line terms are not suitable for main lines?—I should like to see an Indian guaranteed Company raising its capital in India to build a main line.

590. (*Chairman.*) Do you think a country that has only 35,000 miles of lines wants more than 10 main line Companies? Is it desirable to get new ones?—When one looks at the map one sees enormous tracts that appear to be quite undeveloped from a railway point of view. But it may be that for geographical or other reasons it would be better in most cases to employ existing companies than to create new ones.

591. Do you think it desirable to start a new Company to do it?—I should have thought, having regard to the enormous size of India and the length of some of the lines, that there was room for some new enterprise, but I do not offer any strong opinion in view of your greater knowledge of these things.

592. After all, nowadays two or three thousand miles of line is a small concern?—Yes. But I think it would be attractive from the point of view of capital raising if you could produce one or two new lines to call for money as well as attempting to raise it through existing companies.

593. A new Indian Company, and see what they would make of it?—There would be attractions from the point of view of the investor. One ought not to be afraid to give the investors in such a line a handsome return on their money. To encourage the investment of Indian capital in railways it will be necessary at first to hold out the prospect of good yields, just as was the case with investors in this country. When the Government of India first attracted British capital to India the guarantee was 5 per cent., and later on it was reduced to 3½ per cent. It would be a mistake to be too cheeseparing in the return to the investor if the attempt is to have a fair chance of success.

594. Would you do it always? You have said more generous terms, and there are at least three ways: a higher guarantee, a larger participation in profits, possibly a longer tenure and a share of the goodwill at the end. Would you give more generous terms in all or in some respects?—Sometimes the investor does get with these minor lines a share in the goodwill at the end, because the terms of purchase give back more than the actual capital.

595. (*Sir Henry Burt.*) 25 per cent. extra?—Yes.

596. (*Chairman.*) You would be inclined to be generous on all points?—I should certainly in trying to start a new policy of attracting money in India.

597. How far would you carry it? What kind of limit in your mind would you put?—Do you mean as regards the currency of such contracts?

598. No, as regards the generosity of the terms. Undoubtedly you can attract capital at a price, but it might be too much to pay?—I think you must ensure that the line is going to be a paying one when it is developed. I would not have subsidized railways to the extent of inviting capital from the Indian public, carrying a high rate of interest and running the railway at a loss. That I would not tolerate.

599. We need not translate it into money figures because nobody knows what the price of money will be. Your view would be that if you saw the prospect of earning interest on their guarantee, however high a figure it was fixed at, at the end of five years, you would be satisfied?—I should be inclined to think so.

600. You would not do it unless something like that was in fair prospect?—No, I attach the greatest importance to preserving the railways as a productive asset, and no terms which would lead to them becoming unproductive ought to be entertained. Rates and fares ought to be on a remunerative basis, and if necessary should be raised so as to cover increased working costs and capital charges

601. To put it in another way round, the indirect return on railways is no doubt large, but you cannot afford to live on it?—No.

602. (*Mr. Hiley.*) You would give a Government guarantee in that case?—Yes.

603-4. Because you got it cheaper in that way?—Up to a certain amount and hold out considerable profit-earning potentialities if the line proves a success. I think that is of the greatest importance.

(*Sir Henry Burt.*) He would give a firm guarantee and would look to the profits of the railway for paying the guarantee within a certain period.

605. (*Chairman.*) Would you be prepared to give the same terms to an English investor, whatever they be, or would you give preferential terms to Indian capital?—I would frame these terms to attract Indian capital. There is nothing to prevent a British investor remitting funds to India, and investing it in such concerns. But I would not offer special facilities to attract British capital into concerns of that sort; I would leave it open to anyone who wished to send his capital to do so.

606. (*Sir Arthur Anderson.*) Does that apply to a proposal such as that put forward by the Railway Board wherein they suggest Indian Companies affiliated with the existing main line Companies and propose that the existing Companies allow the new rupee capital to rank with the old and thus enable the native investor to see what he had looked forward to from the beginning?—Yes.

607. (*Mr. Hiley.*) Would this method of raising money with a guarantee from the Government not conflict with your present system of borrowing for a common railway purse? Here you would have a new railway raising money for its own benefit pure and simple and getting preference over railways who raise money which goes into the common fund?—In this case the first issue of capital presumably would be the share capital of the Railway Company, which would properly go into the construction of the line. If that Company made issues of separate capital in India for its own constructional purposes, to give the scheme a working chance you must enable a company to use money for its own purposes, at any rate in the initial stages. I think the contracts should provide for that. It is most important, both on economic and political grounds, that some method of enabling Indians to participate freely in railway finance should be found. The economic and industrial development of India is regarded by many as one of the most important problems of the day, and in this development the railways can play a very valuable part. It is for this, among other, reasons, that I have laid stress in my note on the urgency of maintaining and developing all the available means of raising capital both in England and in India.

608. I rather gather from what you said that you did not see any great objection to any individual Railway Company raising funds in India on a guarantee from the State for present lines, for instance, the equipment of the line with additional rolling stock?—Are you referring to an existing Company?

609. Yes?—I see no objection in principle to a sterling Company raising rupee capital in India, but a grave difficulty presents itself under present conditions owing to the British income tax provisions. We have been advised that the interest on rupee capital payable to Indian investors would be liable to both British and Indian income tax.

610. If resident in India, a nominal Indian Company?—If a separate Company were formed in India then the position would depend on the form of relationship of the two Companies. I imagine that it would not be difficult to devise a scheme under which Indian stockholders in an affiliated Company domiciled in India were not liable to British income tax.

611. (*Chairman.*) The Treasury would have a good try to bring them in. They have caught a good many who thought they were out. Have you any views as to the importance of the proportion of the total capital that belongs to the Company? Questions are being raised that it is not right to entrust the management to the people that own only one twenty-fifth, or whatever the fraction be, of the capital?—I would say that that kind of statement which is made in certain quarters does not take full account of the facts. It has to be remembered that the sterling Companies are under control, not only of the Indian Legislature by the Indian Railway Act, but also under the control of the Indian Railway Board; and furthermore, under the control which is established by their contracts. It is not a case that people with only one-fiftieth part of the interest in the line are managing the line according to their own sweet will.

612. That is true, but with respect I do not think that quite touches the point, because so far as they are uncontrolled they do manage. How far that is we need not discuss, but so far as they are uncontrolled they manage. Is a one-twenty-fifth part less likely to make you do your best than a one-tenth or a one-fifth?—I do not think the past history of the guaranteed Companies suggests that they do otherwise than their best to make the lines as remunerative and efficient as possible. I do not think that the conduct of the lines suffers from that particular element in their constitution.

613. I think as you represent the Finance Department I should like to know what you say about a point that has been brought to our notice this morning. As we understand it, all receipts and expenditure are vouched in India, and are audited by Government officials?—Receipts and expenditure are brought to account and audited by the Companies' staff. But an officer of the Indian Finance Department acts as Government Examiner and applies a test audit on behalf of Government.

614. All receipts and expenditure here are audited by the Government officials, namely, I believe this Office?—Yes, by an officer of the Accountant-General's Department. The Accountant-General at the India Office forwards the English figures to the Railway Board in India.

615. It is only by the Company and never by the Government that the two sets of accounts here and at home, and the disposition of the balance and so forth, is brought into single focus on a balance-sheet?—Do you mean that the Indian and the British portion of the Company's accounts are not combined except under the Company's supervision?

616. That is so?—Both estimates and accounts as combined come under the scrutiny of the Accountant-General for Railways and the Railway Board. The Comptroller and Auditor-General, moreover, includes the results in the final Government accounts.

617-9. Is there anything else you want to say? Has there been any suggestion of proposals for amalgamation of the Companies? I am not speaking of the things the Government puts together; the Southern Mahratta and Madras they put together, but has there been a proposal by the Companies themselves for amalgamations?—I cannot at the moment recall one.

620. (*Sir Arthur Anderson.*) I know one to my knowledge, but it never came out officially. It

was discussed between themselves?—I cannot recall ene.

(*Sir Henry Burt.*) I cannot recall one.

621-2. (*Chairman.*) Is the double income tax a serious obstacle to English investment now?—Less serious now that some relief has been granted.

623. It is a great deal of extra trouble?—Yes.

624. An enormous amount of extra trouble to small investors, as I have reason to know?—Yes. But a large amount of British capital could still find profitable employment in India, if it were available.

625. Not with income tax at 6*s.* and supertax. It makes the complication so great?—There is relief for the double income tax.

626. Up to 3*s.*?—Yes, up to one-half; that is the maximum.

627. What is the Indian income tax to-day?—One anna in the rupee, that is one-sixteenth.

628. That is about 1*s.* 3*d.*?—Yes.

629. Does that mean if I invest in India my total income tax is 4*s.* 3*d.*, or that I am only relieved up to 3*s.* if I have paid so much?—You would pay 6*s.*, but you pay 1*s.* 3*d.* to India and 4*s.* 9*d.* here. That is how it would work out.

630. The maximum relief that you get is 3*s.*?—Yes.

631. What you get is what you have paid up to this limit?—Yes.

632-3. (*Sir Henry Burt.*) There is an extra anna now on the rupee?—You refer, I presume, to the supertax on Companies, the rate being one anna in the rupee on taxable income in excess of Rs. 50,000?—Yes.

(*Chairman.*) I do not think I want to ask you anything more.

634. (*Sir Arthur Anderson.*) I gather the general impression from your note is that the sums the Government of India is likely to be in a position to hand over to the railways will not be more, if they are sufficient, than to meet betterments?—It looks rather like it.

635. All new concerns required to be financed from other sources?—I base that opinion on the Railway Board's statement. I know nothing about the technical side of the question, but I take that from the Railway Board.

(*Sir Henry Burt.*) Probably not sufficient for that.

636. (*Mr. Hiley.*) Have you considered the question from your point of view of the railways being able to form a five years' programme? It is a financial question very largely?—It has been considered in the past, but in the present uncertain financial conditions I do not think it is any good looking as far ahead as that.

637. I did not mean that for the moment. Can you suggest any scheme by which the railways can work on a longer programme?—The only scheme I can see would be on the lines proposed by the Inchcape Committee, which arrived at a 12½ million programme for a number of years. The railways could, if you could see your way to provide a fixed sum for a number of years, make their programme to fit that provision.

(*Sir Henry Burt.*) The Railway Board tried to work on a three years' programme, but it was generally upset in connection with shortage of funds.

638. (*Mr. Hiley.*) If you are going in for large terminal alterations or expense with regard to rolling stock you must be able to look practically five years' ahead and to go on with steady consistent work?—I look forward to a time when we shall not be struggling with the hand to mouth kind of existence with which we are now faced, but I think that at the present moment the most one can hope to do is to struggle with our difficulties through the next few years and hope one day to get into calmer waters.

639. (*Chairman.*) You have a programme of urgent necessity and 25 million pounds a year and no prospect of finding it?—I am afraid that is so, while existing conditions continue.

640. That seems to me the position. I do not know where I have seen this, the East Indian was very short of rolling stock some years ago and the Secretary of State was not able to find money. Is it a correct story that they offered to raise it and were not allowed?—I should like to refer.

641. I wish you would because I have seen that assertion made.

(*Note by witness.*—I have made enquiries, but have been unable to trace any case of the kind.)

(*Sir Arthur Anderson.*) The Bengal-Nagpur have a system of ordering rolling stock on deferred payments, have they not?—Yes. Even that is not a very satisfactory system because the time comes when you have to make the deferred payments and you are short that year.

642. It is an expensive way?

(*Mr Hiley.*) You have to pay severely for your wagons?—Some years ago, when we were very short of rolling stock, we placed an order with a wagon manufacturing company for a supply of rolling stock, payment being made by seven-year debentures. The amount was about half a million pounds. The Company were given these debentures, which matured this year, with the inconvenient result that they were not able to renew more than a small proportion. The debentures to which the Chairman called attention are an unsatisfactory method of financing railways. They are always coming round for renewal or redemption, and with present day monetary conditions it is difficult and very expensive to renew them. On the other hand, non-renewal means a further demand on our inadequate capital resources.

643. (*Chairman.*) They are two years' Treasury Notes. That is what they are?—They are. We have had them in the past for five years, but at present rates of interest we are only renewing for a short term. It is an unsatisfactory method of financing railways, and I should like to see them wiped out over a term of years. The issue of debentures was a method of finance adopted in order to eke out a somewhat slender programme in the past, and we are unfortunately not able at the present moment to dispense with them.

644. The real thing is that somebody has to tell us how you can raise money. We know how you cannot, the question is how you can?—Yes.

645. (*Chairman.*) Nobody has so far been very sanguine as far as I know. We are exceedingly obliged to you; you have given very valuable evidence and you are going to supply one or two things more?—Yes.

(The witness withdrew.)

(Adjourned until Monday, 15th November, at 11 a.m.)

SECOND DAY.

Monday, 15th November 1920.

PRESENT:

MR. W. M. ACWORTH (*Chairman*).

Sir HENRY BURT, K.C.I.E., C.B.E.
Sir ARTHUR ANDERSON, KT., C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Mr. JAMES TUKE.

Mr. WILLIAM GAULD (*Assistant Secretary*).

STATEMENT TO BE MADE TO WITNESSES.

You will appreciate that in inviting your attendance we are in some difficulty. Unless we obtain evidence as to the point of view of what I may call Financial London, we cannot examine Indian witnesses in reference to it. If the hearing of evidence in London were postponed till our return from India, Indian witnesses would then be entitled to complain that they had had no opportunity of seeing it.

At the same time the Committee has not met, and it has not been possible for those of us who are in London to obtain the approval of the Committee as a whole to our hearing witnesses on their behalf. You will, therefore, understand that statements made now must be regarded as preliminary and not as formal evidence, unless the full Committee hereafter should agree to adopt them as such.

It is possible that after our visit to India we may find it necessary to ask all or some of the gentlemen now appearing before us to return for further examination.

13th November 1920.

Sir MARSHALL REID, C.I.E., called and examined.

See Written Statement No. 2. Vol. IV.

646. (*Chairman.*) The Committee are very much obliged to you, Sir Marshall, for coming and helping us. You have seen the statement that is to be made to the witnesses, setting out the conditions under which we are taking evidence?—Yes, I have seen it.

(*Chairman.*) I think, if the Committee agree, we ought to print the "Statement to be made to Witnesses," at the head of to-day's proceedings, and then we need not print it each day, so long as each witness has the statement put before him before he gives evidence. Do the Committee agree to that?

(Agreed to.)

647. (*Chairman.*) We know, Sir Marshall, that you have been a merchant in India all your life. We also know that you have been a member of the Viceroy's Legislative Council in India, and that up till recently you have been a Member of the Secretary of State's Council here at home?—Yes. I was also Chairman of the Chamber of Commerce in Bombay.

648. At present have you any connection with Indian railways?—None whatever.

649. You have never been a director of any of them?—No.

650. You mention that, having been in Bombay, you have had very little personal experience of State railway management; that has not come within your direct experience?—That is so. I have been in Calcutta and Madras, but I was never very much associated with the railways.

651. Your everyday experience has been with the two railways centring at Bombay, both of which are companies?—Yes.

652. Then you state that you are personally a believer in private management as distinguished from State management?—Yes.

653. You further say that continuity of traditions and progress and efficiency are more likely to be found where there is a considerable measure of independence?—That is so.

654. I do not know whether you had any definite meaning in putting in that phrase, "considerable measure of independence." Would you describe the Companies in India as possessing a considerable measure of independence?—Very much so, in my opinion. The agent, whoever he may be, at the head of the railway, has really got the control, as far as the public are concerned, to begin with. Undoubtedly he exercises a very great measure of control. He is subject, of course, as we know, to general orders or general instructions and very often particular instructions from his Board.

655. Let us take it in two ways: First of all, in regard to the Company *vis-à-vis* the Government, are you satisfied with the measure of independence there given?—I think so.

656. Then take, secondly, the agent and his responsibility, not only to the Government, but to his own Board at home?—My feeling and experience have been that he has been perhaps unduly hampered by the Board at home.

657. We have already been told that there is considerable difference between Company and Company?—That is so.

658. One Board of Directors gives a larger measure of freedom to its agent than others?—That is what I have understood.

659. May I take it that your view is that it is desirable the agent should have a large measure of independence?—That is my definite view.

660. You speak, in the fifth paragraph of your proof, of political considerations influencing railway policy and management. Do you care to say anything on that point?—In these days there is much talk of nationalisation. As a matter of fact, the railways in India do practically belong to the nation, so that as far as that point is concerned it is complete. But, as is natural in all countries which are undergoing a change such as is taking place in India, politicians or public speakers make a very important plank in their platform of the acquisition of power for themselves and making more Indian the things which are in India. I do not think that is unreasonable; it is only natural; but I think there is a very great danger, if they are led to do so or encouraged to do so, that great harm may be done to a business concern like a railway.

661. It may be possible to distinguish between what we may call policy, which naturally belongs to the Government, so to speak, and management, which essentially must be what we may call commercial in actual day-to-day work?—That is so.

662. Is there in India much pressure for the kind of things about which, for example, a great fuss has been made in the newspapers here, such as excursion trains, which really means reducing charges? Does anything of that kind happen in India?—I have not been there for five years, so that my experience is not very recent, but I should not regard public opinion on such things as you mention, public convenience, as being at all undesirable. On the contrary, it is very desirable. But to influence the general policy of the railways on account of so-called political opinion, is, I think, very dangerous.

663. Is there much pressure on such subjects as the reduction of the rates or the obtaining of specially low rates for a commodity that is exceptionally important to the community—we will say cotton in Bombay and jute in Calcutta?—I have read of agitations in connection with local industries as against imported goods.

664. That, so to speak, is a political issue; that comes back on to fiscal policy?—Yes.

665. But, broadly, would you say there is much pressure brought to bear on the railway company to make concessions to special classes of the community, that after all have to be paid for by the bulk of the community?—I have not had sufficient experience to answer that.

666. With regard to Company management, you say that theoretically it is better to manage on the spot than in London. Will you kindly give us your views on the pros and cons of London management and Indian management, assuming it to be company?—The main advantage, to my mind, in the London Companies is the retention of experienced administrators whom you cannot well retain in India. That is the first point. There is also some little advantage in remoteness in that it prevents the ill-effects of possibly undesirable pressure being put on a local authority. With regard to finance, I do not think there are any functions now carried out by the Boards in London which could not equally well be carried out by the Secretary of State or the India Office, or by a bank such as, for instance, the Imperial Bank, which will be starting in two or three months. I do not lay any stress at all on the financial point.

667. You mean to say that in your judgment the use of one of the Boards at present in London to raise money for that particular undertaking, one of the big Companies, does not really amount to anything?—Not in my opinion.

668-9. I presume you have had considerable experience in Bombay not of railway Companies but of ordinary commercial Companies?—Yes.

670. Is it possible to get good Boards of Directors for those undertakings?—It is a very difficult question, because the Companies vary so enormously, and I think very often the agents of Companies do not all desire the same class of director.

671. I am asking about the commercial Companies, not the railway Companies?—Yes, I appreciate that point. They do not all desire the same class of director. I think, as you know, most Companies there are run through managing agents who promote the Companies. They are not, as in this country, Companies working on their own with their own secretary, and therefore the general control of the Company is very much more in the hands of the firm of managing agents than it is in the hands of the Company itself.

672. That goes through all Indian business, does it not; I know it happens in some cases?—I think it goes practically through all business there. There may be one or two exceptions.

673. Your firm, for example, may be managing agents for half a dozen cotton mills?—We are for two cotton mills now.

674. And the management really is with the managing agents?—It is, under the control of a very small Board of Directors, who in many cases are nominated by the managing agents, as they are called.

675. Would it be wrong to say that the directors' functions become almost formal?—I would say in many cases they have become formal.

676. How would that experience and habit of Indian business life apply if the management of one of the railways was transferred from London to Bombay?—My own opinion is that there is no class of man existing in India—I speak of Indians particularly—qualified for controlling directorships in the way that they are in this country.

677. One could hardly imagine a big railway Company being handed over to a commercial firm as managing agents?—It is quite inconceivable to my mind.

678. Therefore, you would require a Board of Directors carrying on the same class of work that the Directors of an ordinary English railway Company perform?—Yes.

679. And that, you think, could not be supplied from India?—That class does not exist to-day.

680. Not even in Bombay?—No.

681. (*Sir Arthur Anderson.*) You said that you referred particularly to Indians in that connection. Could you find Europeans to do that class of work?—No, I do not think you could, for the reasons I have given here, that people's careers there are very much like my own and that of Sir Henry Procter, who is following me to-day. We were not asked to do any public work till about our last four or five years. People do not ask you until you come to the head of things and make some little mark. When you get there they overwhelm you with requests to accept responsibilities; and any such time as, for instance, the two I have mentioned could give to the management of a big railway is quite inadequate. The work would be practically in the hands of the agent.

682. (*Chairman.*) Forgive me pressing you but an English Railway Board generally meets only once a month. They may possibly meet the previous afternoon for Committee work, which is confirmed by the Board the following day, but I think you might safely say that the ordinary English railway director does not give more than a portion of two days a month to the work. Would not people like yourself and Sir Henry Procter be able to do that?—We could. I had imagined that something very much more was expected of a director if he was going to take a practical interest in the work.

683. (*Chairman.*) I do not think so. I think you will find that, roughly speaking, the ordinary Railway Board meets once a month. It may have Committee meetings in the morning of the day on which the Board meets in the afternoon, or it may have Committees overnight in some cases, the Board meeting the next morning; but I think if you said the equivalent of one day a month you would quite fully represent the time that the ordinary director gives to a big English railway. Do you agree, Mr. Hiley?

(*Mr. Hiley.*) I agree.

(*Witness.*) I do not think you would have great difficulty in that case. I quite misunderstood

the responsibilities lying with the director of a railway.

684. (*Sir Henry Burt.*) Of course, you could get no railway experts?—No.

685. So that the Board would have to rely on the knowledge of the agent?—Yes.

686. (*Chairman.*) What is your view about experts? You have laid stress on the point that the Boards of the Indian railways in London, or at any rate many of them, possess experienced retired Indian railway men?—That is so.

687. Clearly, if you are thousands of miles away from your agent it is very necessary for the Board to have what we may call technical experience?—That is so.

688. But is it your view that it is necessary for a Board, to be really useful as the ultimate authority, to have technical members?—Yes, a certain number, in my opinion, but I do not know that my opinion is very valuable on that point. I should imagine, however, it is most essential.

(*Chairman.*) What I mean is this. I think the theory of the Board of the Bank of England is that nobody on it is professionally a banker—that is correct, is it not?

(*Mr. Tuke.*) That is so.

689. (*Chairman.*) (*To the witness.*) You see what I mean?—Yes, I see what you mean.

690. What would you say from that point of view?—I have held—perhaps without sufficient justification—a very strong view that Boards here should have among their number a few men with great Indian technical experience.

691. If in London?—If in London.

692. What I am asking you is: would that apply to the same extent supposing the Board was in Bombay and the agent was there to give them the technical information hot and hot as they required it,—if the Board were sitting there with its agent present instead of its agent being 5,000 miles off and unable to be consulted on the instant? You see my point?—I see your point, but it seems to me that the agent has no one to lean upon and no one to keep him right, no member of ripe experience.

693. Is it not better that one man should carry the main responsibility?—That is my view of things generally.

694. Supposing you have an agent and two or three experts on the Board, do you not make it very difficult for the agent to take the responsibility?—I suppose you do.

695 (*Sir Henry Burt.*) It often happens on Indian railways that the agent has no engineering knowledge at all?—I know there are cases of that kind.

696. (*Sir Henry Burt.*) There are several cases of the kind.

(*Mr. Hiley.*) Has he not a chief engineer?—Yes, he has his own staff.

697. (*Chairman.*) It really comes to this, I think. Supposing the Board to be in close contact with their agent, which is better—to have the agent as the head of a competent staff, bringing up the subject to men of business capacity and experience, or that there should be people above him, who may be inclined at least to interfere with him on technical questions of management?—I would rather have the agent almost independent, myself.

698. Then you only need a Board of persons like yourself, men of business experience, and not railway men?—That would be so.

699. Can you produce enough of such men in Bombay, assuming the day a month that I mentioned before?—Yes, I think so.

700. Among the Europeans?—Yes.

701. What about the Indians?—On the lines you have put forward, I think you could probably get Indians as well.

702. (*Sir Henry Burt.*) Sufficient for two Boards, because in the case of Bombay it would come to two Boards, would it not?—If the calls on the time of the Board were as limited as the Chairman has indicated they might be, I think you could get such Boards.

703. (*Chairman.*) A couple of them?—Yes, I think so.

704. (*Mr. Hiley.*) In such a case as that, I suppose, you would suggest that the agent would probably be given more power, and would occupy a more valuable position?—Yes. I am not sure you would not make him the Chairman of the Company on the lines put forward.

705. (*Chairman.*) That is the American system—the Chairman of the Board?—That was what was present to my mind. It seems to me he would be the Chairman of the Board.

706. (*Chairman.*) The Chairman of the Board in America, who is called the President, is the operating head of the railroad; he is a whole-time official?—Yes.

707. That makes him almost a dictator, because he is not under his Board but over them; whereas here we have a Chairman who is a layman and a general manager who knows all about it?—Yes.

708. (*Sir Henry Burt.*) I suppose there would be very constant changes of personnel of these Boards, would there not?—Undoubtedly.

709. After a man reaches the position which you have just described he does not stay very long in Bombay or in Calcutta; he comes home fairly quickly, to put it vulgarly, directly he has made his pile?—Yes.

710. I suppose no fee such as would be offered a Railway Director would induce such a man to stay on in the country?—No.

711. (*Chairman.*) I think we must assume that, but I think we may also assume, may we not, that you would have been a very competent Director for a great many years before you retired?—You would not have an opportunity of being because you retire so soon after you are invited to become a Director. You would not have a generation of Directors coming on one after the other as you have here.

712. Do you not think a man would retire at the age of 55 or something of that kind. That is the sort of age at which you would expect such a man to go home, is it not?—A merchant comes home before that.

713. Say at 50?—45.

714. As early as that?—50 or 45. He comes home to work, not to retire and live at his ease.

715. For how many years before that might he be useful as a Railway Director—say 10 years?—I do not think he would be invited to join until, as I have already tried to picture to you, he came to the top. Then people say, "Come and do everything," as they always do.

716. But there are people in England who are overwhelmed with invitations to Directorships. You have told us that you think you could get the men but you might not be able to keep them very long?—Four or five years at the outside. I think five years would be a fair period to say.

717. Can you tell us what happens in regard to the Presidency Banks?—They are very much on the lines which you have been picturing for the railways. The Secretary, as he is called, more or less runs the Bank, and he consults the Board on well-defined things.

718. He is what we should call a General Manager?—Yes. He has got a Committee of two

Directors who come every day to the Bank and who have got to approve of certain things. He occupies a position very much on the same lines as the agent we have been speaking of.

719. If he says, "I want to advance Rs. 1,00,000 to X.," I suppose they formally approve; they rely upon his judgment?—They give him a limit within his discretion; anything beyond that has to go to the Board. That is the procedure.

720. How many Directors are there of the Bombay Bank?—I should say there are six or seven—it may be eight.

721. Are they partly English and partly Indian?—In Bombay I think there are three Europeans, and in addition there is a Parsee, a Mahommedan and a Hindu. They actually represent every class there.

722. Are they appointed by the shareholders?—Yes.

723. You mentioned that you know of certain Indians who would be quite satisfactory Directors?—Yes.

724. But there are not very many?—No. I do not think so far that men have been brought up for that line of business and that sense of responsibility and independence which, in my opinion, a Director should possess.

725. (*Mr. Hiley.*) When you drafted your memorandum you were fixing a higher standard for the Director than that which has been put to you by the Chairman?—Yes.

726. (*Chairman.*) You were thinking both of a larger number and of more time being given to the work?—That is so.

727. Assuming the sort of idea we have been discussing, and assuming that there are two Boards, could you find three Indians for each?—Yes. They might not be very good at first; they would make mistakes as we have all got to make mistakes, but I think they could be found.

728. (*Sir Henry Burt.*) Do you think in the case of the larger railways like the Great Indian Peninsula, the Bombay, Baroda, and the East Indian, that Boards such as you would be able to get in Bombay and in Calcutta would have any knowledge of up-country requirements, and the interests of the railway in regard to development and so on, bearing in mind that these railways pass through several provinces?—No, I do not think they would have a great deal of knowledge in that way, but on the plan the Chairman has indicated the need for the Board having definite personal control disappears.

729 They become purely an Advisory Board?—They do.

730. (*Sir Henry Burt.*) There is one other point I would like to put to you. I am not so familiar with Bombay as you are; I know Calcutta better. Is it not the fact that nearly all the firms in Bombay have very intimate business connections with the railways?—They have.

731. They undertake contracts with the railways and so on?—Yes.

732. Do you attach any importance to that, or do you think there is any objection, from that point of view, to local Directors being appointed?—If you take the analogy of the banks you are in the same position. The Director merely retires when that particular proposition is being discussed.

733. They would all be very interested in the question of rates either as exporters or importers, would they not?—Yes.

734. In Calcutta I know that the question of relationship with the railway people is more marked than it is in Bombay?—In my time it had not come very much to the front. I never came across it very much.

735. (*Mr. Hiley.*) To return for a moment to the Board in India, how early do agents of the English Companies begin to take responsibility—35 and 40, and that sort of thing?—Do you mean the agents to the English Railway Companies?

736. No, the agents of commercial firms in India?—They grow up. It varies very much. I should think 35 was a very early age.

737. They are coming through at about 40, are they?—Yes. At 40 a man may get to the top of his firm, but the firms vary enormously in size and responsibility. Forty years is a fair age for a man to come to the top.

738. So that men would be of note in their own circle in Bombay or Calcutta, wherever it may be, if they were coming through, at about the age of 40?—Yes.

739. And it would not be impossible to select men who would be useful directors, on a scheme such as we have been discussing, at about that age?—I think that is probably so.

740. And you would get perhaps 12 or 15 years' service from them?—I said 5, because they begin to go at 45. Men do not stay out there all their time; they come back to the firm at home.

741. I thought 55 was about the limit?—That is the Government rule.

742. You think between 45 and 50?—I should say 50 or, as an average, 46 or 47.

743. The effect of a selection such as I have suggested would mean that you would have younger Boards; would that be a disadvantage in business?—Of course you have got to get public confidence, and I think it would be very desirable in a Board of a Company such as this that the Directors should carry complete confidence, and I do not think they will until they rise above their fellows.

744. They would be rising; they would be in charge?—I would rather answer that shortly by saying that I consider a man would have about five years of life at the top. I do not think it would be much more. I could tell you of cases where it has been 10 and 15, and I could give you cases where it has been two. I think it, broadly, you take it as 5 years, it is the limit you could count on for the men you want particularly.

745. (*Chairman.*) Assuming a Board elected by the shareholders, with a substantial interest in the success of the Company, would you be afraid of people getting on the Board because they were vocal?—I should very much.

746. You think there would be a fear of people getting on because they were vocal in denouncing what they would call railway abuses or promising lower rates or something of that sort?—They would be vocal in any particular line that they fancy would influence the shareholders most.

747. Do you think the shareholders would be influenced by what we may call the general political attitude, or would they be influenced by the desire to get a substantial dividend? Which would be the main influence on the shareholders in electing a director?—I think the Director himself would be the main influence—his way of going about it. The personality of the Director himself would be the main point. I think the shareholders would overlook for the time being any particular increase of dividend, or any improvement of rates, or that sort of thing.

748. You think, in other words, that the shareholders would really elect a man because he was a man?—Or because he wanted to be or managed to get elected.

749. (*Sir Arthur Anderson.*) You know that the lines of the Indian railways generally go over several provinces, as Sir Henry Burt mentioned. If you had headquarters controlled by a local

Board, would there not be a danger of the more remote provinces through which the railway is run being neglected in matters of development to the advantage of the province in which the controlling authority was more directly interested?—I think the answer to that is what has already been suggested, that places like Cawnpore, for instance, would have a representative on the Board, and all the important towns in the same way, especially if the Board only met once or twice a month. Any big town or big district would have its own representative.

750. (*Chairman.*) The theory on the English railways is that most of the Boards have men on them taken from the different important centres served by the railway?—Yes.

751. Then you say something about dual Boards—a Board in London, as I understand it, with a second Board in India, and gradually the Indian Board becoming more important and the home Board less important. That is your view, I take it?—Yes

752. Have you any definite views as to how the co-ordination between the two would take place? Would you give certain powers to one and certain powers to the other, or would the Indian Board in the first instance be purely subordinate?—In my view the Indian Board would be purely subordinate. The home Board would delegate, so to speak, different items of its control to the Indian Board as they were able to maintain them.

753. Assuming the agent has certain powers already, would the Board delegate something beyond that to the local Board?—Under the picture we have been drawing, the agent would be almost the chairman, but in conditions as they are to-day I should say they would have powers which they would exercise over the agent.

754. So that there would be three classes of powers; there would be the powers of the agent; above him further powers delegated to the local Board; and further powers reserved to the home Board; that is your idea?—Yes, that is my idea.

755. You think that if that were done, if we went by steps of development, the responsibility could gradually be wholly transferred to the Indian Board?—That is my view. I do not think you can help it. It is the evolution of things.

756. It is the Montagu-Chelmsford Report applied to the railways, is it not?—I would rather not commit myself to that.

757. It is the same theory. The underlying theory of the Report is gradual transference of powers?—Yes.

758. Then you speak about the existing Railway Board. In your view you would like it to have a head who should be a member of the Executive Council?—That is so.

759. Would that head be like the head of an office here, the War Office or what not, who is not a technical person, or would it be a technical person like the Minister of Transport is at this moment?—In my view he ought to be a technical man.

760. He ought to be a real first-rate railway man, with the rank of a member of the Executive Council?—That it so.

761. (*Mr. Hiley.*) In other words, would you suggest that the present President of the Railway Board be made into something like Minister of Railways on the Executive Council? Would you make the same man the President of the Board and Minister?—Yes, as I put it here, the man who is the best they can get in India.

762. (*Chairman.*) We assume that the President of the Railway Board is the best man that they can get there, and your view is that he should be a member of the Executive Council, with the same position as any other member?—Yes, I hold that very strongly. When I mention "communications" here I do not refer to anything more than posts and telegraphs, not to canals and waterways.

763. You keep them separate?—Yes.

764. So far as river steamers or connections are run by railways, they would come in?—Yes.

765. I take it that in India canals are primarily irrigation schemes?—That is so. I really meant the inclusion of posts and telegraphs as a possibility and not a recommendation.

766. Of course there is this difference, that the posts and telegraphs belong absolutely to the State and are under its administration, whereas the railways are, to a considerable extent, controlled by people that do not belong, or only partially belong, to the State?—Yes.

767. One knows in England that when the Cabinet met once a week the Minister had time to attend to his Department. At present, with the Cabinet meeting so very frequently, he is very much diverted from his own department to general government. Is the business of a member of the Executive Council, as such, very important? Does the Council meet very frequently?—That I cannot tell you. I have no personal experience.

768. At any rate, you do feel that the railways suffer from having to appear before Council through a member who only knows them at second hand?—Yes, I think so.

769. You suggest that, given that power and position, the Railway Member of Council would naturally have a staff round him?—Yes.

770. Would you make them a Board or would you make them merely his staff?—I think according to Indian practice they would probably be Secretaries to Government, or something of that sort, or equivalent to Secretaries to Government. Sir Henry Burt knows more of the machinery than I do, but I imagine they would occupy some such position as that rather than members of a Board.

771. (*Sir Henry Burt.*) If you had the President of the Railway Board holding the position of member of the Executive Council, the others would be, as the Chairman suggested, his secretaries?—Yes.

772. Not a Board?—No. That is what I suggest.

773. (*Chairman.*) They would be distinctly his subordinates?—Yes.

774. He would be a Cabinet Minister, but he would be a technical expert—that is really your point?—That is my view.

775. (*Sir Henry Burt.*) He would be both a Cabinet Minister and an executive officer?—That is so.

776. (*Chairman.*) Then you lay stress on the point that whereas 20 years ago it was impossible, it is now very desirable that railway finance should be separated from the general finance of the country?—Yes.

777. What does that mean? Would you say to the Finance Minister: "You have an investment "of x millions in the railways; we will pay you "5 per cent. or 6 per cent. on your money, and that "is all you have got to do with it?" Is that your view?—According to my view, the property of the railways would be handed over not to another person, but to a section of the Government to be dealt with—the whole block. They are not giving it to another party. There is no loss to Government. I have for 20 years been convinced that the railways have had no chance in India because they have had to depend on the variations in revenue and on budget surpluses and have not had any independence in the matter of raising capital.

778. The Indian Government, for example, last year took 4 per cent out of the railways for general Government purposes: they got 4 per cent. on their capital?—You mean the return on the capital?

779. Yes?—On that point I should like to say that I mentioned 20 years ago because then the railways were worked at a loss, and I think if the Government were handing over the whole block to a department, their own department, they would be entitled to see that they got more or less paid back for those losses. They paid about 3½ per cent. for some time, I think, and latterly they have paid a great deal more, and I should think the accounts are getting pretty well cleared up. But before handing them over—my idea is rather a crude one, perhaps—I think the Government should say, "We have lost so much and we have taken so "much out of the railways: the account is now "about clear, and we shall hand it over to this "department to work."

780. There is a revenue, we will say, of 8 per cent. on the admitted capital?—Yes.

781. Would you fix a line? Would the Government get 6 per cent and the railway keep the rest and do what it likes with it? There are two or three ways of doing it. A Government cannot always operate through a series of years at the same rate.

782. I want to get out first of all what you do with the revenues?—I was answering your question, in this way. I think it would be difficult to fix a rate, such as, for instance, 5 per cent., because the railways would have to pay the Government in the first case the amount that the railway cost the Government from time to time, and having done that the railways would retain what we call the profit.

783. Assuming the present capital, and no new capital, they would say this: "We will give "you 6 per cent. and we will keep the rest, and "you have nothing to do with how we earn it." That is your view?—Yes.

784. How would you raise your new capital? Would you regard railways as a separate organisation? Would you raise the capital as Indian railway loan, or raise it, as at present, as a Government loan?—I should as far as possible allow the railways to raise it themselves, the Railway Department, but I should not like to say in advance what method would be the best. There are various classes of the investing public. One likes gilt-edged Government loans, which they know. Another one prefers something with a little more uncertainty and the possibility of a higher rate. Another one likes a higher rate with equal certainty, which they get in railway debentures, because they have a pledge from the Government. My own view is that they should be allowed to raise money to their full requirements according to the method which they, in consultation with the Government of India, consider best, always bearing in mind that it would not be desirable that the railways should act without consultation with the Government of India as to the rate they should pay, the form the loan should take, and the time at which they floated their loan. I should endeavour to leave it with as few restrictions as possible, subject to general consultation.

785. I suppose it is common ground that a great deal of money requires to be raised for capital purposes on the railways?—Undoubtedly.

786. Development is urgently needed?—Undoubtedly.

787. Do you think that a loan, a specific charge on the railway surpluses, net revenues, which at present show 4 per cent., would be an attractive security?—I do not see any particular reason why there should not be the same security as there is at the present time—the full security of the Government of India.

788. You will still have the Government of India behind it?—I cannot see how you can take them out. They must stand behind the railways in the last resort.

789. If you hand over the property, if you vest the estate of the railways in a Railway Board or in a Railway Minister, what would happen?—It is still in the hands of the Government. You are not handing it to a third party. I am looking at it from the point of view of doing the best for myself with my own property. I take one section of my property and put it into one particular place, but I cannot divest myself of the ultimate responsibility and therefore there is no separation to my mind.

790. *(Sir Henry Burt.)* You would leave it to the railways to raise the money?—Subject to reservations which are easily arrived at.

791. Do you think the Boards in India that we have been talking about would be able to raise the money?—The Company Boards—I do not think they come into that question.

792. *(Chairman.)* You are not proposing, whether they remain English Boards or whether they become Indian Boards, greatly to alter the status of the existing Company: it is to be very closely controlled by the State?—Very closely. I cannot in my mind separate the two.

793. In that case if the Railway Board took the responsibility it might raise it as a Railway Board Loan or it might raise it as an East Indian Railway Company loan or as a Bombay, Baroda loan?—Yes. It is very difficult to foresee in what way it would be best to raise it.

794. *(Mr. Yoke.)* Do you propose that the finances of one Company should be kept distinct from those of another Company?—Yes. I propose that the accounts should be kept distinct.

795. So that there might be a surplus in one Company and a deficit in another?—Very likely, as there is to-day.

796. *(Sir Arthur Anderson.)* You suggest very much what exists at the present time except that it would be transferred from the Secretary of State to the Railway Department in India?—From the Financial Department in India to the Railway Department in India. That is all my proposal amounts to, that the finance shall be removed from the Financial Department.

797. Supposing this department were formed and put on the footing that you suggest, do you mean that it should have the power to go to the market to raise loans independent of the Finance Department?—Subject to certain reservations. A Local Government might do it, for instance.

798. *(Chairman.)* At present no loan is raised without the sanction of the Secretary of State at home?—That is so.

799. Would you remove that power from him?—Not unless he delegated his authority. That really belongs to another sphere of things. It matters not to me personally whether the Secretary of State does it or the Government of India.

800. If you come back to the Secretary of State he is bound to tie up general finance with railway finance?—No. I do not think so.

801. He may say: "I want a loan to some extent for something else"?—May I put it to you, Sir, that the more money is raised by the Railway Board the less money would be required from the public for general purposes. India, generally speaking, manages to balance its budget. It only wants to borrow for capital requirements. I have not the figures before me, but you gentlemen have

them in the books, and I think you will find that the borrowings of the Government of India have in normal times been almost entirely, if not entirely, within a few millions for railways and for irrigation. Therefore when you hand over to the Railway Department an authority to finance themselves you *pro tanto* remove from the Government of India the need to borrow. I am speaking of past history. I do not know what they would do under the new schemes. Therefore you would not have the Finance Department saying "You are spoiling the market," because it did not have a market except for the railways and irrigation.

802. Then you say: "The recent Bombay "Development Loan affords a useful object lesson in "this connection?"—Yes. They raised a loan of 8¾ millions at 6½ per cent. the other day. It is the first big loan raised by a Local Government in India.

803. Was that a rupee loan?—Yes.

804. Purely?—Yes.

805. Was it locally subscribed?—Yes.

806. Do you know whether anybody sent money from England to put in the loan?—They were very speculative if they did with the exchange between 1*s.* 6*d.* and 2*s.* 6*d.*

807. It is now 1*s.* 7*d.*, is it not?—1*s.* 8*d.*

808. Would you have got English money at that rate of exchange?—You might.

809. I am talking about the general question: if you floated a loan in rupees in India for railway purposes, would you be likely to get English money?—You certainly could not count on it until exchange is stabilised.

810. If exchange were stabilised, I suppose the terms that would attract English investors would have to be a little higher in percentage than they could get in London?—They probably would be, but I do not see why the Railway Board should be prevented from borrowing in the London market through the Companies.

811. What I was asking was this. Supposing 6½ per cent. will bring in money in rupees and exchange were stabilised, would it attract London money because similar investments in London would only produce 6 per cent.?—Not ½ per cent. difference, certainly not, particularly with the uncertainty that prevails.

812. (*Sir Henry Burt.*) Was the 8,000,000 loan a short-term loan?—I think it is for 10 or 15 years. It is 6½ per cent. free of tax—the tax is nothing there.

813. (*Chairman.*) You mention one other question. You say, "Private enterprise should be restricted to feeder lines." I take it that that means independent of Government?—Independent of Government.

814. Your view is that the main line work should be done by Companies closely controlled, but the branch line work you would leave to much more independent finance?—That is so. There is nothing but finance in those feeder lines. They are all built by the main lines, as you know. They are built by the Companies.

815. The actual physical construction is done by them, is it not?—Yes, and the control and management in most cases. It is merely the raising of the money and certain office work that is done by the private Companies.

(*Chairman.*) Thank you very much. Sir Marshall, for your evidence.

The witness withdrew.

SIR HENRY PROCTER, C.B.E., called and examined.

See Written Statement No. 3, Vol. IV.

816. (*Chairman.*) We are much obliged to you for coming and helping us in this matter. You have seen the "Statement to be made to Witnesses," and you appreciate the position that we are in with regard to the matter?—Quite.

817. Will you please put on the note who you are and the name of your firm?—I am a partner in Killick, Nixon and Company. I went out to India in 1888, 32 years ago.

818. As a Bombay merchant?—Yes.

819. I do not think you have been a Director, or are now, a Director of any of the railways—I do not refer to feeder railways?—No.

820. But your firm have been very active in the promotion of guarantee railways?—Yes.

821. Are your firm merchants?—We started in the old-fashioned way as East Indian merchants, but we have gone now into all the local trades. We have cotton mills, cement works, manganese mines shipping, &c.

822. You are not in any special trade?—No. We have a good number of trades.

823. I see from your note that you are in favour of management through a Company domiciled in India, and with a Board sitting in India?—Yes.

824. You also say that you were one of the trustees of the Port of Bombay?—Yes.

825. And your experience there leads you to recommend this change?—Yes.

826. Would you mind telling us first your experience as one of the trustees of the Port of Bombay?—I was on that for 11 or 12 years, and I do not think I ever knew work done better than was the work done by that body. It was almost entirely European at first, but later on a larger number of Indian members was introduced. I think the Board of 12 was enlarged to 16 or 17.

827. How are they appointed?—The Government appoint most of them. The Chamber of Commerce have the right of appointing five members. Then they gave that right to the Indian Chamber of Commerce and, I think, the grain merchants.

828. You do not mean that they took the right away from the English Chamber of Commerce?—No, I meant in addition. They enlarged the Board.

829. By the addition of representatives of the Indian Chamber of Commerce?—Yes, and the Piece Goods Dealers' Association. There were three additional Indian members.

830. Are the Indian and English members roughly half and half in number nowadays?—I should not like to say half and half. I think there are still more Europeans than Indians.

831. But there is a substantial number of Indians?—Yes. The Government nominees are generally Indians—a Parsee, a Mahomedan and a Hindu. There are five from the Chambers of Commerce, and the Government nominate, I think it is the Collector of Customs and the Municipal Commissioner. That makes seven.

832. You call them "trustees." Are they the actual Port Authority?—Yes.

833. The constitution of the Bombay Port Authority, except for the fact of there being both Indian and English members, is very much like the constitution of the Port of London Authority. A certain number are nominated by Government and

certain number are appointed by the different bodies specially interested?—Yes.

834. Your experience has satisfied you that that works well?—I think it works magnificently.

835. You have mentioned in your note that you were on it for 12 years?—Yes.

836. Sir Marshall Reid has just told us that he did not think we could rely on an English member, who became well known enough to get on to an authority of that kind, remaining in India for more than five years afterwards: you are an exception?—I do not know. I was the chairman of the Chamber of Commerce in 1906 and I remained in Bombay until 1914. I have been there since, but I really left in 1914.

837. That is eight years from 1906 to 1914, and you became chairman in 1906?—Yes.

838. Do you think that the five years mentioned by Sir Marshall Reid is rather a short period?—I think so.

839. You think a man would be available for a little longer than that?—Yes. As I have said in the notes of my evidence. Bombay and Calcutta have gone ahead tremendously in numbers, and I do not think we make sufficient use of the Europeans. I am speaking of Bombay because I do not know Calcutta well. I think there must be a large number of Europeans to draw upon if you look for them.

840. And Indians?—Yes, Indians are increasing undoubtedly.

841. On the Chambers of Commerce you have found them valuable coadjutors?—No, I am afraid I cannot say that. When I was chairman of the Chamber I was a strong advocate of putting Indians on our Committee as members, but I was over-ruled. The result was that they formed their own Chamber of Commerce.

842. I beg your pardon, I said the Chamber of Commerce; I meant to say on the Port Trust?—On the Port Trust some of them were quite valuable.

843. You did get valuable help from them?—Undoubtedly.

844. On the strength of that you believe you could get satisfactory Boards in India to manage the big railways?—I think so.

845. How would you propose to make the transference?—From London.

846. Yes. You say you think it could and should be carried out. How would you do it?—I must confess I have not thought of that.

847. I am not objecting that you ought to have thought of it; I am only asking if you can help us. I know it is a very difficult question, as you appreciate?—Yes, I am afraid it will take some thinking out.

848. Of two things, one; either you must go through an intermediate state of establishing a second Board in India, retaining the old Board, or you must switch across all at once?—Yes. Of course, a good many Companies have been transferred to India from England, I mean not Railway Companies, but Companies like the Bombay Electric Company.

849. But in this case all the shareholders' money is English money?—Yes.

850. What would you do?—I should have thought it could be transferred on the same lines as the Bombay Electric Tramways.

851. What happened there?—That I cannot tell you because I am not on the Board, and I am not a shareholder, but it was transferred from London to Bombay.

852. (*Mr. Hiley.*) The Board?—All the Company, I think. It is an Indian Company now.

853. (*Sir Henry Burt.*) I think it was transferred, lock, stock, and barrel?—Yes.

854. (*Chairman.*) Did it mean that the Indian people offered a price for the shares that the English shareholders accepted, or how did it happen?—I cannot tell you because I am not a shareholder, but I fancy the shares remained in the hands of the English shareholders until they sold them, and until in the natural course of events a market was formed for them in India. I know the price of the shares went up.

(*Chairman.*) If it were put to me as an English shareholder in the Bombay, Baroda Railway: "Would you like the seat of the Board transferred to India?" naturally, I should say: "Why should I want it?"

855. (*Sir Arthur Anderson.*) But in the case of the Bombay tramways was it not a fact that a large body of the shareholders were Indians?—Very possibly.

856. It was more with the object of escaping the English income tax than anything else that the transference was made, was it not?—Yes.

857. (*Sir Henry Burt.*) Entirely?—I understood from the Chairman that he wanted to know what procedure could be adopted in changing over from English to Indian.

858. (*Chairman.*) It would mean, would it not, that Indian capital would have to buy out the English shareholders until there was a majority in India and then they would resolve to do it?—I have not thought of this point at all. I had only thought of the point of when the lease fell in and you had the right to transfer.

859. That comes a good many years hence in most of the railways, does it not?—Yes.

(*Chairman.*) I think I am right in saying that it is in 1945 or 1950, am I not?

(*Sir Henry Burt.*) It is five years in the case of the Great Indian Peninsula.

860. (*Chairman.*) Would you wait, in the case of the Great Indian Peninsula, for five years, and then let the Secretary of State exercise his right to pay off the old shareholders, the English shareholders?—And re-form in India?

861. Yes?—I think so.

862. And then let it be a Company with rupee capital?—Yes.

863. What would you do in the case of the Companies where there are 30 years or something of that kind to run?—I suppose that would have to be a matter of negotiation with the shareholders.

864. Would you be inclined to go so far as to offer such terms to surrender as the shareholders would be glad to accept, because there is no power to terminate at any moment, you know?—I do not know. I should not like to give an opinion on that.

865. I see you say that you do not think you could run dual Boards?—I do not think so.

866. (*Sir Henry Burt.*) You say in the middle of paragraph 1 that you think the Boards should be composed of an equal number of European and Indian members, and that for some years to come the chairman should be a European having some knowledge of railway matters. Where would you get him? Would you make a special appointment from home? Is it in your mind that he should be the agent of the railway?—No, I was not thinking of the agent.

867. You had in your mind, I take it, the bringing out of a man from England?—Not necessarily.

868. Or some retired railway official; it is rather an important point?—The agent is the person that I look on as the worker, and the Board an advisory one to assist him.

869. The Bombay Board would always be an advisory body; you would never have any railway experts on it?—No.

870. So that these questions would always be in the hands of the agents, would they not?—Yes.

871. Apart from that, you think in the first instance it should be somebody else other than the agent, a chairman, with knowledge of railway matters?—Yes.

872. (*Chairman.*) Now I want to take you to the Railway Board. You say you have had a good deal to do with it?—Yes.

873. I suppose your negotiations for feeder lines have been conducted with them?—Yes, all of them. Then in connection with the Chamber of Commerce, we had a great deal to do with them.

874. You think that its position under the Minister of Commerce is a disadvantage?—I think so.

875. You would like, as Sir Marshall Reid also said he would like, to have a Minister of Railways?—Yes.

876. And instead of having colleagues on a Board, he would have a staff?—Yes.

877. As the agent on a railway has beneath him. Is that your view?—Yes. He could not be an expert either on traffic or on engineering and would want expert advice. My experience in dealing with the Railway Board was that they were constantly hampered and retarded by difficulties with either the Department of Commerce and Industry or Finance.

878. Would he be, so to speak, like an English general manager—the person who is expected to know all about it—or would he be merely the hand of an expert staff and represent them on the Council?—He would be like the Parliamentary Member as compared to the executive staff.

879. You would not necessarily expect him to be a railway man at all?—No.

880. He would be a man of high business capacity?—I think the great thing is that you want a man with a vision of the future requirements of India.

881. (*Mr. Hiley.*) You do not think he need be a railway trained man?—I do not think so.

882. (*Chairman.*) You would make it an entirely separate department?—Certainly, especially in connection with finance.

883. I take it you share the view with everybody else that a large railway development policy is necessary?—Yes.

884. You say railway finance should be kept separate and money for new construction raised by the same methods as those for other industrial enterprises?—At present it is almost entirely dependent on the surplus revenue.

885. You say raised by shares and debentures. Of what, of new Companies?—Yes, or in connection with the lines and the main lines themselves. I suggest they should have larger powers of raising their own money.

886. They could raise any amount by debentures, we will assume. Would you allow them to increase their ordinary stock which shares in the profit?—I should not have any objection myself.

887. Do you think that would tend to direct attention to India as a profitable field for investment?—I should think it would. I understand they always consider they have been hampered by not being allowed to do so.

888. You would like to give them more freedom to raise capital?—I should.

889. Would you grudge them a substantial reward?—In what way?

890. Do you think it a good thing to make it worth the while of the investor to come in on a large scale? That is what it comes to?—Yes, I think it is probably the only way you will get them in.

891. Would you put it that it does not pay the State to make too good a bargain?—That is my opinion.

892. That is what I take your point to be?—It is my point. We have just seen the result of that policy in the Bombay Development Loan. They have floated the loan at 6½ per cent. free of income tax and got nearly eight crores already.

893. Did they ask for any specific amount?—I think they asked for 6½.

894. And they got?—They got 7¼ according to the last mail report.

895. They floated what India would call a very large loan?—Yes.

896. It was over subscribed?—Yes. They did not put any fixed amount in their prospectus.

897. And they are still ready to receive?—Yes, I had a letter from Sir George Lloyd and he said that if they got 9 crores they would not go to the public again next year, not for two years. It has been very successful.

898. (*Mr. Tuke.*) It is a short-term loan, is it not?—I think it is 1945. No, I think it is 10 or 12 years.

899. Is it issued at par?—Yes.

900. 6½?—Yes.

901. (*Chairman.*) You say main line Companies should be given larger powers for raising money for their own requirements and the construction of feeder lines should be left to private enterprise. Does that mean that main line Companies are to be restricted to their present length and only to raise capital for improvements on the existing lines?—No, not necessarily. I mean they should build their own main line extensions; they should not be concerned with feeder lines.

902. What is the difference between the extension of a main line and a feeder of a main line? I do not follow?—If you have a line running from Bombay to Delhi and carried on from Delhi to Lahore that would be an extension of a main line, but if you brought a line from one of the sides at right angles between Bombay and Delhi that would be a feeder.

903. Is not that rather an artificial distinction?—I do not think so.

904. Take an English case. If the Great Western when it gets to Reading splits and one line goes through Newbury and another through Swindon and a third through Oxford, which is the feeder?—And comes to the same place?

905. No, they spread out?—You have your Great Western main line and anything on either side would be feeders.

906. The Great Western would tell you that they have at least five main lines?—One distinction, if you want a distinction, is the difference of gauge.

907. I was wondering about that?—My feeling is this. Take the Great Indian Peninsula line. We have several feeders in the Central Provinces, and further extensions coming on. Those are on a different gauge to the main line. I look on the main line to Calcutta as a main line artery and these are veins feeding it the whole way down.

908. Do you know what proportion of the feeder lines are broad and narrow respectively?—One so-called feeder line we made was the Tapti Valley—it is not now a feeder, it is a chord line, we provided the money for it. It started as a feeder from Surat to Nandurbar, and then on to Amalner and then joined on to the Great Indian Peninsula. That began as a feeder.

909. What is it now?—It is a chord between the Bombay, Baroda and Central India and the Great Indian Peninsula.

910. (*Sir Henry Burt.*) An alternative route?—Yes.

911. Between Calcutta and Bombay. That is what it comes to?—Yes. It is more an alternative route from the north.

912. (*Sir Arthur Anderson.*) It is on the same gauge as the main line?—Yes.

913. (*Chairman.*) Is it part of the Great Indian Peninsula undertaking to-day?—No.

914. It is a separate Company?—It is worked for us by the Bombay, Baroda and Central India.

915. Most of the feeders are worked by the main line Company?—Yes, all of ours except one.

916. Do you maintain separate Companies for each of them?—Yes.

917. With the Company organisation?—Yes.

918. Practically the Company's job is to receive dividends and so forth, and if necessary to vote new capital?—Yes, and also to visit the line regularly and bring to the notice of the working agency——

919. That is you as agents?—Yes.

920. You have a Board, I suppose?—Yes.

921. The Board really do very little?—They meet once a month.

922. And deal with very formal business?—Yes

923. Transfers and things of that kind?—No, they have nothing to do with transfers—yes, they have, but that is not very much business; they are useful in bringing grievances to our notice from the Indian people.

924. How many feeder Companies have you? You mentioned a big figure?—I think we have eight of our own and two of Gillanders, that is 10.

925. Has that document you have the names of the Companies on it?—Yes, I can leave this.

926. May we put this on the note?—Certainly.

927. It would be quite interesting, it has the names of the Companies and the mileage, and so on. The Tapti Valley is 155 miles, and the Central Provinces Railway 139½?—The Central Provinces are two lines, one north of the Great Indian Peninsula Railway and one south, and we have extensions for both of them in view.

928. Is there any connection between these except that you are agents. Have they any joint staff of any kind?—No.

929. So far as technical matters are concerned, you rely for those on the main line Company?—Yes.

930. There is a very strong feeling on the Continent that it does not do to entrust the management of what they call light railways to main line railways, because they have large ideas and expensive methods of doing things. Have you anything to say on that point?—I think that is quite correct from our experience From the instance I gave about the Sara Railway and the Eastern Bengal I do not think the feeder line gets the attention from a main line its own line gets.

931. That is not my point, that is a separate point. My point is this, that the Continental people concerned with light railways always say that you must keep them separate from the main line Companies because the main line Company has magnificent ideas. Our railway is a cottage, and you must not run it as if it were a mansion—that is their point. What do you say to that?—I think feeder lines have been built at too expensive a standard. It is very difficult to build them cheaper.

932. The Continental plan is very largely to have a number of feeder lines, not necessarily locally connected, but connected by the parent organisation which has an expert staff of its own. You have nothing of that kind?—We run the Guzerat Railways ourselves and we have our own engineers for that.

933. Is it one Company?—There are three lines under one Company. This is an instance. Then we had our lines in the Central Provinces for carrying manganese, which we are not working now because the Bengal-Nagpur Railway has taken them over, but we ran them on much cheaper lines than a State railway would. We carried an enormous traffic, but the line was not built up to standard dimensions or requirements; it would have cost us far more to put down those lines in accordance with the Railway Rules. As we were not under the Railway Board in that way—we had not any contract with the Government—they allowed us to build them our own way.

934. (*Mr. Hiley.*) Did not you have to pass a standard before you were allowed to carry passengers?—No, we did not carry passengers; it was a mineral line.

935-6. (*Chairman.*) Are all these narrow gauge?—No.

937. Will you give the gauges?—Yes, the Tapti Valley is broad gauge, the Ahmedabad-Dholka Railway and Ahmedabad-Prantej are metre; the Amritsar-Patti-Kasur, the Sialkot-Narowal, and the Mandra-Bhon are broad. The Guzerat and the Central Provinces are 2 ft. 6 ins. The Sara-Sirajganj is broad and the Mymensingh-Bhairab-Bazar is metre.

938. (*Chairman.*) Will a main line Company work a 2 ft. 6 in. line?—Yes.

939. You speak of the 30,000 existing miles, it is now about 35,000 growing to 100,000 or more. A large proportion of that would be, in effect, main line?—I expect so.

940. You would not propose that that should be given to feeder Companies?—No. I suppose there would be no objection to giving a main line to an Indian Company. Assuming you wanted another main line built in India, there would be no objection to raising that money in India?

941. You think it can be done, I take it?—It is all a matter of terms. There is no doubt there is lots of money in India if you can only get it out.

942. May we take it that 6½ per cent., free of income tax, which, after all, is only Indian income tax, which really means 7 per cent., or something of that kind, is the kind of terms that would raise lots of money?—I have suggested that 6½ per cent. and sharing with the Government above, as we do now over 5 per cent., ought to raise money.

943. (*Mr. Hiley.*) Paying income tax?—Yes, because they have the opportunity of making more than 6½ per cent.

944. There is a Government guarantee?—Yes.

945. (*Chairman.*) You think on those terms that a lot of money could be raised in India?—It is very difficult to say. At the present moment there has been such a rush for industrials in India and the profits the industrials have been making are so enormous that people have turned away from feeder lines.

946. That is the difficulty?—Yes, but I think they will come back to them.

947. From the industrials?—The industrials will probably not pay what they expect them to pay.

948. You think they will not continue?—They may have bad times like everybody else.

949. (*Mr. Hiley.*) They get unfashionable?—Yes. All our feeder lines have gone down to a discount, they are about 30 per cent. discount now. They are splendid investments.

950. (*Chairman.*) Because the price of money is changed?—Therefore it is difficult to raise fresh capital at the moment at par.

951. On 5 per cent. terms?—Yes. I think they will come back to 6½. It will depend on the state of the money market whether we shall want 6½ or 7 or 6.

952. I want to put it in this way. You think that there is a substantial amount of investment money available in India for these schemes at a commercial rate?—I think the position in India to-day is very much what it was many years ago when we started these feeder lines. The argument we used was this. There are three kinds of investors in India, the investor who has to invest in trust money and goes for consols or Government paper.

953. You are speaking of India?—Yes.

954. The Indian investor do you mean?—Yes. There is the investor who has to invest in trust funds first; he must go for trust securities. Then there is the other extreme, the man who goes for industrials and for a gamble; then there is the middle man who wants a safe investment and likes to have the possibility of getting more than he can get from trust funds. That middle class we say we can tap for feeder lines.

955. That class in your view can produce a substantial number of crores per annum?—I think so. I think that has been shown by the development loan.

956. What do you think you could get, 20 crores per annum or something of that kind?—I should not like to express an opinion.

957. Could you give any kind of figure; how long did it take you to raise your four crores and the two crores you raised?—It was spread over different times. When we raised the money for the Sara Railway, we raised it jointly with Gillanders. Government would not allow us to raise more than 80 lakhs at that time. We only wanted the 80 lakhs, but we had applications for over one crore. In Bombay we had 70 and they had 40 in Calcutta.

958. Theirs was Calcutta money?—Yes, ours was Bombay money.

(*Sir Henry Burt.*) It is admitted that the railways will require in the immediate future somewhere in the neighbourhood of 25,000,000*l.*

(*Chairman.*) That is only open lines.

959. (*Sir Henry Burt.*) Yes, only for open lines. Do you think you would get anything like that sum? That is apart from new lines and feeder lines, it is simply for open lines, for development purposes which you admit in your note are very sadly in arrears?—Yes

960. It is estimated that the requirements amount to 25,000,000*l.* per annum at least for that purpose only. Do you see any chance of getting that amount?—On what sort of terms?

961. That is the point. Do you see any chance of getting that amount in India at such terms as you have suggested here?—6½.

962. Yes?—No, I was not thinking of big amounts like that.

963. Those are the figures one has to deal with.

964. (*Chairman.*) Put the terms this way, as much better than 5 per cent. as the market has changed since you raised it at 5 per cent. Those are the terms I take it?—That would be about 2 per cent. I should think.

965. Call it 7. How much could you get at 7 per cent.?—It is very difficult to say.

966. That is main line only saying nothing about feeders?—I was thinking more of raising feeder line Companies one by one.

967. To some extent they appeal to a very small local public?—Yes.

968. If you go down the Tapti Valley you attract the people who want a railway down that Valley?—There were not any people there when we went.

969. I have taken a bad instance?—We have not had much success in that way on the spot. When we started in the Punjab I went to Amritsar to have a meeting to collect shares, and two people turned up. We raised the money in Bombay. Since it has been a success people in the Punjab have been buying the shares, and we have had much better results.

970. (*Sir Henry Burt.*) Feeder lines undoubtedly boomed very considerably?—Yes.

971. (*Chairman.*) I am afraid we must put it in this way. You could not say that you could get 25 crores per annum for main lines, and a large sum in addition for feeder lines?—We certainly could not at present.

972. Even though India is very much richer?—No.

973. (*Sir Henry Burt.*) In other words without indenting on the London market?—Yes, certainly not at present. It might come gradually.

974. (*Chairman.*) Can you suggest any way in which you can get the money without going to London?—I cannot think of any other way except gradually working up a clientele in India as the feeder lines are started.

975. Those 5½ crores that you and your coadjutors have raised, is that native money or Indian money proper or a considerable part of it from European houses in India?—I forget the proportion, but I should think three-fourths of it was Indian. At the present moment certainly, because, owing to the rise in exchange, so many English people have sold out their shares and Indians bought them.

976. How do you suggest that the Government can encourage private enterprise beyond what it is doing?—I think by helping negotiations to come to a conclusion quicker than they have in the past. We had to fight for our terms; they have taken months and years. For instance, if we had had more encouragement in the past, we should have floated more companies by now before the war took place.

977. Is it that they do not want you or that the process is dilatory or the terms too bad?—I do not know whether they want us or not. It has been very half-hearted.

978. (*Sir Arthur Anderson.*) I think there has been a little misunderstanding about the conversation you referred to here. I take it that I am the person you refer to?—Yes.

979. So far as my knowledge goes I have never objected to the enlistment of private enterprise as such for the extension of railways. What I personally have been against is the multiplication and spreading all over the country of small private Companies, which often regard themselves as entitled to a sphere of influence, and whose interests may conflict, not only with each other, but with the main line as well, and in the end produce a very complicated position. I have never objected, to my knowledge, to private enterprise being utilised for the development of railways; it is the particular form of it?—I understood you to say that the time for private enterprise had gone, and that you could raise the money yourselves.

980. No, you misunderstood me entirely?—That is what I thought.

981. (*Chairman.*) Let me raise a point arising out of something Sir Arthur says. If you have all over the country innumerable small undertakings

which claim a sphere of influence, are you not bound to have constant disputes?—I do not think the feeder line wants to claim any sphere of influence.

982. We have a gentleman representing feeder lines this afternoon who very distinctly does, and he says that he has been very badly treated because his sphere of influence has been invaded. Must it not necessarily happen? If the railways get closer and closer together, the lines approaching a district perhaps from three directions, will not each complain if one of the other two pushes forward?—The genesis of our railway business arose in this way. Five feeder lines, the Tapti, the Dohlka, and the Prantej, and two others, were examined by Mr. Little years ago for the Government of Bombay. They were all feeder lines in connection with the Bombay, Baroda and Central India. The Bombay, Baroda and Central India had not the money to construct them, and the Government would not find it, and somebody suggested to my partner, "Why do you not ask for a concession, and raise the money?" That is how it began. We do not want to go to a main line and say: Will you build and manage a line you do not want, or which is going to be a chord which will bring trouble in the future as it has done in certain cases. We want the main line to say: "Here are a certain number of feeder "lines wanted in connection with our system; will "you raise the money for them, and we will build "and work them for you?" That is the attitude we have always assumed.

983. Take this case, there is the Great Indian Peninsula going out from Bombay and there is the Southern Mahratta. You build a line there and get to a place, and there is another place further on and you get there, and then this place says, "We want this connection too." Will not that always make difficulties?—Yes, but that is a difficulty surely to be settled by two main lines. We do not want to interfere as a feeder.

984. My point is this, if you have a certain number—you know French railway geography, for example?—A little.

985. You have Paris there and the spokes of a wheel, and between that spoke and that spoke is one Company, and between that spoke and that spoke is another Company, and when you have only five it is easy to deal with it; but if you have not only 10 main line Companies, but innumerable little Companies in between, does it not make a difficulty?—The feeder line is always a feeder to the main line and nothing to do with those administrative questions.

986. The question of the sphere of influence is what I have in my mind.

(*Sir Arthur Anderson.*) No railway once started can stand still.

987. (*Chairman.*) That is the point?—No, but still there is a clause in all our contracts that if our line is extended and becomes a main line chord they have the right to take the feeder line over at a year's notice.

988. The main line Company?—Yes.

989. How about the other main line Company you have been helping them to poach on?—That is for the two main lines to put up before the Minister of Railways and get settled. It is not a thing we want to fight about.

990. If I may put it respectfully I have in fact imagined a main line using you as a stalking horse to get into the other man's territory?—Possibly.

991. (*Mr. Hiley.*) The check on that is the Railway Board, I suppose?—Yes.

992. (*Chairman.*) It is a very difficult thing for a Board, because the circumstances change. You see what I have in mind?—Yes.

993. It has not become a burning question at present, I take it is your answer?—I do not think so. The three main lines we deal with are the North-Western, the Bombay, Baroda and Central India, and the Great Indian Peninsula. In the case of the North-Western they are pure feeders. They are like veins to a main artery. The North-Western has had control. There has been no question of policy on our part; we have not been connected with any policy. They are feeders wanted by the country, which the North-Western or the Government have not had the money to build. In the same way with the Great Indian Peninsula, they are feeders asked for by the country, and they bring traffic on to the Great Indian Peninsula.

994. Do not assume that I am objecting, I am trying to check it?—I want you to understand; if you have a gentleman coming this afternoon who takes that line, we do not take it.

995. You have not any grievances in reference to spheres of influence?—No.

996. You mentioned the case of the Sara Sirajganj Railway; that is in Eastern Bengal territory?—Yes.

997. Apparently your Company did not get this traffic properly developed?—No.

998. What is the explanation?—I should think the explanation is that the Eastern Bengal Railway did not look after it properly. They built this line up to the standard of a main line; it was a most expensive line.

999. Had you no control over that?—No, the estimates came forward for this line, and the traffic prospects showed it would earn 5 per cent., and there would be an additional 5 per cent. from interchanged traffic to insure the 5 per cent. It seemed an excellent proposition, and we got the capital over-subscribed at once.

1000-1. (*Sir Arthur Anderson.*) That was an estimate which you as promoters surely had some responsibility in the matter of its correctness?—I think they were correct if the line had been properly managed. What happened? When the line was opened the receipts were negligible and we paid $3\frac{1}{2}$ per cent. instead of 5 per cent. The rebate was negligible. So we sent Mr. Bagley, the engineer, over the line and he found that they were not getting the wagons they indented for, very few wagons were coming to them; he found with the passenger traffic that half the people were not taking tickets—running away at the station was the report—but the principal thing was that they made no arrangements for cross traffic.

1002. (*Chairman.*) Cross traffic is a phrase I do not know. Does that mean exchange traffic?—Traffic that comes from foreign lines across our line to the Eastern Bengal.

1003. Merely passing across your line from railways at the two ends?—Yes.

1004. "Through through," as we should say in England?—This line ends at Sirajganj, that is on the banks of the river, and all the traffic comes in boats. They did not finish the line to the ghaut, that is the landing stage; they stopped short at the station, therefore no traffic could get from the ghaut. Here was a line built for main line requirements fit for express trains and it ran one train a day at six miles an hour.

1005. (*Sir Arthur Anderson.*) It is well known that the main line, the Eastern Bengal, has its own route for the same traffic?—Our contention was that these estimates which you mention as incorrect were correct, because they included the interchange traffic.

1006. That is a disputatious question?—It has been settled in our favour now.

1007. As a matter of fact the Eastern Bengal had good grounds for their contention, but in this particular matter the Railway Board ruled it in your favour?—I know you did.

1008. I do not see that there is any grievance?—My grievance I put up here is this: it ought not to be necessary for us to fight and worry the Railway Board over matters like this in order to obtain the results that are held out to us in the estimates, and which ought to have come if the line had been properly worked.

1009. (*Chairman.*) Was it not your responsibility to keep them up to their engagements? Do you regard that as a function of the Railway Board?—No.

1010. Your grievance is against the management of the State railway?—Yes.

1011. Do you not take responsibility for allowing them to build a light line to the standard of a main line?—This is not a light line.

(*Sir Arthur Anderson.*) It has been built to an expensive standard.

1012. (*Mr. Hiley.*) Was it not built to an agreed specification?—We wanted it built to the standard; we wanted to carry a through traffic.

1013. (*Chairman.*) Did you expect to carry a fast traffic?—Yes, they now have got a fast through train for passengers. It is a shorter route to Calcutta.

(*Sir Arthur Anderson.*) That is one of the arguments. They contend that the line would not have been built to a high standard if it had not been going to get the traffic.

1014. (*Chairman.*) It seems to me that you caused it to be built to a main line standard in order to get the traffic the Eastern Bengal was carrying, and the Eastern Bengal did not intend to let you have it?—I do not think you can put it in that way.

1015. It looks like that?—Sir T. R. Wynne was chairman of the Railway Board at that time, and they were anxious to get the line built. We had applied for a concession and Gillander's had. They made us take it jointly instead of giving it to one or to the other. The line was wanted for jute traffic and through traffic; it was not built primarily for local traffic, but for the through jute traffic to Calcutta. That was the real reason for its being built to the standard it was, but having been built to that standard they only ran one train a day and did not connect it with the ghaut and it could not get the traffic it was built for. As soon as we found this out we did make representations, and because we did not get satisfaction with the Eastern Bengal, we went to the Railway Board and got satisfaction.

1016. You spoke about the shortage of wagons. There is no doubt about that, I suppose. You lay stress on that?—I brought a statement in case you wanted any further evidence. These are the telegrams we have got this year of the wagons supplied from our manganese mines to Calcutta and Bombay. Here is a list of them.

1017. Will you put in it?—Certainly.

1018. Can you give us the gist of it in a word or two?—Yes, it begins on 9th January: "Bengal-"Nagpur Railway inform us impossible any des-"patches manganese ore to Bombay at present, we "are taking up the matter." 12th January: "No "despatches likely at present: Mining Association "energetically protesting." 30th January: "Cen-"tral expect to despatch 100 tons daily from "1st February." 4th February: "Great Indian Peninsula Railway wagon supplies discontinued." 5th February: "Bombay, Baroda and Central India Railway wagon supplies discontinued." And so on right through.

1019. Is it true to say that wagons have always been short?—As far as I know, right back to 1905.

1020. They are now very much shorter?—Yes, on account of the coal traffic.

1021. They are now much shorter because the inland coal traffic is so much narrowed, and it has been impossible to keep up normal supplies during the war?—Yes.

1022. (*Mr. Hiley.*) The coal traffic was getting preference, was it not?—Now they are making us bring it round by sea to Bombay. My point was that up to the war we never had a sufficient supply of wagons. The point I raise now is that these new industries started during the last two years which will be ready to work at any time will be frightfully handicapped if there is no better supply of wagons.

1023. (*Chairman.*) Your broad conclusion is this, that the Government will have all they can do to develop the main lines fast enough, and you would leave everything but the main lines to develop independently?—I think so.

1024. (*Sir Arthur Anderson.*) You say for the construction of feeder lines there has been a steady opposition to private enterprise on the part of the parent Companies. I take it that you are referring to the Guzerat lines and the Bombay, Baroda and Central India?—Not particularly. As regards the Bombay, Baroda and Central India, Sir William Bisset always took a strong view about feeders.

1025. They did object to give assistance to the Guzerat railways, and in the end the Government had to give it themselves?—Yes.

1026. I think there is something to be said for the main line view if you look at the results of the working of these lines. The Godhra and Lunawada branch was completed in 1914–15. During the four years up to 1917–18 the gross earnings amounted to Rs. 2,16,593, and the working charges for the same period were Rs. 2,06,881. The rebate paid by the Government amounted to 2¼ lakhs. In 1915–16 and 1917–18 the working charges exceeded the gross earnings, but with the help of the rebate the branch was able to pay 4·91 per cent. to its shareholders. There is something to be said for the disinclination of the Bombay, Baroda and Central India to give assistance to that line?—Yes, I am glad you mentioned that.

1027. If that is one of the cases you refer to as opposition?—I was not thinking of that, but I am glad you mention that so that I can explain it. We wanted to build a line from Nadiad to Kapajvanj. That was part of the Guzerat Railway, and we also wanted to build from Champaner Road to Shivrajpur.

1028. (*Chairman.*) What are your branch line terms as to duration?—33 years, I think it is—30 years' lease.

1029. Then they can buy you out?—Yes.

1030. At cost?—No, not at cost, 20 per cent. above it is based on.

1031. 25 years' purchase based on the net earnings of the last three years?

(*Sir Arthur Anderson.*) The average of the previous five years.

1032. (*Chairman.*) Plus 20 per cent.?—The maximum is 20.

(*Sir Henry Burt.*) Subject to a maximum.

(*Sir Arthur Anderson.*) And a minimum of 100.

(*Sir Henry Burt.*) They cannot get less.

1033. (*Chairman.*) Is there any restriction of your dividend?—No, there is a restriction that we share with the Government above 5 per cent. They

give us a rebate to make up 5 per cent. and we share above.

1034. (*Sir Arthur Anderson.*) It is practically a guarantee of 5 per cent., and the profits above that they share. How do you share?—Half-and-half.

1035. What is the most prosperous branch line that you know?—The Tapti Valley, from our point of view at the moment. It pays 9 per cent.

1036. Do the shareholders get 9 per cent.?—Nine per cent. last year, but now the lease falls in next year, and we have agreed to accept an increase of working expenses from 44 to 55 per cent. If the shareholders accept this it will knock the dividend down 1½ or 2 per cent.

1037. That will recover again?—Yes, I expect so.

1038. You do not know any Company that has earned more than 9 per cent.?—Yes, the Amritsar Patti paid 11 or 12.

(*Sir Henry Burt.*) 11, I think.

1039. (*Chairman.*) I think the Darjeeling Himalayan has paid 14. Is that a branch line?—I think it is. They run it themselves. Might I reply to Sir Arthur's question? I was rather interested in it. We wanted to build these two lines I mentioned, the Nadiad and the Champaner, and the Government of Bombay said they would not agree to our having the concession unless we included the Godhra Lunawada. We only included the Godhra Lunawada at the distinct request or orders of the Government of Bombay. That line has been a handicap ever since. The Guzerat consists of three lines. At present the Nadiad and the Champaner pay well.

1040. (*Sir Arthur Anderson.*) The interest on the Champaner line for the first three years without the rebate was 1·12 per cent., 1·71 per cent. and 2·42 per cent. It has been better than the other?—Yes.

1041. With the rebate you were able to pay your shareholders, I suppose, about 6?—The Godhra Lunawada has been a millstone round the other two.

1042. (*Chairman.*) Your rebate is in the form of 5 per cent., is it not?—The original rebate on the Tapti and the first three lines was up to 10 per cent. of the earnings of interchanged traffic.

1043. Of the gross?—Yes. Now it is up to the full extent of the net earnings on interchanged traffic.

1044. I do not follow?—Suppose the main line make a lakh of rupees on the interchanged traffic?

1045. Earned gross?—Yes, they deduct working expenses 55 and we can claim up to the other 45 for rebate if we want it.

1046. To make up the 5 per cent.?—To make up the 5 per cent.

1047. Suppose you are above 5 per cent., how does it work?—We share above 5 per cent. with the Government.

1048. Can you claim any rebate if you are over 5 per cent.?—No.

1049. It drops flat?—Yes.

(*Sir Arthur Anderson.*) There is another point; they are worked at 50 per cent.

(*Chairman.*) That is part of the bargain. I presume that varies in each case.

1050. (*Sir Arthur Anderson.*) Yes?—That is going to be altered in the Tapti now.

1051. (*Chairman.*) Which is really of importance, to get the railways or the method in which you get them? What would the opinion of business people be?—To get the railways.

1052. By the right means if possible, but by all means get railways. Is that the view you take?—Yes, the most important thing is to develop the main lines sufficient to carry the traffic.

1053. (*Sir Arthur Anderson.*) At present the main lines are suffering from a plethora of traffic. Do you agree to that?—Yes.

1054. By rapid construction of branch lines you are accentuating that evil?—Branch lines to-day are a secondary point.

1055. The first thing is the main line?—Yes.

(*Chairman.*) Many thanks to you for coming to give us your evidence.

The witness withdrew.

(Adjourned for a short time.)

MR. LEONARD L. COHEN called and examined.

1056. (*Chairman.*) You are a Director of the Bengal and North-Western Railway, and, I think, two other railways?—I am. The others are the Rohilkund and Kumaon Railway and the Delhi-Umballa-Kalka Railway.

1057. The Bengal and North-Western Railway is a private railway?—Yes.

1058. The Rohilkund and Kumaon is what?—It is also a private railway.

1059. And you work the Rohilkund and Kumaon Railway?—Yes.

1060. Do you work the Delhi-Umballa-Kalka yourselves?—No, the East Indian Company work that.

1061. It is an extension of the East Indian in the direction of Simla?—Yes.

1062. And you do not work it?—No. They work it at a percentage, which is 45 or 48 per cent., I think.

1063. (*Sir Arthur Anderson.*) 48 per cent.?—Yes, 48 per cent.

1064. (*Chairman.*) You have been a Director for some time?—Yes, I really do not remember how long. I was first a Director of the Bengal and North-Western Railway, either 12 or 15 years ago.

1065. You have no personal connection with India?—None.

1066. You were in business for many years in the City in your own firm, which I believe was Louis, Cohen and Sons?—Yes. See Written Statement No. 4, Vol. IV.

1067. You are confining yourself in your evidence, I see, to financial considerations?—That is so.

1068. I do not know whether you consider it financial, but do you wish to express any opinion on the question of the State *v.* Company?—I did not deal with that point, which is marked "A" in the terms of reference, because primarily political issues are involved in it, and the financial considerations are indirect. Another reason why I did not deal with it was because I had not time to do justice to that point.

1069. It is entirely for you to say. Do you wish to say anything about it from aspects other than political?—I can only make one or two general remarks, such as that the experience of those countries which have adopted the system of direct State management of railways has not been particularly fortunate. An illustration of that has recently been furnished by the alleged desire of the Chilian Government to surrender the direct management of State railways and to hand them over to a private Company. The two reasons being given are: (1) that they anticipated that a private

Company would be able to raise capital more easily, and (2) that when the administration was handed over to a private Company there would be less political pressure, undue influence, exercised in various directions on the Company than was exercised on the Government.

1070. I suppose the application of the second of those to India would hardly come before you, but on the first, the question of raising capital, have you anything to say—I mean with the two systems contrasted?—I have dealt with that in my paper.

1071. With regard to Point 3, "To consider "the arrangements for the financing of railways "in India, and the feasibility of the greater "utilisation of private enterprise and capital for "the construction of new lines"?—That is a quotation.

1072. Yes. You say: "I am not competent to "give any assistance to the Committee from want "of familiarity with the conditions in India." I certainly have read, and I think the Committee will read, that as meaning for the financing of "Indian railways"?—Of course the second sentence which you read is with the implication in the first sentence, that it meant financing the railways in India. To put it bluntly, I do not know sufficient of the conditions in India.

1073. It is the feasibility of greater utilisation of private enterprise. It might be private enterprise from England or not. Let us take No. 3 as meaning financing of Indian railways?—Then the rest of my paper would come in. Paragraph 4 of my paper refers to the question of financing Indian railways at the present time and in the immediate future, and says that it is rather academic. That is without elaborating the theory.

1074. Ignoring the present abnormal conditions, you call attention to the fact that you cannot afford to pay $9\frac{1}{2}$ per cent. for money, so to speak?—Not quite that. I state that our ordinary stock yields $9\frac{1}{2}$ per cent. and their respective preference stocks $7\frac{1}{4}$ to $7\frac{1}{2}$ per cent., and, presumably, a mean between those two rates would probably represent the rate at which you would have to borrow.

1075. The rate of interest is such at this moment that it is difficult to contemplate new finance of anything but urgent necessities?—Quite so.

1076. That is a question of world finance, and we can leave that. When more normal conditions prevail you speak of an appeal to the London market, and in paragraph 6 you express the view that you do not think an English investor would provide any capital for a Company domiciled in India with a Board sitting in India?—That is my view.

1077. We had witnesses this morning who were inclined to favour the concentration of the management—I will put it in the vaguest terms—of the whole of the railways under an organisation that was much more independent than at present. Suppose we call it, for the sake of argument, the Indian National Railways. Would the same objection that you take to raising capital for an individual Company with a separate Board apply to raising capital for the railways as a whole, with a record of dividends behind them?—I should want a good deal more information as to the powers of the new organisation; I should want to know a great deal more about the financial independence that was going to be given to them. On the mere sketch I am unable to express an opinion which seems to me to be of any value.

1078. Let us assume that it had great financial independence: would you then care to express an opinion?—I suppose you imply that this great organisation was to be domiciled in India?

1079. Yes. I should have considerable doubt as to whether the British public would supply money which was under the complete control of a concern domiciled in India. It seems to me that there is only a difference in degree between the two things. At present I have only a very sketchy idea of what was contemplated by the witness.

1080. The point I would ask you to direct your attention to is this: whereas you could imagine a single one of eight Companies being imprudently financed, if they were all, as it were, joined in their finance would you still think the risk as big?—I cannot accept your assumption under existing conditions. If I might explain what I mean I would say this. All the existing Indian railways are under very tight control, with regard to the executive or administrative action in India, by the Railway Board, and, as regards financial and other matters in London, by the presence of a Government Director on their Boards; so that I cannot imagine the condition which you suggested arising.

1081. I am assuming, for the sake of argument, that the whole control was removed to India, that, whether more or less control over the individual Company continued, the point would be that there would be a Board largely autonomous responsible for the whole of the finance. I do not want to press you if you do not wish to give an opinion?—I do not mind giving an opinion, but I would rather have had a considered scheme upon which to give an opinion than a hypothetical scheme, the details of which do not seem to have been thought out.

1082. That is to say, they have not been set out?—Yes, that is better; they have not been set out.

1083. Let me put it to you in this way. Assuming that the pecuniary inducement was sufficient and that there was no trouble with regard to double income tax and variations in exchange, do you think a Government of India rupee loan would be an attractive security?—I do not.

1084. Does it not come to this, that your view is that the English investor invests under the control either of an English Board or of the English Secretary of State?—Yes.

1085. You attach very great importance to that?—In giving my opinion as to what the English investor would be inclined to do, yes.

1086. I see you say that an Indian Board—we are now coming back to the theory of a Board of an individual Company—would be liable to represent local interests, which might not be the same as the interests of the Company as a financial concern?—That is so.

1087. And in reference to a Board sitting in London under, presumably, a second Board of some kind in India——?—It does not commend itself to me. That is what is called in the terms of reference a combination of B and C. It was so very vague that I did not deal with it, but I believe there are cases of the kind which have not been very successful.

1088. Could you give us instances, because that would be very valuable?—I could only do it by borrowing from the evidence of Colonel Gracey, who refers to the Egyptian Delta Railway. What I said was a little different from what you quoted with regard to the Company domiciled in India with a Board sitting in India. After dealing with the want of experience and so on, I said that the prospective stockholder would feel that his prospective dividends would depend too much upon persons with divided interests, or who might at any

rate be exposed to strong local pressure exercised to the possible detriment of the shareholders. That is slightly different from what you quoted, I think.

1089. I meant the same thing, and I should be glad if you could point out any difference?—I forget exactly the words you used, but they struck me as having a slightly different meaning from what I wished to convey.

1090. In the next paragraph of your statement you say that you do not think the combination of a Board sitting in London with the Company domiciled in India would be desirable. I assume that would imply some representation in India of the Company?—I do not know what it really implies. There are several ways of doing the thing, of course.

1091. I am taking your own phrase?—The phrase of the reference is "a Company domiciled in India." That might mean a nominal share capital or the whole of the share capital in India, or it might mean a portion of the share capital held by the Secretary of State and another portion held by the public.

1092. There is no suggestion in the reference to a Company domiciled in India with a Board sitting in London?—That is my theory of what was meant by a combination of B and C. It might easily be that.

1093. Imagine a combination of B and C—would it not imply some representation in India of the nature of a Board with some powers at least?—Yes.

1094. Do I gather that you think an English Board and an Indian Board could not work together?—I think it would be difficult. The Indian Board, if the Company were domiciled in India—by which I understood it to mean that the shareholding would be in India—would be under the pressure of the Indian shareholders, and very easily acute differences might arise in the Indian Board under those conditions.

1095. An Indian Board representing shareholders with two interests, dividends *v.* local pressure?—Quite so.

1096. Whereas the English Board would only have one interest?—Yes.

1097. And you do not think they could work together?—I think it would be difficult.

1098. You have no experience, I suppose, of the Argentine Local Boards?—No. I believe "Committees" is the technical name for them. The only knowledge I have is that as a shareholder I receive their reports, and they do not reveal very much.

1099. But you have not any personal knowledge?—None.

1100. We are getting a gentleman from the Argentine to tell us. You say that if the Government were to exercise its option to purchase, it would have either to buy out or to make a new contract and attract the existing shareholders?—Or a new public.

1101. Your view is that if the Board of your Company was transferred to India it would imply that the new public would be an Indian public and not the old English public?—If under the new contract the Board were an Indian Board.

1102. In connection with what you mentioned in your paper, shall I call it a misunderstanding between the Great Indian Peninsula and the Government?—Yes.

1103. What would you say as to that?—I do not want to add anything to what I said when I was examined in 1908 by the Mackay Committee.

1104. I have not had a chance of reading that?—If you remember, there was a dispute as to the methods of calculation of the basis of the annuity. It went before one court and the shareholders who were to become annuitants lost the case and did not pursue the matter any more. Although I said the contract was interpreted legally, it did not prevent a sense of grievance being cherished by the quondam stockholders—I say "quondam" because most of them became quondam from that moment, as they dispossessed themselves of their holdings as soon as possible. Another cause—which was not peculiar to the purchase of the Great Indian Peninsula, but which was common to the purchase of all Railway Companies giving in exchange an annuity—was that the value placed in the market on the annuity on the day that the stockholder received it was 10 to 15 per cent.—I think so, but I am speaking from memory—below the market price at the moment of Indian Government stocks, with which it was compared, the security being identical, plus the security of the railway. That soreness remained for years.

1105. What is the explanation of that discrepancy?—The explanation of that discrepancy was that the form of annuity in which, if you took the B form, a sinking fund had to be provided, was unpalatable and not congenial to the British temperament. Attention was called to that in 1885 in a letter which was afterwards published as a pamphlet. It was written by my father to the *Times*, *à propos* of some previous conversation, but apparently his warning fell upon deaf ears.

1106. It was partly that people did not want an annuity that they disposed of their holdings instead of converting them?—Their selling was not the cause of the discrepancy between the annuity and the Indian Government stock, because that discrepancy had existed in the case of some other annuities which had existed prior to the purchase of the Great Indian Peninsula.

1107. It comes to this,—that they were paid off in a form they did not like?—Yes, and also they had a grievance against the Government, legitimate or otherwise, that the calculation for the annuity was on a different basis from that which they had expected.

1108. May I take it that your general view is that in the long run, having to deal with the market, the action of the Secretary of State was not financially wise?—Certainly it was not wise.

1109. It would have been wiser to sacrifice a little revenue for the sake of keeping a satisfied body of investors?—The Secretary of State in seeking capital for Indian railways then and now is in no different position from the trader who must conciliate and not alienate his customers. I dealt with that point in 1908.

1110. I want to get it here, because it will come to people who will not refer to 1908. Is your view generally that it would be wise to keep a pleased clientèle?—Certainly.

1111. Would you say the same thing in reference, for example, to the terms of a renewal of a contract?—Certainly. You have not read this 1908 document. In the beginning of the paper I put in I called attention to the different ways in which the contracts had been renewed, and that most of them were not such as to secure, or certainly not to enlarge, the connection of the Secretary of State with the investing public.

1112. May we put it on the notes in this shape then—that you expressed these opinions 12 years ago, and you still hold them?—Yes, I have said so in paragraph 11 of my paper, where I say:—"My "views generally upon the utilisation of private "enterprise and capital in England for the exten- "sion of the Indian railway system have not

"materially changed since I gave evidence in 1908 "before the Mackay Committee."

1113. You call attention to the fact that you could not enlarge upon the matter because you had not the time. The Chairman, equally, naturally could not enlarge the purview of his enquiries, because he had not the time. What I want to record in this inquiry is that you think it is practically necessary to retain an English investing public?—Yes.

1114. And you do not think that the procedure which has been adopted in the past has tended to produce that desirable result?—No, I do not. To begin with, the simplicity of contract which an ordinary intelligent reader and a possible investor can understand is a desideratum which has never been appreciated by the financial authorities at the India Office.

1115. In reading the contracts, I am impressed by the fact that they all vary in small particulars or tend to vary in small particulars?—I will not take up the time of the Committee, as I have another appointment, but if I am allowed to refer to the Company with which I am most familiar, the Bengal and North-Western Railway, I think I shall be within the mark when I say that we are operating our present system under contracts numbering between 13 and 14, that is to say, we have got as far as No. 14 contract.

1116. Are they all financial?—No, they comprise everything. In order to get to the financial articles, you have very often to labour through a lot of other sections which are only indirectly touching finance, but which you must study in order to get any intelligent view of the particular clause you are after.

1117. And when you get to contract 14 you are not quite sure that you have read it right?—When you get to contract 14 there are a lot of cross-references going back to other contracts, say Nos. 3, 5, 7, 11, clauses so-and-so.

1118. May I put it then that your criticism on the big question would be in the first place, make things more simple, more easily intelligible, to the would-be investor or to the broker?—I should put it in the first place not to be so niggardly when a contract is to be renewed or when a new contract is to be made. If I might put it in my way, I should say: "Do not limit the duration of the contract "to 25 or 30 years, and if you do, do not make "the results so that the more profitable the con- "cern becomes the less profitable it is to the "investor, and I should say that the duration of "the contract should be not less than 50 years." In that I am actually supported by the Mackay Committee, because they came to the conclusion, after hearing various witnesses, that 50 years was not an unreasonable period.

1119. These contracts which run for 25 years have no provision for a break in the interval. The French contracts, and as far as I know, the contracts of most countries, make provision for what might happen if the Government at any time desired to resume possession. If you made it as long as 50 years, would you not desire to put in terms on which the Government could resume at any time?—No, I should protect the Government in another way by making the stock repayable at par at the termination of the contract.

1120. Would you provide that the Government could break at any time on terms?—I do not think the investor cares—or he did not care before the war—for a short-dated security.

1121. Take our case. We are asked to advise what to do. According to the contract the Government cannot do anything with the Bengal-Nagpur until 1950, and that is clearly a disadvantage from the Government point of view?—But they get a share of the profits.

1122. But they may desire to change their policy. Do you not think it is reasonable that the Government should have power to break the contract provided the terms are generous to the shareholders?—It may be reasonable, but if it is reasonable and it is carried out in practice, it will alienate a large number of people who do not care about that provision.

1123. Even although it is a plum to them to be bought out?—I think it is a better policy to do as I say, that is, to give a term of 50 years with the stipulation that they would only get par at the end of the period.

1124. Do you think a debenture issued at 100, repayable at the option of the Company at 115 at any time, is an unattractive offer?—No, but I have never contemplated that sort of thing.

1125. I want you to contemplate it. I have followed the point of the 50 years, but against that you have to set the fact that a great deal happens in 50 years, and Government policy might change. Is it reasonable to ask them to tie their hands?—I do not think it is unreasonable, because the Government have got a *quid pro quo*. If their policy changed, and their policy was based on purely financial considerations, it would be only because the line had become more profitable that they wanted to buy it. They get the other advantage of sharing in the prosperity of the line and having to go on for another period of years.

1126. Take this case. There are two lines running out of Bombay, the Bombay Baroda and the Great Indian Peninsula, and the Government might think they would like to amalgamate them. They cannot do it?—That is a little unfortunate instance, because the Great Indian Peninsula contract terminates in 1928 or 1925.

1127. The Bombay-Baroda may say that they will not have it on any terms?—You cannot have your cake and eat it. If my view is correct that there are more investors who want a 50 years' untouched investment than there are who want the sort of investment which you indicate, they ought to look at the matter and weigh it carefully. I say you must weigh the two advantages to the Government, and decide which horse you are going to ride.

1128. You have not quite answered my question, which was really this. Given a debenture—call it a debenture for the sake of argument—with a 50 years' currency, repayable at par at the end of the period, would it decrease its attractiveness if there was added to it a right to repay at 110 at any time?—It might be attractive to some people but not to others.

1129. Do you think there would be people who would be repelled by that condition?—Yes, trustees, for instance.

1130. Did you deal with the three points?—I got as far as the third, but I was going to add a fourth, which came out, however, in the course of the discussion. I was going to say that I advocated repayment at par and not at any figure which depended upon an abstruse calculation at the end of the period.

1131. That is a sub-head of your point of simplicity?—Yes.

1132. In connection with the question of generosity, the Great Indian Peninsula instance, I suppose, may be taken, that it is not always a good policy to press a legal right?—You would find another instance, if you had time to read the paper that I handed in to the Mackay Committee, in connection with the Bombay-Baroda contract, in which up to a certain period the holders of the stock which was apparently given in exchange for

the Bombay-Baroda were to enjoy one-tenth of the surplus earnings, and if they got above a certain figure they were only to earn one-fifteenth on the amount above the original figure; that is to say, the more the undertaking prospered under the management of a Board in London the less the people whose interests the Board were looking after were to get out of it.

1133. After all, it is the principle of the super-tax?—*Absit omen!*

1134. Do you think that is unfair as a general principle?—If we are to discuss the application of the super-tax I should not be able to keep my appointment.

1135. (*Mr. Hiley.*) With regard to the advisory or subsidiary Committees in India, I see from your evidence you are not in favour of them, but I should like to get some idea of the extent of your disfavour. Supposing the agent of the Company was chairman of the local Committee, do you think it would be absolutely dangerous to the interests of the shareholders in England if such Committees were formed, advisory Committees in India working with limited powers as subsidiary to the London Committee?—I should not like to give a very definite answer to that. I think you could get it better from the witness from the East Indian Railway, which has been operating under such conditions. I understand that there has been a Committee, although I do not think quite in the form which you suggested, with the agent as chairman. They might tell you their experience, but I have not considered the matter.

1136. Do you think there would not be some advantages in having a local advisory Committee intimate with the local conditions, that might be able to strengthen the hands of the agent, provided, of course, in the case I put, that the agent is not interfered with?—As a person with a conservative temperament, looking at such a proposal I always look to see what are the advantages—what are going to be the advantages over the existing system? Under the existing system an aggrieved local trader can address himself to the agent. It seems to me the possible disadvantage from the system suggested in your question might be that it would provide machinery by which an undue pressure could be put upon the Company through the agent by the local traders, and I do not think that is particularly desirable.

1137. (*Sir Arthur Anderson.*) Conceivably there are times when it might be an advantage, as in the case of labour troubles with a strike going on. The agent may or may not have powers to come to a settlement, and the home Board may or may not agree with his recommendations, which in any case would take time, but with the assistance of a Board of local men the home Board would know that the matter had been considered in all its bearings, and the opinion of a body like that would be sufficiently weighty to be acted on at once?—I do not think any Board in London would divest itself of its powers and delegate them to a local Board in any question of raising the standard of wages right throughout the shops or throughout the traffic department. It would be divesting itself of responsibility, and that it would not care to do.

1138. One of the grievances that have come to the front at different times is that in time of trouble the agent has said that he was prepared to make certain recommendations, but he was awaiting the decision by his Board. The public have no one to go to beyond the agent. It takes time in that way to come to a settlement. If there was a body of advisers or a local Board, or whatever name you choose to give it, to appeal to on the spot, do you not think it would have a beneficial effect?—Do I understand you to mean if the labour leaders had a local Committee to which they could appeal?

1139. No, not exactly. I mean an Advisory Board or Committee to whom they could appeal to and lay their grievances before?—It would not be much use their appealing to the local Committee unless the local Committee had power to deal with the subject.

1140–2. Presumably the local Committee would be composed of men on whose judgment the Home Board could rely and would have power to deal with the situation?—Therefore we come back to where I started from, which was that, if the suggestion was that this local Committee should have power to deal with the rates independently of the London Board, then it is a proposal that would not commend itself to me.

1143. (*Mr. Hiley.*) Does not the agent now in practice have to settle the question with regard to rates of pay practically independently of his Board? His Board's control must be very nominal in London on questions of that sort?—There we should differ.

1144. We are not differing. I am asking you for the practice on your railway?—On our railway the control of the Board is far from being nominal.

1145. In regard to disputes as to rates of pay?—We have given him latitude in that within a limit, but the limit, as far as I know, has been always fixed by the Board

1146. (*Sir Henry Burt.*) During the recent labour troubles and within the limits which have been given by other railways our agents have been given authority to act as regards increases of pay?—By the Board, the Board always being the paramount authority.

1147. (*Chairman.*) Do you really think, as a business man in England, that in practice you would feel that your opinion on the subject of whether Rs. 30 or 35 a month was a reasonable wage was of great moment?—No, but the opinion of three or four of my able colleagues might be extremely valuable, because they have been all on the railway.

1148. But they are not on the railway to-day?—No.

1149. You think that is a subject that can be profitably decided at home?—Within limits. As I said, the final decision is with the Board, but the recommendations come from the agent.

The witness withdrew.

COLONEL T. GRACEY, C.S.I., R.E., called and examined.

1150. Have you had the reference which we are asking witnesses to consider?—I have not had a copy, but I saw it outside.

1151. I will not trouble you to read it, but no doubt you will kindly do so later. I will now ask you some questions about your statement.—I should like to begin by adding one thing to what I have already said (*handing paper to the Chairman*).

1152. "At the present time the arrangements for financing Indian railways are not so important as the fact that railways could not afford to use them except for very special purposes. As an instance of

See Written Statement No. 5, Vol. IV.

what is meant, before the war the Bengal and North-Western R. Co. wished to build a bridge over the Ganges at Mokameh at a cost of 1¼ crores, which was equivalent to 1,000,000*l.* sterling at the exchange of the day. This million the company could then have raised without difficulty at a cost of 42,500*l.* per annum"—that is, 4¼ per cent.—" with the enormous rises in prices and interest, the bridge would now cost 3½ crores or, at 2*s.* per rupee, 3½ million pounds. If the company could raise this now, the interest charged would be about 8 per cent., or in all 280,000*l.* per annum"—that is, practically seven times. "The company were quite willing to face the 42,500*l.* per annum, but 280,000*l.* per annum is obviously a very different proposition." You have assumed what rate of interest in cost?—The increase in ironwork would be about 250 per cent.

1153. Take it overhead?—It is difficult. It is rather a long explanation. The ironwork is 250 per cent., then during construction we would have the interest on the money running up and the cost would be increased 50 per cent. Altogether I estimate the cost would be about 350 lakhs instead of 150.

1154. That would be the money expended in India?—When we put it down in India the money expended would be about 3½ crores.

1155. As against 1½.—Yes.

1156. That is 133 per cent. increase?—I did not work out the percentages.

1157. 1½ to 3½, I think that is correct. That seems to me small?—What I was telling you about was the absolute impossibility of carrying out the work.

1158. You have not been in India very recently?—I was in India immediately before the war.

1159. You cannot tell us at first hand about the increase in labour cost?—We know the increase in labour cost that we have had to sanction to our establishment in India.

1160. Can you put that in a percentage?—No, I cannot.

1161. You cannot give us the wages bill before and after?—I was Chairman formerly, and I am growing an old man, and I gave it up, and Sir Henry Burt succeeded me.

1162. (*Sir Henry Burt.*) Quite 100 per cent. in the lower grades and 30 to 40 per cent in the higher grades?—These small details, I am sorry to say, I have dropped since he took over.

1163. (*Chairman.*) Will you tell us something about these three Companies. They are all what are called private Companies?—Yes.

1164. But as a condition of your concession you are only given it for a limited period?—Yes.

1165. Your dividend is unlimited?—Yes, our dividend is unlimited.

1166. But you may only raise as much capital as the Government permits you to raise?—Yes, that is so.

1167. As for your rates and fares you are subject to the same control as any other railway?—Yes.

1168. You have a maximum and a minimum?—Yes.

1169. I am thinking of the Bengal and North-Western Railway. You are not an unprosperous Company?—No. That also applies to the Rohilkund and Kumaon.

1170. They have not suggested that your dividend is so substantial that they would like to reduce your maximum?—Reduce which maximum.

1171. Your maximum power of charge?—No.

1172. Has that ever happened on an Indian railway? There are not many, I suppose?—As a matter of fact, I do not think we charge the maximum for anything except articles that do not count.

1173. If the Government were to reduce your maximum it might cut off the tops of a good many of your charges?—We are everywhere so much below the maximum that I do not anticipate any difficulty in that.

1174. You are not afraid of it happening?—No; I am not afraid of that.

1175. (*Sir Henry Burt.*) The bulk of the traffic is carried below?—The bulk of the traffic is carried at much below the maximum. I will give you an instance of fares. Now for the third class it is 2 pies per mile, or say one-ninth of the English charge. On most of the other railways it is 3 or 4 pies.

1176. (*Sir Arthur Anderson.*) They vary according to the services?—They may vary, but we have no variation. We have a universal rate of 2 pies for the lowest class passengers. I was looking the other day, and I see that the Bengal-Nagpur are 4 and 4½ pies for the same service.

1177. (*Chairman.*) You have drawn a comparison between the financial results of the Oudh and Rohilkhand; that is a State railway?—Yes; but, understand me, I have not drawn this comparison.

1178. You have extracted the comparison from the official figures?—These are the Government figures.

1179. You put them together?—I brought them together.

1180. Let us be sure about it, because those of us who are not familiar with India may make a mistake. The Oudh and Rohilkhand is a State railway?—It now is. It was formerly a Company's railway.

1181. Then the State section of the Bengal and North-Western Railway is Tirhut?—Yes.

1182. Then the Rohilkund and Kumaon. What is that?—I am a director of it; I was formerly Chairman.

1183. That is a private Company?—Yes; the only difference between that and the Bengal and North Western is the purchase terms on the Government taking over.

1184–5. Your table shows this, that whereas on the Tirhut Railway which is worked by a private Company, the Government has made a large profit, a large net gain, on the Lucknow-Bareilly Railway which is the State section of the Rohilkund and Kumaon Railway and worked by that line there is a small profit?—I do not know what you call a small profit.

1186. 76 lakhs?—76 lakhs on the capital expenditure of about 2 crores is a very big profit.

1187. But, as I understand, it is spread over 30 years?—Just so, but about half the capital has been paid back in surplus profits.

1188. If you spread it over 30 years it is not a big sum per year?—If we took such a sum per year as that out of it, would you say that our rates were too high?

1189. And on the third case, which is a railway worked by a State railway, you show a loss?—The Government figures show a loss.

1190. Your table, compiled from the Government figures, shows a loss?—Yes.

1191. You say further that when your private Company took over the Tirhut Railway you converted what had been a loss under State management into a profit under your management?—If you look at the figures you will see above 1890 there was a continuous loss; after 1890 there were continuous gains.

1192. Now you lay stress on a matter; you say that during the war, the Oudh and Rohilkhand Railway's ratio of working expenses decreased because they carried nothing to reserve for depreciation?—I believe that is so.

1193. You did on the Bengal and North-Western carry something?—We carried a very large amount to depreciation.

1194. Did you carry sufficient to replace at the price when you carried it normally to meet what

would have been normal replacements?—As closely as we could estimate it, we did; you must remember that we wanted to do more, but the Government would not allow us.

1195. Do you mean to say you wished to put larger sums to depreciation reserve?—We wanted to put larger sums and the Government would not agree to larger sums. We had to show by figures what we proposed to do and what it would cost. I think the Government were quite right.

1196. Why?—What they allowed us to do was to keep our railway in the same state as it was when the war commenced. I think that was reasonable.

1197. The Government takes no share of your profits?—Through the Tirhut I think they do. I must explain to you that we can spend not a half-penny without the Government sanction.

1198. I quite understand that?—Because of the Tirhut Railway. If we did not work the Tirhut Railway we could spend what money we pleased and do what we pleased.

1199. I will not go into the reasons. You think you did make a reasonable provision according to the prices as they then were?—We did our best to make a reasonable provision.

1200. I suppose it has turned out insufficient because prices have continued to go up?—We have been regulating our provision pretty well to as near an estimate as we could of what it would cost us to carry out certain works; for instance, we wanted to renew some 80 engines and 1,300 goods vehicles. We put away sufficient to enable us to renew them within the time that we thought they ought to be renewed.

1201. Then you are really up to date?—We hope so.

1202. You express the opinion that there is not much in the contention that expert railway men lose touch with Indian conditions after they have been home for some years?—I adhere to the opinion I have expressed there.

1203. I am representing you accurately, am I not?—Yes, quite accurately.

1204. You think that railway problems are the same all the world over?—Are they not so?

1205. Do they remain the same?—We have an agent there who keeps us in touch with any changes.

1206. That is not quite the point, is it? You say you remain?—As far as our Board is concerned, a member of the Board is now and then going out to India to keep in touch.

1207. That may keep him in touch, but does it keep the rest of the Board in touch?—We hope so. I have been out three times.

1208. I wish you could communicate to me all your knowledge of Indian railways as easily as that.—I have been fifty years at it, and I think I have some store of knowledge.

1209. I see you say at the top of page 3 of your proof that you carry 63 passengers third-class for every 100 seats?—Yes.

1210. And you say that they may be sometimes slightly uncomfortable?—Yes, slightly overcrowded.

1211. Do you think slightly?—Yes. Part of my service was spent as Government consulting engineer on open lines on the railways, and I made a point of examining the trains to see where the overcrowding commenced, and I found that the overcrowding commenced when the ratio was 60 per cent.

1212. Do you know the Tube trains in London?—I know nothing about their ratios.

1213. Would you agree that they are overcrowded?—I beg your pardon.

1214. They tend to be slightly uncomfortable?—I have travelled on them, and I have travelled on them packed so tight that we could not get in or out of the carriages.

1215. Do you know that their ratio is just half 62?—You are not comparing things that are equal.

1216. I do not suppose that it is quite like that?—For a short time they are so packed that you cannot get in or out of the carriages. Then for a considerable time they run empty and so it goes on, but in India your trains are pretty well the same all the year round.

1217. I am glad I asked the question, because I was puzzled at the figure.—When such a thing as a festival occurs we run special trains in addition to our ordinary trains.

1218. May one take it from that that your traffic is much the same in both directions?—I think you may take it it is much the same.

1219. Much the same every day of the week under normal conditions?—Your neighbour on the right can answer as well as I can.

1220. I suppose nothing of the rush-hour type?—No, nothing whatever. There may be something in Bombay and Calcutta, but as far as my experience goes, on all our up-country railway sthere is no rush except at festival times when extra trains are put on.

1221. Your companies are, I suppose, the most important of the independent companies?—For practical purposes there are no others.

1222. The Southern Punjaub is about equally important?—The Southern Punjaub does not work its own line.

1223. I was thinking of the point of view of being independent of guarantee. Can you tell us how much money your three companies have raised in the London market?—The Bengal and North-Western have raised about 6½ millions; the Rohilkund and Kumaon about 1½ millions.

1224. That makes 8 millions?—And the Delhi-Umballa about 1,300,000.

1225. We have got to something like 9½ millions. For how long a period?—We commenced in 1890.

1226. You stopped raising money, I suppose, after 1914?—No, we commenced in 1882.

1227. For thirty years?—It is about thirty years.

1228. I was taking between 1882 and 1914?—If you want to go into that it is a long question. We started and did not pay, and could not raise anything more. That went on for about ten years. Then in reality most of what we have done was done in the last twenty years prior to 1914.

1229. Before the war could you get all the money you wanted?—I think we sometimes borrowed on better terms than the Government.

1230. You could get all the money. It was a security London was inclined to take?—Before the war we had no difficulty in getting what money we wanted.

1231. How did you place it?—It was all issued by the Company through underwriters.

1232. You raised fresh share capital?—No, we raised preference capital. The Bengal and North-Western has 6,000,000*l.*—3,000,000*l.* ordinary and 3,000,000*l.* preference.

1233. You have practically no debentures?—We have some outstanding now, some 300,000*l.*

1234. How did you place those. Did you issue them on your own account, or through an issuing house?—We sent for our broker, and we sent him round to get underwriters. When he said he had got the underwriters we issued it.

1235. Direct from your own office?—Direct from our own office.

1236. Is that true of the Delhi-Umballa-Kalka?—There are exceptions, but for practical purposes it is true of all our issues.

1237. You think you could, if you wanted it, have got more money in that way?—We could have got plenty of money before the war, but everything has changed now. Then Indian securities

were looked upon with favour, and we could have got any amount of money we wanted. Now Indian securities are a drug on the market; the Stock Exchange will not look at anything, and I doubt if even the Secretary of State would get any money at reasonable rates.

1238. What do you think it is, because it is India, or because of the exchange difficulty?—I think it is simply because of political matters, with which I would rather not have any concern.

1239. In reference to the suggestion of a company domiciled in India with an Indian Board, provided it had a substantial capital, what would you say?—I cannot see where they are going to get directors who know anything about railway management.

1240. Do you not think they could have got half-a-dozen in Bombay and half-a-dozen in Calcutta?—I do not; I do not see where they could get any. The men who direct the Indian Railways are men who retire a year after 55. They would not stay in the plains of India after 55.

1241. But the Indians would?—Yes, the Indians would. I doubt whether there are any Indians much above the grade of executive engineer now on the railways.

1242. I suppose an Indian Director of a jute mill is not necessarily an expert in jute?—The expert managers must be experts.

1243. We are talking about directors?—I was talking of expert managers.

1244. I am asking you about directors?—On every railway I am acquainted with nowadays two or three of the directors are expert railwaymen.

1245. You are aware that is not a common thing in most countries?—I think myself on all railways it is now the rule instead of being uncommon.

1246. You would not say that there were expert railwaymen on the English Railway Boards?—I say that they are steadily increasing. At one time there were none, and I think that was one of the great reasons why English Railways were allowed to fall so far behind.

1247. Is it your impression that there are expert railwaymen on most of the English Railway Boards?—I am under that impression, but I may be wrong.

1248. Anyway, you think it is desirable?—I do not see how a railway can be managed without it.

1249. You do not think those people could be got in India?—I do not think those people at present can be got in India.

1250. Leaving aside experts and considering men who were taken not because they were experts, but because they were sound business men, could you get them in India?—I would not like to say definitely, but I doubt myself whether you could get Englishmen to remain.

1251. I quite see that point. Then you speak about the Egyptian Delta Light Railways. Have you any knowledge of that?—The only knowledge I have was being asked to subscribe to them when they first came out.

1252. Because you mention they apparently had a combination of Local and Home Boards?—They sent me the prospectus when they first came out, and I looked at it and said it was impossible.

1253. You do not know how it worked out?—I know they got rid of it. Colonel Marryat, with whom I was closely associated, was Managing Director of the Egyptian Delta Light Railways, and I knew for practical purposes that they got rid of the Egyptian Board. Now they have no Egyptian Board.

1254. You have not any detailed knowledge?—No, I have no detailed knowledge of the working, but that could be easily got, because the Egyptian Delta Light Railways have their headquarters in London

1255. Perhaps we might enquire whether they can give us any information?—You know Mr. Home, Sir Henry, do you not?

1256. (*Sir Henry Burt.*) Yes?—Mr. Home is the managing director, but you will have to get him at once, because he goes to Burma in a day or two.

1257. (*Chairman.*) We had better try and catch him. You are not in favour of the double Board in any shape?—All I know is this, I have never yet heard of a double Board working together. The staff use one Board against the other.

1258. Anyway, you are not prepared to propose a working scheme?—I am certainly not. I am prepared to oppose all such schemes on our own account.

1259. You say that your experience leads you to think that the double system in India of State and Company Railways should be preserved?—Yes.

1260. You say in supporting State Railways you assume that politics will be kept out?—No; I say if politics are not kept out there is no use in talking about management.

1261. You say that you like to keep the State Railways for the sake of emulation. Then you say: "It is assumed that politics will not be allowed to enter into railway management"?—Yes.

1262. Do you not think that the Company Railways as we have them now are more likely to be kept out of politics than the State Railways?—I should think now possibly not, but the Companies' Railways as you have them now, with the exception of the Bengal and North Western and the Rohilkund and Rumaon, are not allowed to call their soul their own. Every single thing they do is dictated to them.

1263. Are you speaking of the guaranteed Companies' Railways?—I mean the Companies' Railways. Everything they do is dictated to them. They are not allowed to call their soul their own because they have short contracts, and they are always afraid of being broken up at the end.

1264. Is what you would like to give the Companies greater freedom?—I think myself that the Companies undoubtedly ought to have longer contracts.

1265. And more freedom at the time?—And a great deal more freedom. They ought to be left alone in unimportant matters and strictly controlled in important matters. The number of circulars one gets from the Government Department is astonishing.

1266. Do you think if the Companies had more freedom than they have at present they would be more likely to be kept independent of politics than the State Railways?—I think if they had long contracts they would keep clear of politics themselves. No railway wants to have anything to do with politics.

1267. You are very strongly of opinion that it might be a great injury to the railways if politics did interfere? Is there any country in the world in which politics has not been the ruin of railways. I put that to you.

1268. Then the answer is that it does not matter because you get it anyway?—I cannot tell you. I am only protesting against politics entering into the management of railways.

1269. You think that the old system of railway secretary and consulting engineers was better than the modern system of a Board?—All I can tell you is this. I myself was secretary in the railway branch of the Government of India and I had infinitely more real power than the Railway Board has now, simply and solely because I could ascertain beforehand what the policy of the Government was and so long as I stuck to that policy I was not interfered with.

1270. What is the fault now, that the Government has not a policy or that the Board cannot ascertain it?—You have now a Board which I do not think has any power and great responsibilities and it is an impossible position.

1271. What is the reason for that?—The reason is that the Finance Department have taken possession of everything. I am not saying a word against keeping accounts most strictly, because accounts must be kept most strictly or the railway would fail, but where the Finance Department comes into everything in connection with a railway it is sure to fail.

1272. That means the interference of other branches of the Government or another branch?—When I was secretary there was an honourable member I used to talk to and he was quite ready to fight the Finance Department and we very frequently got the better of the Finance Department. Now there is nobody to fight the Finance Department.

1273. (*Sir Arthur Anderson.*) Do you speak from personal knowledge?—Of which?

1274. That there is no one to fight the Finance Department?—I speak from personal knowledge of what it was in my time and I also speak from what I see now is happening outside.

1275. (*Chairman.*) Do you think that would be amended if the Chairman of the Railway Board were a member of the Council?—I think it would be a very great improvement.

1276. That is to say you think the Railway Board has not a fair chance?—But on the other hand the multiplication of members of Council renders the Council impossible to work.

1277. They have not got to the English Cabinet of twenty-three yet?—The Indian Council; I do not know what it is now, but in my days the Indian Council was a Council that took into consideration everything that went through it.

1278. On the whole your view is that you had better go back to a Railway Secretary?—On the whole, in addition to the Railway Secretary, my first idea is that the Accountant-General in the Railway Branch ought to be at once transferred back under the Executive Authority of the Railway Board. Then if that is done I think the Finance Department will not be able to interfere in details so much as it does. On the whole I think a Secretary, if you get hold of a member of the Council who knew anything at all about railways, would be the best, but the difficulty is to get somebody as a member of the Council who either knows or cares anything about railways.

1279. What do you say to making a railwayman a member of the Council as such?—My opinion is that the railwayman should, whenever a railway case comes up on the Council, come up and be allowed to support his view.

1280. Support his own chief?—No, support his own views.

1281. He would have a chief?—He would have a chief, but even if he went against his chief he ought to be allowed to support his own views. I think that in other Departments has been done, and I think the Member for Industries is allowed to although he is not a Member of the Executive Council.

1282. Is the Member for Industries, although not a member of the Council, allowed to attend in reference to his own cases?—I think so, and that he is allowed to defend his own cases.

1283. To support his cases?—Yes; other people are allowed to attend but not to say anything. I understand that is the case here in London that people are allowed to appear before the Cabinet and advocate.

1284. You say you do not want anything altered in reference to rates and fares?—It has worked very well.

1285. Nobody has said anything about it so far. You say subject to the law against undue preference, which is enforced in all civilised countries—how is it enforced in India?—Apparently it is not enforced at all except under the authority of the Railway Board, and the Railway Board appear to be the first to break it. We are all told that we must not give undue preference to anyone, and the next thing we see is that the Railway Board break it themselves.

1286. As a matter of fact am I right in believing that there is provision for a tribunal to settle questions of undue preference?—Yes, there is a tribunal.

1287. But it has never met?—The conditions are such that it is next door to impossible for it to meet.

1288. In fact, it has never met?—It has never met.

1289. We need not ask what it is?—You will find it in the Railway Act.

1290. I do not think I need ask you anything about the undue preference to coal. After all, that is not inside our reference, except as an illustration, and we have got it. Now, about the taxation of Indian railways, do you suggest that they should be entirely untaxed by local authorities?—No, my principal objection to it is being compelled to collect the taxes.

1291. To act as collectors for an octroi duty?—Being asked to collect taxes at all seems to me to be contrary to English principles.

1292. You object just as people in England object to sticking stamps on their servants' insurance cards?—I do not object to sticking stamps on the servants' insurance cards.

1293. You have that objection, that is what it comes to?—No, it is a different thing; you collect from other people.

1294. (*Sir Arthur Anderson.*) You are paid for collection, are you not?—That has nothing to do with it. For practical purposes it is not voluntary.

1295. (*Chairman.*) Do you suggest that Indian railways are unfairly taxed by the local authorities, and that they have to pay more than their share?—I suggest it is coming now to be the case that they will be unfairly taxed. We are asked now to collect a passenger tax to whole heaps of places. At first we were asked to collect to Benares, and we did it under certain conditions. Now it is getting to be the case that a terminal tax on all passengers will be practically levied. In the case of goods we have had such heavy taxes put on by the local authorities that our goods have been lodged at a station six or seven miles outside and carted into the place to escape the tax.

1296. These are taxes levied by the local authorities on the goods and that you collect on behalf of the local authority?—A passenger tax would be like this, if you take a ticket from Brighton to London and the local authority collected a tax of, say, 6*d.* on every ticket.

1297. It has been the case in France all my life.—I do not know about France. Do local authorities there collect taxes from railways?

1298. It is a recognised system. It is happening in America now.—It seems to me, if it is so, that it ought not to be in individual cases, it should be everywhere and imposed by the Government of India.

1299. You object to having to act as agent?—I object to be a tax collector.

1300. I want to understand, do you take any objection to the taxes that are levied on the Company, and that the Company has to pay?—I take objection to some of the taxes that are levied by the municipalities. In one case it has occurred that the tax was so heavy on piece-goods that the stuff was consigned to a station 6 miles out and carted in.

1301. That was not a tax on you. That did not come off your dividend?—That is theory. In fact it comes off the railway earnings.

1302. As you know, in England, an English Railway Company is rated for the relief of the poor.—That may be.

1303. Have you anything of that kind in India that you complain of?—In some places we are rated, but the rates are not heavy.

1304. Then in effect you do not complain of that?—I have not done so when they are equally imposed. They do not interfere with us. These taxes do not interfere with our rates. We have a right to ask for those extra rates from the public instead of quoting our minimum. What is the use of quoting low rates if somebody else sticks it on?

1305. You say that a great deal more rolling-stock is required. I think that nobody questions that, and I need not ask you about it?—Of course it is the most serious thing there is just at present.

1306. Have you a remedy, because certainly we will ask you about it if you have?—The remedy is to order it.

1307. How to pay for it?—They must find the money somewhere.

1308. We want you to tell us how?—If the Secretary of State cannot raise money, who else can? He has no business to have anything to do with the railways if he cannot.

1309. If he cannot, and if no one else can—how then?—All I say is that for the last ten or fifteen years the supply of rolling-stock has been totally inadequate.

1310. That, I think, is common ground?—I happen to be a Chairman of a Company that exports a very large quantity of manganese ore, and we engage sea freights, and we cannot get our stuff to the port. The thing is hopeless.

1311. We agree to that, but can you say how money can be raised?—I cannot say how the Secretary of State can.

1312. Mr. Cohen says frankly, "I do not think it can be raised under present conditions, except to a small extent?—I am not sufficiently acquainted with finance matters in the City to tell you how it can be raised.

1313. (*Sir Arthur Anderson.*) As far as the immediate present goes, you are aware, I suppose, that the orders placed last year were far in excess of the deliveries?—All I can tell you is this, that the Bengal and North-Western have had no difficulty whatever in placing contracts for the rolling-stock they want.

1314. (*Chairman.*) How lately?—And we are getting it delivered.

1315. When was the last contract you placed?—We placed a contract only the other day for 500 waggons, or the best part of 500.

1316. When are you promised delivery?—I really cannot answer you straight away, but it is quite within a reasonable delivery. A statement giving the information asked for is furnished (attached to witness's written statement).

1317. Do you believe you will get it?—I am sure we will.

1318. (*Mr. Hiley.*) Are you paying for those out of revenue?—We are paying for those out of revenue.

1319. (*Chairman.*) Out of revenue reserved?—Out of what we have reserved. What we are doing is: we are renewing 500 wagons with new wagons and using the old ones for special purposes. We are keeping them running.

1320. Those are really half way between capital additions and replacements?—These will gradually disappear off the line altogether. They will be surplus stock.

1321. Meanwhile we may regard them as renewal in advance of requirements, in advance of programme so to speak?—I do not think that would be right. In the management of a railway, there are heaps of wagons required for ballast purposes. Formerly the open line used to lend those, now we will hand them over to the engineers. We have a great deal of sugar-cane work. These old wagons will be quite serviceable for sugar-cane work in the busy season of the year. In that way the old wagons will be nearly as useful to us as the new wagons.

1322. (*Mr. Hiley.*) They take the place of new ones, but will not mix with the ordinary traffic?—They will not be allowed to leave the home line.

1323. (*Sir Arthur Anderson.*) I understood you to say that under the present system, since the Railway Board has been in existence, the guaranteed Companies have not been allowed to call their soul their own?—I stick to that.

1324. Do you think the previous system under consulting engineers interfered to a lesser or greater extent than the Railway Board?—I can only speak from my own experience, and when I was consulting engineer. In the first place, when I joined a railway, I had a set to with the agent, but we very soon came to working terms, and if he were alive now he would tell you when I was of great service to him. He was one of the best agents in India. The principal point that I want to make is this, and it is a very important one. In the old days we had a man who was on the railway on the Government behalf, who knew all about it and its ins and outs, finance and everything else, and worked direct under the Railway Board. Since he was abolished we have nobody, and I may say, as far as my recollection serves me, no member of the Railway Board has ever inspected, or even officially visited, the railways of which I am a Director.

1325. (*Sir Arthur Anderson.*) Since the formation of the Railway Board there has been no one?—So far as I am aware, no member of the Board has ever made an official inspection of the railways. He may have come on a casual visit, he has never made an official inspection of the railways of which I am Director. I may add that they have given us more abuse than anything else simply because we are independent.

1326. (*Chairman.*) The Mackay Committee complained that the Board spent too much of its time wandering about instead of stopping at home, but you do not agree?—I say if you never have had a visit from the controlling authorities of Indian railways for ten years, there is something wrong.

1327. (*Mr. Hiley.*) Would your point be met if the Railway Board had district inspectors again?—They have now what they call a Government inspector. The consulting engineer dealt with everything, but now practically all that great part of his business is handed over to a Government examiner, who knows nothing whatever about working railways. If the consulting engineer was a properly selected man, he worked with the railway people and helped them. Colonel John Trevor knew more probably about Indian railways than anyone I know of. He always said that he liked the Government consulting engineers because, as a director of a Company, they gave him a good deal of independent information that he would not otherwise get.

1328. If the Railway Board remains, you would prefer that Board should have attached to it something in the shape of the old consulting engineers?—Somebody who was their representative.

1329. Who is of course an expert railway man, not necessarily an accounts man?—He would be high up in the railway hierarchy.

1330. A railway man as distinct from an accounts man?—A railway man, but the audit must be there too.

1331. Distinct from that?—When I was a consulting engineer all the executive work of the accounts came to me.

1332. (*Sir Henry Burt.*) I think one point you want to make as between the old system of administering railways and the present system is

that the Railway Board have not the same information available now as they used to have in the past?—That I have stated in my note. As a consulting engineer I was continually sent for every now and then by the secretary, who said, "I do not understand this business; will you tell me all about it?" and I told him all about it. He said, "All right; I understand now and can go on."

(*Chairman.*) I gather you do think it necessary that the Government should have some machinery to investigate locally?

1333. (*Mr. Hiley.*) They should keep in touch with local requirements?—The Government authority is exercised now without sufficient information.

1334. (*Chairman.*) I quite understand that?—That is the point, and they should have a man on the spot who has that information and can give it.

1335. You think they should have a man on the spot?—I have always thought so, and I was always strongly opposed to getting rid of the consulting engineers.

1336. There are two alternatives—one is that they should have a man on the spot who is competent in the matter; the other is that they should say, "It is no part of our business to interfere at all, and we will not go down into the locality"?—But they cannot.

1337. They cannot say that?—If you read one of our contracts—even our contract—you will find the Government has a right to interfere in everything. They could object to our putting on a coolie at 6 rupees monthly.

1338. I want you to tell us is it desirable that the Government should retain that power. We are asked to advise whether any alterations should be made?—I think they should have the power but it is most inadvisable that they should exercise it except something serious is going wrong. The way the Government contracts used to be worked when I was secretary was that you never took up anything with a Company unless it was a serious matter.

1339. It comes to this, does it not, you think they should retain the power that the contracts give them?—They should retain the power.

1340. But they should not exercise it except when they think there is something wrong or when it is a serious case. Is that putting it right?—Yes.

1341. Or if they think things are going wrong?—If anything is going wrong of course it is a serious case.

(*Chairman.*) Thank you very much, we are much obliged to you for your evidence.

The witness withdrew.

(*Adjourned till to-morrow morning at* 11 *o'clock.*)

THIRD DAY.

Tuesday, 16th November 1920.

PRESENT:

MR. W. M. ACWORTH (*Chairman*).

SIR HENRY BURT, K.C.I.E., C.B.E.
SIR ARTHUR ANDERSON, KT., C.I.E., C.B.E.
MR. E. H. HILEY, C.B.E.

MR. WILLIAM GAULD (*Assistant Secretary*).

MR. GEORGE ARTHUR ANDERSON and MR. DAVID CHARLES WILSON, called and examined.

1342. (*Chairman.*) Mr. Anderson and Mr. Wilson, we are much obliged to you for coming to help us in this inquiry. You have both received, I understand, a copy of the "Statement to be made to Witnesses" dealing with the conditions under which we are hearing evidence?—(*Mr. Anderson.*) No. (*Mr. Wilson.*) No.

(*The statement was then given to the witnesses.*)

1343. I take it that you two gentlemen will give evidence together, so to speak. If there is anything you desire to say separately, of course you will say it, but we will take it as the evidence of the Company?—(*Mr. Anderson.*) Quite so.

1344. Will you, Mr. Anderson, be kind enough to tell us your position? You are the Chairman of the Barsi Light Railway Company?—Yes

1345. What is you experience? Are you an Anglo-Indian?—Yes, I was 33 years in India. I went out in 1875 as a State Railway man. For over seven years of the time I was with a Company, the Bengal-Nagpur Railway, to which, at present, I belong.

1346. You were lent to the Bengal-Nagpur by the Government?—Yes, years ago.

1347. In what capacity?—Assistant Agent and Chief Engineer. I had over seven years there. See Written Statement No. 6, Vol. IV.

1348. You are an engineer, I take it, by profession?—Yes, Cooper's Hill.

1349. You also went into the traffic side?—No, I never went into the traffic side.

1350. I understood you to say that you were Assistant Agent?—Yes, Assistant Agent and Chief Engineer.

1351. In the capacity of Assistant Agent had you nothing to do with traffic?—Yes, in that way, but I was never in the Traffic Department.

1352. When you were on the Bengal-Nagpur Railway you must have had experience of traffic questions?—Yes, of course.

1353. Now, Mr. Wilson, will you tell us your experience?—(*Mr. Wilson.*) I have not been in India. My knowledge of Indian railways has been obtained in London only, from 25 years' experience of analysing their accounts and finances.

1354. Are you a director of any other Companies?—No.

1355. Only of the Barsi?—Yes.

1356. Mr. Anderson, are you a director of any other Companies besides the Barsi?—(*Mr. Ander-*

son.) Yes, the Bengal-Nagpur and the Burma Railways.

1357. Mr. Wilson, may I take it that you are in business in the City?—(*Mr. Wilson.*) Yes, as a chartered accountant. My firm have been the secretaries of the Barsi Light Railway from its foundation. We are also auditors of some of the other Railway Companies.

1358. Your firm is W. A. Browne & Co.?—Yes.

1359. Lest I forget it, may I ask you this question in order to avail myself of your knowledge of accountancy? As far as we have been informed, the Company has what we may call its operating accounts in India?—Yes.

1360. And they are checked by Government auditors?—Out there.

1361. The Company, as a financial organisation, of course has its accounts, its balance sheet and its profit and loss account, in London?—Yes.

1362. Those are checked by the Secretary of State for India?—Only as far as capital expenditure goes. He does not check anything relating to revenue items at all in any way.

1363. Who checks them, then?—The Company's auditors, who are, like the auditors of any other Company, a firm of chartered accountants. They do the whole of the accounts and books in London.

1364. The Secretary of State does not have need to check, in your case, the revenue and expenditure of the London office?—No, not in any way.

1365. (*Chairman.*) You are a private Company?—Yes, we are a private Company; he is not interested in any way in our Revenue Account.

1366. (*Sir Henry Burt.*) What about the other railways?—In regard to this railway the only thing they would check would be expenditure on special stores for capital account in this country.

1367. (*Chairman.*) I think you said you were the auditors of some of the London Companies?—Yes.

1368. The guaranteed Companies?—Yes.

1369. Take your mind to a Company of that kind. There the Secretary of State would have to see that the London office did not waste money?—Quite.

1370. And, of course, he would also check big items of capital?—Yes, all capital items.

1371. A point that has been brought to our notice is that, whereas the auditors of this Company bring the thing together into focus so that it is dealt with by one auditor, the Government does it in two halves and never brings it together?—That is so, more or less.

1372. That is correct, is it?—Yes. We furnish the Government auditors here in London with what we call a capital balance sheet, the items which relate to him only, which bring all the capital into focus, but he does not look at the revenue at all.

1373. The accounts as a whole are not audited by the Government?—No.

1374. I thought I should like to get that from you, because you are sure to be accurate?—Yes.

1375. Now, if I may go back to Mr. Anderson, what is the open length of the Barsi Light Railway to-day?—(*Mr. Anderson.*) 117 miles.

1376. What was the original length of the Barsi?—22 odd miles.

1377. It is a 2 ft. 6 ins. gauge line, connecting with a broad-gauge railway?—Yes.

1378. Your connection is still only with the Great Indian Peninsula?—That is all.

1379. You, I gather, have always imagined yourselves developing southward and making a connection with the Madras and Southern Mahratta?—Yes, we have for many years.

1380. I think you will agree that the details of your long argument with the Government as to your rights in a certain area do not concern this Committee. We are not enquiring into that question; we are not sitting in judgment on any Government action or on any Company action?—Quite so.

1381. We are dealing with the question simply from the point of view of experience showing us where things might perhaps be bettered?—Entirely, and that was our sole reason for sending this.

1382. I quite appreciate that you say it was not sent by way of complaint?—Not in the least.

1383. My point is that you will agree that this Committee should not go into the details of the matter here?—Quite.

1384. I have no doubt that my colleagues, like myself, have carefully read your note. You sum the whole thing up by saying practically that the difficulties arise from imperfect acquaintance with the conditions, dilatory procedure, and the neglect of antecedent engagements?—Yes.

1385. Would you enlarge a little more on what you mean by imperfect acquaintance with the conditions? Does it mean local physical conditions?—Yes, principally. I think I have summed it up on page 7 of the note. Take the physical features. We have sent you a little map which will show that point. The Railway Board represent the Nira River as a hard and fast boundary dividing the interests of the two Companies, our Company and the Baramati Company.

1386. How far south is it from your line?—It is not south at all: it runs across from east to west.

1387. I take it that your line starts from Kurduvadi on the main line?—Yes.

1388. And you run south to Pandharpur?—Yes.

1389. What is the length of that, 50 miles?—33 miles.

1390. Your point is that the limit of your area, shall we call it, ought to be where?—I am afraid I cannot answer the question quite in that way. Would you kindly look at the map. You see those two red dotted lines from Pandharpur to Lonand and Miraj: those are our proposed extensions. Our point is that if the Dhond Baramati was allowed to extend as was proposed on the black dotted lines which you see on the map———

1391. We have not any black dotted lines. There is a line marked in pencil?—I put them very carefully on the map we sent you. Those black dotted lines rob us not only of any prospect of extension, but of our present traffic. That was our point. Pandharpur, to be brief, is a great pilgrim centre. The line was extended to Pandharpur for pilgrims primarily; they are our great staple. If that Baramati line is allowed to extend down to near a place called Akluj, on the Nira River, our traffic is really broken, because that 33 miles from Akluj to Pandharpur is perfectly level country across which pilgrims will walk. There is the Nira River at Akluj. The habit of pilgrims after a long journey would be to get out in the morning at the river, bathe and do their ablutions, form their processions, and march into Pandharpur so that the whole of the traffic that would otherwise come to us from Poona and Dhond *viâ* Kurduvadi on the Great Indian Peninsula, and then down our line to Pandharpur, would come by the rival line *viâ* Poona, Dhond, Baramati, to Akluj, and then they would walk in. So much for passengers. As for goods the Nira River was set down by the Railway Board as a natural boundary between the two districts north and south of it. It was stated by the Railway Board that the north and south practically had no connection. That is not the fact. They have always had a connection

The traffic can always go across. The Nira River may look like a formidable river on the map, but for over seven months in the year that river is really no barrier at all. There are five well-known fords across the river by which traffic can go up to the Great Indian Peninsula. I am talking of present traffic. The consequence is that if a railway was allowed to extend down close to the Nira River north bank all prospect of traffic from the Pandharpur Lonand line would be gone. That traffic would go straight across up to the Great Indian Peninsula.

1392. It is quite obvious that it would not be possible for them to build from Phaltan to Pandharpur and you to do the same thing from Lonand?—No.

1393. That clearly would be impossible; we can see that?—Yes.

1394. Apart from that question, you do not charge any deliberate breach of faith, so to speak?—On the part of the Government?

1395. Yes?—Not in the least. I think they were misled for want of local knowledge. If you will allow me to say so, I was for 10 years first Under Secretary in Simla and afterwards Secretary in Bombay and Madras. I know Bombay pretty well. I was seven years there as Secretary to the Government and consulting engineer, and afterwards in Madras. In my time there were five deputy consulting engineers in the Bombay office, and I allowed no project in my circle to go on without looking into it myself; in fact, on the Southern Mahratta alone we had a special deputy and he went out himself and looked into proposals on the ground. In the same way when the Itarsi-Nagpur was started a special deputy was sent to camp out and go over the line, in order that we might be sure of the conditions, so as to be able to inform the Government of India.

1396. It comes back to this—that you think the Railway Board as at present constituted has not sufficient eyes and ears about the country?—Precisely. That is my own opinion and I give it as my own opinion, because I do not wish to make my Board responsible for my views. They are my own views from my own experience of 10 years in the centre of the system of Government control.

1397. Things being what they are, the old system of consulting engineers having been abolished and a Board existing, what would you propose now?—I should simply propose to give the Railway Board further means of securing local knowledge; I do not think Joint Secretaries or Secretaries to Government are exactly what you want. The Secretary to a Local Government may be the Public Works Secretary, a Joint Secretary, if it likes to keep him.

1398. The Secretary to the Local Government?—Yes.

1399. How would that fit in? How many Local Governments does that mean? It means a dozen, does it not?—Not so many as that. What is in my mind at the present moment is Bombay and Madras, the old Presidency Governments.

1400. Does that fit in with the new scheme?—I think it would be a great mistake to upset any of the present arrangements. I have no doubt that in some ways the Railway Board is an improvement on the old regime. What has struck me, not only in this case, but in other cases—because I have had experience of several other cases—is this, that the Railway Boards are asked to undertake an impossible job.

1401. My colleagues who know India, which I do not, will correct me if I am wrong, but am I right in thinking that the Government of India is now to be localised in about eight centres?—That may be so.

1402. Would you have Railway Board representatives at the headquarters of each of the Local Governments?—Yes, that was my idea, and not only so, but in places where there is a big centre of railways apart from the Local Governments. Putting it briefly, I am looking at the question of railways only apart from the Local Government. Putting it briefly wherever it was necessary, wherever the system was big enough to make it worth while or advisable that there should be a person on the spot capable of advising the Board in every way, there there should be a Railway Board agent or a Government railway agent.

1403. That is a question of railway local inspection?—In the note that we sent you I was very careful to put it apart from inspection. Government inspection must be ruled out of this.

1404. Call it what name you like. Would you agree to the words "local representatives"?—Yes, local representatives.

1405. (*Sir Henry Burt.*) They would not be connected with any Local Government?—No; I am talking of purely railway machinery.

1406. You are not suggesting any decentralisation of the control?—Not in the least.

1407. It would all go back to the Railway Board at the Government headquarters?—Yes, that is the point.

1408. (*Sir Arthur Anderson.*) It strengthens them?—Yes, they would assist the Railway Board with local experience.

1409. (*Chairman.*) They are the eyes and ears of the central Board localised; that is your point?—Yes.

1410. There is another question arising out of that. We know that competition has existed in regard to the railway Companies in England, where each Company was independent and each Company earned its living as best it could and fought its neighbours?—Yes.

1411. In India you have not that system; you have the Government with a close control over everything. Do you think it is possible to assign areas for good and all at any one time nowadays—to draw a map and say: "We will confine the "Barsi Railway to this area, and we will confine "the other railway to such an area?" Is that a possible policy?—Put in that way, I should say decidedly no.

1412. What I am thinking of is this. You started in your original line on the Barsi Light Railway to go north-east to Barsi?—Yes, that was the original line.

1413. Then you started to go south?—Yes, but that gives rather a false impression. We only went to Barsi in the first instance because the Great Indian Peninsula would not make that a siding. The road from Kurduvadi to Barsi was made purposely to take a railway, and for some reason or other for years (you can judge how many years when I tell you that I made the survey of the road and its bridges in 1881, and we did not open this line till 1896) in all that interval the Great Indian Peninsula were jibbing at this shuttle service to draw the traffic of the Barsi district down through this rich cotton centre. That line was made on its own for a certain fixed purpose. The construction from Kurduvadi to Barsi you may take as first starting the 2 ft. 6 ins. gauge, but not in any sense as limiting or giving direction to our future efforts. We always wanted to go to Pandharpur.

1414. I am not in the least objecting. The point I am on is this. When you originally got permission from the Government to go to Pandharpur would it have been possible for the Government then to draw a definite line and say: "This is your area, and beyond that we reserve it for somebody else"?—No, I do not think so. In a sense it is rather a difficult question to answer, because interests crop up, do they not?

1415. That is my point?—You cannot define, in the year 1900 say, areas the significance of which may be entirely altered in 1910. The significance of this district, for instance, has been altered by that shaded line which is shown on the map, the irrigation from the Nira river. To answer the question raises great difficulties because it all depends on conditions.

1416. (*Sir Arthur Anderson.*) Besides, I think one reason for the development or the spread of the Barsi Light Railway has been the fact that, as a private company, it has been in a position to furnish funds, whereas the other lines were financed by the Government, were they not?—That is one of the reasons. There is another reason which, we think, favours our development. Neither of the two main lines as you see from the map are exactly in a position to develop this area. If an intermediary should come in to make lines in it, both main lines must be equally satisfied, and that was the position we took up in 1910. We said: "Neither of these lines, probably, have got money to spend on this area; it is a famine area."

1417. (*Chairman.*) By the lines you mean the Great Indian Peninsula and the Southern Mahratta?—Yes. "We will come in between these lines." Neither of them like to come into it; a sort of Tom Tiddler's ground, but they both feel they have an interest in it. We are a third gauge, and there cannot be any question of competition by a third gauge, a 2 ft. 6 ins. line. There is no question of competition there. We will come in and charge equal rates to all junctions on both lines, leaving them to compete. That was the position we took up.

1418-19. The position, from your point of view is that it is a good thing for a railway company to have two strings to its bow, so to speak?—Our position was that if we did not get on somebody else would.

1420. (*Chairman.*) Your position was that it was a good thing for the Company to have two strings to its bow?—Our position was that if we did not get on in developing the district somebody else would. You cannot leave an area to be perpetually threatened with famine. Although Poona has 36 inches of rain in the monsoon that area gets only about 7. It is an area liable to famine. The public would cry out for something to be done there. If we did not get on the public voice would force somebody else to get on, and if we let them come in our existing traffic would be absorbed.

1421. You see my difficulty. I am trying to understand how the Government can help doing what you say was treating you badly, if new conditions arose to which the old bargain does not apply?—Yes, but there is more in it than that.

1422. I am trying to get you to help us with regard to the policy for the future, which is our business?—Yes, quite so; but you said that you do not want me to go into details about this special case and you do not want any recrimination, neither do we. It is sufficient to say that, mistakenly or however it happened, we consider we were not treated fairly; the reasons for thinking so are given in our note.

1423. At the same time you agree with me that there is great difficulty in laying down an area and saying that belongs to such and such a railway and nobody else must go into it?—Generally speaking.

1424 What is the remedy, how is it to be dealt with?—As a general question, do you mean?

1425. Yes?—That is rather a big order.

1426. That is what we have to consider?—Quite so.

1427. I want your help?—You have to remember that there are several things. The first thing you have to remember is certainly any antecedent engagement. I am talking from the point of view of private enterprise. Private enterprise has been very much sought by the Government, we have had encouraging speeches made about it since the railway year one, and rightly or wrongly, we think that we have a right to rather special protection from the Government; therefore whatever the conditions may be in other circumstances, with guaranteed railways, their own property, we think the interests of public enterprise should be rather specially guarded. In this instance, what we were faced with was that when we asked in January 1911 whether this line was really being projected—of which we had a rumour—in spite of an antecedent engagement made in 1899 (three years after we opened), we were given information which was entirely misleading The Government, the Secretary of State, that is, told us that only one line was contemplated in this area, viz., Dhond to Baramati, nothing further, and the Great Indian Peninsula told us the same, that they were only interested in one line, Dhond to Baramati. As stated in the note we have sent you we discovered three years after (in 1913) that not only were all these schemes shown in black dotted lines on the map, on the tapis, but that the capture of the whole Nira valley had been in the mind of the Great Indian Peninsula for the last three years, and that during that period those proposals had been before the Railway Board many times without any objection made. We had never been told of this, and knew nothing of it.

1428. You have told us for the first time that the Dhond-Baramati line is Great Indian Peninsula?—It is in the pocket of the Great Indian Peninsula; it is an independent Company worked by the Great Indian Peninsula.

1429. It is what you call one of the branch lines?—Yes.

1430. What is the remedy? Let us assume that the Government would accept your statement of the case. What is the remedy?—The remedy is, do not do it. The remedy is, do not keep things up your sleeve for three years.

1431. How are you to get them down your sleeve?—Speak at once.

1432. I suppose we may presume when the Secretary of State says it is not being done he thought that it was not being done?—Quite so.

1433. How are we to get to close quarters with the subject? How are we to avoid difficulties of this kind in future?—I know of no other way than what would happen between two individuals.

1434. We assume that bad faith is out of the question. It was not a deliberate deception, we must assume that?—Of course it was overlooked, and that comes to the point; I do not think any body of men could have overlooked that if they had not been too hurried or overworked. I cannot imagine it happening in the old secretarial times.

1435. It comes back to the question of better local eyes and ears?—Yes, it comes back to that.

1436. (*Sir Arthur Anderson.*) I cannot recall the earlier history of this line, with which I had nothing to do, but has not an undertaking been given, and the Dhond-Baramati been told, that this will not be allowed?—We have one now.

1437. (*Mr. Hiley.*) That they should not cross the river. You say the Nira river is a poor boundary and that it is not sufficient protection?—That is so; it is not sufficient protection. There comes in what we complain of. In their original proposals the Railway Board said, "The Dhond-Baramati line will be allowed to extend to the East as far as Indapur only"—if you follow on the map you will see Indapur—"and not extend

at all to the south across the Nira river," &c. (*reading extract*). The point we raised was that this is not sufficient protection, it is indeed no protection at all. If it means that extensions may at any time be made south of the Baramati line to the Nira north bank, provided they do not cross the Nira, there is, as we have pointed out, no protection.

1438. (*Sir Arthur Anderson.*) It seems to me that your principal grievance is that the Dhond-Baramati line was started at all. It started in the same way as yours, a small branch which extended into a considerable system?—That the Dhond-Baramati Railway was started at all is no grievance of ours, as you will see from the note we sent you, and it is not the case that this line has extended into a considerable system. It threatens to do so, and our objection is to these extensions, and for the reasons given in the evidence.

1439. (*Chairman.*) On the other hand, Baramati to Pandharpur is about 60 miles?—Nearer 80 miles, I should think.

1440. It is a big area to leave vacant?—Yes, we do not intend to leave it vacant.

1441. Your line from Lonand to Pandharpur is 40 miles south of the Great Indian Peninsula?—Barely, but there or thereabouts.

1442. Where would you reach Indapur from?—We should not touch Indapur. That was our alternative proposal. When we were suddenly faced with the fact that these black dotted proposals had been going on for three years unknown to us, we said, if that is what you wish for, we will send in the alternative proposals mentioned in our note. We said, if you like it better we will make a line from Pandharpur to Baramati *vid* Velapur with a branch to Indapur, only do not let our traffic be stolen from us.

1443. Obviously, as you say, a Company raising money and developing an Indian railway service is a public benefactor, and ought to be very well treated?—Yes.

1444. You agree. But if the public interest wants a line that is not in the interest of the Barsi Railway, it seems to me that there is a real difficulty. Do you see what I mean? You practically have to work from your existing junction?—Yes.

1445. You agree. Suppose that district—I am not saying that it can, I am expressing no opinion—can be better served by Dhond—suppose that is the best development, having regard to the fact the traffic wants to flow to and from Bombay, it seems to me that is a real difficulty?—There is no difficulty in this case.

1446. Let us assume that there is not, but assume my view that the proper way to carry all this traffic is to go through this valley westward and bring it in at Dhond. I am trying to see how to reconcile it?—Assuming it is the best.

1447. Yes?—We have provided for that. We connect with the Baramati line at a point on our Pandharpur Lonand extension which is equidistant from Bombay by both the Great Indian Peninsula and Madras and Southern Mahratta Railway.

1448. You deliver it to the Madras and Southern Mahratta?—At Lonand and to the Great Indian Peninsula at Baramati.

1449. Suppose the interest of the private Company, which ought to be well protected, is different from the interest of the public, what are you going to do about it? Suppose it is in the interest of the public to make a line that does take away traffic from the Barsi Railway?—But you are asking me a question which does not arise.

1450–1. Let us say it does not arise, let us wipe out this case?—Broadly speaking, in fact speaking in any way, I should have no hesitation in saying that if the public interest were in conflict with the interest of a Company the public interest must be first of all served. You then have to adjust matters as best you can so as not to damage the interests of the Company.

1452. To put that generality into particulars, how are you going to do it?—In this case?

1453. No, if the case arises?—You have first of all to consider the interest of the public and then to adapt the interest of the lines as far as you can to meet it, doing as little damage as you can; but the interest of the country must come first.

1454. What are you going to do; what steps are you going to take; to buy out the light railway on reasonable terms or compensate it for the traffic it loses out of revenue?—I do not think it should ever come to that; in my experience it never has. These things are always manageable by a little goodwill on both sides by pooling and traffic arrangements. I have never known a case yet where that could not be adjusted.

1455. You say pooling?—Yes, that is one possible way.

1456. Is there any case where it would be reasonable to buy the Company out? Let us suppose that the Barsi Light Railway or some other light railway really blocked a scheme that had developed as desirable since it came into existence; is there any case of a Company of that kind being bought up so that it has protection by selling out on good terms? Is there any case of that kind?—I cannot remember any case of the kind.

1457. (*Sir Henry Burt.*) I do not think there is any case?—I cannot remember any case. As I said, I do not think that there is any necessity for pushing the thing as far as that. I do not think it has ever arisen. There has always been room enough and latitude enough to adjust matters without going to those extremes.

1458. (*Chairman.*) Remember you have only got 36,000 miles of railway in India?—Yes.

1459. And they say that they want 100,000 or more?—Yes.

1460. The more railways you get the more they will cut across each other's sphere of influence?—Yes.

1461. The question will come, will it not?—It has come in the south of India already. There are conflicting interests there, but I have never known a case up to the present where it has not been adjustable.

1462. You think that it is adjustable on a revenue basis?—Yes, I do. I think the Government of India in their policy generally, have been very wise in adjusting these matters, and with the good sense of the Companies concerned they have been adjusted in a very satisfactory way. It is not as difficult as in this country. The network is not so close, but even in the south of India, where it is pretty close, some questions have arisen of that kind, and they have always been adjusted up to the present. I can see no reason for thinking that within the life of anybody in this room the extreme measure suggested is likely to happen. I cannot see it. You are asking me rather problematical questions, perhaps I ought not to answer them so freely.

1463. We have to face the future. It is no good going to India to enquire as to what exists; our business is to find out what is to be done in the future?—Yes.

1464. In the south of India is it only the guaranteed line?—No, there are a lot of small district railways. That has been the trouble.

1465. Your point is, where the guaranteed South Indian interests conflict with those of small

branch lines a fair adjustment has been made?—Yes.

(*Mr. Hiley.*) That is by arbitration?

1466. (*Sir Arthur Anderson.*) In that case there is a clause in the South Indian contract which safeguards them?—Quite so. You will find where you get Local Government that there is a danger, it inside the Local Government there are District Boards in which the Local Government are naturally interested. There is a tendency for them to pick out likely lines which will get good traffic, to push for them, and the Local Government backs them up. From the Imperial point of view that is an unadvisable thing to do. You want to open the country and not short-circuit in the interest of certain people.

(*Chairman.*) Will you tell us what is the clause?

1467. (*Sir Arthur Anderson.*) I am speaking from recollection. If any part of the South Indian system is short-circuited by new independent construction the South Indian are entitled to the earnings it would be done out of; would be entitled to claim the earnings as if that new line did not exist. Is not that it?—Yes, roughly.

(*Chairman.*) From whom? Who pays it?

(*Sir Arthur Anderson.*) The earnings are paid over to the main line.

(*Chairman.*) The new line would be an independent private Company?

(*Sir Arthur Anderson.*) Yes, or a District Board.

(*Chairman.*) It would be a Company that would take its earnings.

(*Sir Arthur Anderson.*) Its earnings from such traffic would come to the South Indian Company. The South Indian would keep the proportion of the earnings that it would have had, had the new line not existed.

(*Chairman.*) It gets it out of the pocket of the branch line that earned it.

(*Sir Arthur Anderson.*) The branch line does not get it.

(*Sir Henry Burt.*) I am not sure of that.

(*Chairman.*) It must collect the receipts.

(*Sir Henry Burt.*) The concession would not be granted to the branch line unless it agreed to these terms.

(*Chairman.*) To what?

(*Sir Henry Burt.*) To assign to the South Indian.

(*Chairman.*) As much as it previously got from the short-circuit traffic?

(*Sir Henry Burt.*) Yes.

(*Chairman.*) Now I understand. I think we had better leave that subject.

(*Sir Arthur Anderson.*) It is the only case in which a clause like that occurs in a contract.

1468. (*Chairman.*) I think it is very important We have dealt with these two points; now about co-operation of private enterprise. Can you make any new suggestions on that point, that the Government should give more liberal terms?—That, of course; I think everybody is agreed that the present terms are absolutely useless, the financial terms.

1469. Conditions have changed and the terms have not been revised?—Yes.

1470. We may assume that if 5 was reasonable, it is now 7, but that does not matter?—Yes.

1471. What else?—The financial terms we are agreed about, it is what you may call the general terms. I can only say what I have said already, that they want special watching to guard against any injustice being done to private enterprise if it is desired to encourage it.

1472. What I was meaning was terms to induce capital to go into the business. Are they satisfactory?—Those will be the financial terms.

1473. They are not the only terms?—Those are the terms that prevail in the agreement itself. If you are dealing with a man and say, "I want you to come into a job," you give the financial terms. You do not promise, "I will take the greatest care of you," because he will say, "Yes, because you want me in." That will come afterwards.

1474. For example, the period of concession must make a great difference?—Yes, to a certain extent it would, of course. Take our own line; it is a good example from that point of view. We asked for an extension and they gave us a very short one. If you are going to add 170 miles to 117, you are weighting the undertaking very heavily, and if that extension is in a famine stricken country which will develop gradually you will want very many years to mature. So that those conditions should be borne in mind always in inviting private enterprise, and the agreement should be proportionately long or short.

1475. What would you put into the agreement that is not there at present?—I have not got the agreement before me.

1476. What modification in terms fits that case?—Merely the modification of length of tenure.

1477. You believe in a long tenure?—Certainly, in many cases. In certain branch line cases the tenure goes as long as the main line goes, with ordinary branch line terms. I think you may take it as long as there is an agreement made with the main line, and as long as the main line goes that agreement goes.

1478. But we were told yesterday—— ?—Is not that a fact?

(*Sir Henry Burt.*) No, the agreement will be made with the Government of India.

1479. And the Secretary of State?—Take an ordinary branch line made off a main line, and the main line being a guaranteed Company, the main line gives those terms, ordinary branch line terms to a branch line, do not those terms hold good as long as the main line or are they limited?

1480-6. (*Sir Arthur Anderson.*) No, its contract might run out in five or six years?—As long as the main line contract goes, so long does the branch line agreement stand.

1487. (*Chairman.*) There is one thing that may happen to private enterprise. Its cost of construction may be so heavy that it never pays. Have you any doubts on that subject? Does the Board ask for an unreasonably high standard of construction?—The Railway Board do you mean?

1488. Yes?—No, they used to, I will not say the Railway Board, but it was one of the main faults of Government in the past to expect too high a standard for branch lines. Whether that exists at the present time I cannot say, because I have been out of India for over 12 years now, and I do not feel competent to say what is going on now as regards the standard of equipment.

1489. Is your point that as you knew it 12 years ago it was unnecessarily high?—As I knew it, I remember an example in about 1904. A branch was made to a main line, and the contract was that it should be up to the standard of the main line. That is a mischievous policy. Had that line been built to that standard it could not have paid. It was with considerable difficulty that the contract was modified to admit of a standard of equipment that should develop with the development of traffic. The initial standard was reduced and the first year the line made 4½ per cent., which was good in those days. I am glad you have mentioned this point; it was one of the faults of the old Government system. I do not say that it

is so now, I am not here to judge but we all know that it is a mischievous thing.

1490. (*Sir Arthur Anderson.*) In the days you are speaking of, take the Bellary Rayadrug. Was that in your time?—No.

1491-2. That is laid along the road?—I do not say that it holds in every case.

1493. (*Chairman.*) We may take it from your evidence that there were cases where an unreasonably high standard of construction was insisted on but whether that still exists you do not know?—Yes.

1494. It is a serious point to consider?—It is a very serious point to consider.

1495. Are there any others of that kind that occur to you?—Not at this minute.

1496. Had you entire freedom in raising your capital?—The Barsi?

1497. Yes?—Yes, we had.

1498. You could raise it by debentures, or preference or ordinary just as you pleased?—Absolutely. (*Mr. Wilson.*) Subject to the sanction of the Secretary of State. We had to get permission here for the amount and for the terms of underwriting and brokerage, printing and stationery, the amount we could spend on preliminary expenses and everything.

1499. (*Mr. Hiley.*) And the rate of interest?—Yes.

1500. That had to be approved?—Yes. (*Mr. Anderson.*) There was freedom in the market. (*Mr. Wilson.*) Yes.

1501. (*Chairman.*) The Secretary of State's ground for interfering in these matters is, that at the determination of the contract he has to pay what you have spent?—Exactly.

1502. Therefore he protects himself?—Yes.

1503. What do you say to that. With the longer contract if you suffered for 50 years from your own extravagance, probably you would not want to be extravagant; the Secretary of State might say that for 25 years you will not mind suffering because you look for a plum at the end; but if you had to suffer for 50 years presumably you would care more about revenue than the final settlement. Would it in your view be reasonable for a longer period that you should be less in leading strings?—I do not think it would make any difference as regards that point, certainly not, under our contract, because we get back at the end what we spend, nothing more and nothing less.

1504. Suppose you spent too much you would suffer for it for 50 years?—Yes.

1505. Is not that a sufficient inducement to make you economical without anybody looking after you?—It would help if necessary.

1506. In fact, does this reference to the Secretary of State of so many things from which an English Railway Company is free, hamper you, or is it more or less formal as long as you proceed on what you may call normal lines?—I think it is more or less formal, it would not interfere with us too much.

1507. It did not in fact?—Naturally the terms which the Secretary of State was not prepared to sanction we should not think worth while going on with. It might be a difference of a very small sum between us and nothing more.

1508. We have dealt with the question about the localisation of control, and I think that is all I want to ask you Mr. Anderson. Do you want to add anything to which I have not referred?

(*Mr. Anderson.*) No, I think not.

(*Chairman.*) Mr. Wilson, do you wish to say anything separately?

1509. (*Mr. Hiley.*) I should like to ask you one question. Have you a Local Board for the Barsi Railway?—(*Mr. Anderson.*) In India?

1510. Yes?—No.

1511. You have merely got your agent?—That is all.

1512. You do not have any Local Advisory Board?—No.

1513. (*Sir Henry Burt.*) Do you think that there would be any advantage in a Local Advisory Board?—It would be very mischievous. It would not help us in the least. What it would mean would be that you would put up an authority against the agent in India. That is what it would probably come to in the end.

1514. (*Mr. Hiley.*) There is one other point upon which I should like your opinion from your experience of light railways. Have you ever prepared any figures for use in your argument for increasing the length of your light railways, or other purposes, as to the value to the Government indirectly in the increased railway facilities for the district, that is to say, increased values of land or rateable values?—No, I do not know how you could put it into figures very well. It is a very large thing.

1515. From your experience of the Barsi Railway, could you now give any evidence showing the increased value of the land in the neighbourhood since it had railway facilities?—Hardly from the Barsi Railway as it is now. On the two extensions, one could, I think, give an idea in the areas brought under traffic. You might be able to, but it would be difficult.

1516. (*Sir Henry Burt.*) It would depend when the next settlement is made?—Yes, it would be a very difficult thing to do.

1517. Have you had any settlement since the Barsi Railway was opened?—I do not think we have. (*Mr. Wilson.*) It does not touch the Barsi Light Railway.

(*Sir Henry Burt.*) It is a very important point from the Local Government point of view.

1518. (*Mr. Hiley.*) Would your agent be able to help us when we get out there by indicating the effect the light railway has had on land values and rateable values?—(*Mr. Anderson.*) I think as a matter of fact the collectors would be better people to help you, the collector of Sholapur might. It is not quite in an agent's line.

1519. Except as a matter of interest; he might want to use the argument in furthering your railways?—He might try to do it. (*Mr. Wilson.*) The Agent would only get it on hearsay. (*Mr. Anderson.*) He has not the information that the collectors and their subordinate officials have.

1520. (*Mr. Hiley.*) I do not know whether the point has been raised before?—We have considered it through and through during the recent years, and we have tried to make estimates of increased values. But they are estimates only and are based largely on the usual formulæ one applies to railway extensions.

1521. It is an argument that you might wish to use if you desired the sympathy of the Government in extending railways?—We may say with confidence that we have the sympathy of the Government in these extensions. The chairman was saying just now in discussing the matter as to whether it was against the interest of the country to extend. There is no question of that in our instance. I think we have got sufficient from the Railway Board to enable us to say that our two extensions with the connections that we desire to make serve that bit of country better than anything else that could be advanced. *Per contra* were we debarred from extending by an invasion of the Nira valley, we

should be disabled for opening up the country we propose to serve. If we were not able to make the Pandharpur Lonand line because of other people coming in and tapping and diverting our traffic, present and prospective, it would not be worth our while to make the other line and the country would be the poorer by a line that nobody else would want to make.

1522. (*Chairman.*) You have a full staff of your own?—Barsi?

1523. Yes?—Yes.

1524. You have an agent and local engineer, a permanent way engineer and all the rest of it?—The usual staff.

1525. It is usual I understand that the branch is worked by the main line?—Ours has always been independent. We have never been worked.

1526. But the other is usual?—Quite customary.

1527. Is it not somewhat of a handicap for a small line with light traffic to have the headquarters staff of its own?—We have not found it so.

1528. It is so many rupees clearly. How many?—I do not know what it is, but you get the whole profit.

1529. (*Sir Arthur Anderson.*) Yours is a good paying line?—Yes. Many branch lines could not afford to do it, of course.

1530. (*Chairman.*) Would you agree as far as possible that branches unless they differ a bit are better worked by the Company with which they connect?—Certainly in the majority of cases in India.

1531. I am not suggesting that you are not right in your particular case?—As I have told you our case was quite peculiar. We started with an assured traffic. Very few branch lines do that.

1532. Why did not the Great Indian Peninsula make it?—Why did they not.

1533. Want of money?—Want of everything I think.

1534. (*Mr. Hiley.*) Want of local touch?—I do not know what it was they were in want of, but it was a marvel to me and everybody else why they did not. However, they did not do so.

1535. (*Sir Henry Burt.*) As regards those local representatives that you suggested should be appointed, would you suggest that they should take on the work of the Government inspectors?—No, in the note I sent you, I made a very careful point with regard to that. I pointed it out as briefly as I could in the following passage: "Its delegated "subordinates in the provinces and on large "railway systems should be revived, and when "revising them an inherent defect in the old "secretariat system should be remedied. Under "that system the consulting engineers to Govern-"ment were also the Government inspectors of "railways, and it was largely due to this confusion "of 'administration' and 'control' that the "system fell into disrepute, &c., &c."

1536. (*Chairman.*) You would leave the Government inspectors to deal with questions of engineering and safety, physical questions?—Quite so.

1537. The other people would deal with it from the point of view of development?—Policy, generally.

1538. And administration?—As assessors and aiders of the Railway Board, or whatever the centralised authority was on matters requiring local information.

1539. You would attach these men to a district rather than let them roam over India?—Yes, I would put them wherever the system of lines is big enough to warrant their appointment.

1540. That is the French system; the Government has an inspector-general with a certain number of subordinates from each of the main systems?—Yes.

1541. That has always been the French system, and he does know all about the system?—Yes.

1542. Your view is that it should be something of that kind?—It seems to me essential.

(*Chairman.*) Thank you very much.

The witness withdrew.

MR. FELIX FIGHIERA, called and examined.

1543. (*Chairman.*) We are exceedingly obliged to you for coming; it is entirely outside your own business, so to speak?—I am only too pleased to help in any way.

1544. We thought that you could help a great deal on the question of local Boards and some connection with Boards sitting in London?—Yes.

1545. You are secretary of the Central Argentine?—I am.

1546. I think I have known your name in connection with it for some time?—Yes, about fifteen years, I think, now.

1547. Do you know the Argentine personally?—Yes.

1548. The Central Argentine is a line of considerable magnitude?—3,305 miles.

1549. The whole capital, I suppose, has been raised in London?—Yes.

1550. And the control naturally is with the London Board?—Yes.

1551. I am going to ask you one thing before we come to the connection. Some of us know what the ordinary English Board is like; it does not attempt to have on the Board experts in railway management or railway engineering, it is supposed to be representative business people, broadly we may say?—Yes.

1552. Is that the same in the case of the Argentine?—If you take our own case, we have as chairman Sir Joseph White Todd, an ex-banker in Cuba, then we have Sir Guy Granet, an ex-manager.

1553. He is a railway man, of course. He is a very new comer?—I agree. Then Mr. Charles Pearson, who is leaving the Argentine, our ex-general manager, who is coming on to the Board now. Sir Archibald Williamson, a merchant in South America. Then there is my predecessor, Mr. Theobald, who was secretary for many years and then went on the Board. Mr. Darbishire, who is an old Argentine merchant and lived out there for very many years, and the latest comer on to the Board is Mr. H. A. Vernet, of Messrs. Robert Benson & Co.

1554. With the exception of Sir Guy Granet, whom we now regard as a financial person rather than a railway person, that is a Board of business men?—Yes, you have the same on the Southern and Western Railways. You have in those cases Sir Sam Fay on those two Boards.

1555. (*Sir Henry Burt.*) The late general manager you have in addition?—Yes, he is a railway man.

1556. (*Chairman.*) May we put it that it is common to put on an ex-general manager when he comes home, if he is suitable?—Yes; I would not say it is common, it is not necessarily the usual thing.

1557. It is not necessary, but it is not uncommon?—We have had a case previously. The late Mr. Jason Rigby, who was manager of the Buenos Ayres and Rosario Railway before the amalgamation, came on to our Board and was on the Board of the Southern, of which he became chairman. He was an ex-manager. Then the Cordoba Central, of the narrow gauge group, have Mr. Follett Holt, who was manager of the Entre Rios Company, and he is to-day the chairman of this Company.

1558. And I think they have Lord Farrer?—Yes. In the case of the Pacific they have Mr. Goudge, the managing director who for some years was the acting manager in the Argentine. I was with them originally; I was 21 years with them before I came to the Central Argentine.

1559. May we say broadly the bulk of the Board are business men, with no special railway knowledge?—I agree.

1560. That is what I wanted to get from you. I understand by law the Argentine railways have to have representatives in Buenos Ayres?—Yes.

1561. Would you tell us what the law says first? Can you leave us a copy of the law?—Yes, I have brought the only copy I have in English. I have some in Spanish. I am going to hand you this, you may find it useful to go through. This was the law passed——

1562. May we keep it?—Certainly (*handed*). The Argentine law merely stipulates that——

1563. This is the famous Mitre Law?—Yes. You have in the first place in starting a Company on the other side to obtain what they call *personeria juridica*; that is, you have to be recognised by the Government, which is done by the approval of the Statutes, the Articles of Association and so forth, which are presented by the Local Committee. The Local Committee are gentlemen who are invited to act on that Committee and who are subsequently appointed by the Board, removable at any time, but they are provided with a full and ample power of attorney. As a matter of fact, I have not got it yet. I have been rather busy with my general meeting, but I am having a translation made for you of the last power of attorney which we sent out on the appointment of Mr. Howard Williams in place of Mr. Pearson. It is a reproduction of every power of attorney we have ever sent out. I am having that translated into English for you and I will send it along to you.

1564. Mr. Howard Williams being your new general manager?—Yes.

1565. Is the power of attorney in his name?—It is in the name of each one of the members of the Committee.

1566. Joint and several?—Joint and several. That power of attorney is then presented to the Government for registration and the Government then issues a decree recognising Dr. So-and-So, Mr. So-and-So, and Mr. So-and-So as the attorneys and legal representatives of the Company. That is the constitution of the Local Committee as far as it goes. The functions of the Local Committee—shall I go on or would you like to ask me questions?

1567. I will put in a question first to clinch it. These gentlemen have the ample powers one is accustomed to give to people in a power of attorney?—Very ample indeed.

1568. On the other hand, they hold office absolutely at the pleasure of the home Board?—Yes.

1569. Therefore, whether they really have great power or whether they have really no power depends on practice?—That is so.

1570. That must be so because if they have power to do everything and the Board lets them do it, they can do it; on the other hand, if they quite understand, the first time they exercise any power, that the home Board have not definitely told them to exercise their power of attorney will be revoked, they have not much power?—That is so in practice.

1571. That must be so on the documents?—Yes.

1572. Now, will you tell us the practice?—The functions of the Local Committee are governmental.

1573. Are they paid?—Yes. The functions are governmental and legal mainly; they are in no sense technical except to this extent. I take the constitution of our own Local Committee. The chairman of our Local Committee was the secretary of the Supreme Court of the Argentine, and he is an eminent lawyer.

1574. You do not mean that he held both positions?—No, he came to us from there. He is well versed consequently in pretty well every branch of law, and although we have lawyers appointed by the Local Committee for the purpose of attending to all our business claims, land, and so forth, he has a general supervision of all these documents to make sure that our titles are right and our claims well put forward, or claims against us well defended, and so forth.

1575. He is what the American railways would call their general counsel?—Probably.

1576. (*Sir Arthur Anderson.*) Is he a full time official?—In our case he is. Then we have a Mr. Iturbe; he is an engineer. Of course we have our chief engineers, both civil and mechanical, but the trouble out there is that they usually demand that anybody signing plans for new extensions or anything like that shall be someone who has taken his degree in the Argentine University. Consequently Mr. Iturbe, who is an extraordinarily level-headed all-round business man, fills that engineering function. If there is any trouble with the Government he signs the plans, although usually in our own case, especially as our chief engineer has been there many years and has done good work, the Government recognise the fact that he is the engineer and, as often as not, accept his signature; but there are times when you get an official who is troublesome, and if it is signed by the Argentine engineer nothing more can be said about it. A third member of the Committee, Mr. Hale Pearson, is a member of the firm of Samuel B. Hale & Co., large estancia owners and business people generally. He is a very rich man and a man of great influence socially, and there is a great deal of social work to be done.

1577. (*Chairman.*) Has he, so to speak, a department?—No, the President of the Local Committee, as he is termed, is a whole-time man.

1578. That is your lawyer?—That is our President and a lawyer. The engineer, Mr. Iturbe, has been authorised to sit on the Local Committees of two other undertakings out there, but he has an office in our building and sits there all day. Mr. Hale Pearson's own offices are on the same floor as the Local Committee, so that he is always available if he is wanted. They meet once a week and their minutes are sent home to us regularly, and the object of the ample powers is because there is so much of a local nature that takes place which obviously a London Board would hardly be competent to adjudicate upon. Therefore all that the Board does is to authorise a policy; it is not tied down. The London Board will authorise the policy, for instance, the London Board will authorise an application for certain

branches and extensions of which we have had full reports and plans, and we have studied them. We say, "Those you can apply for." The functions of the local Board are to see that those petitions or concessions are brought before the House. They are there to answer any technical or other questions. They have to see that they are put through, and, having been put through, then they have to see that the proper deposits are made in cash or bonds, that the plans are prepared and presented within the terms of the concession, and things of that kind. There, obviously, they have nothing whatever to do except to get those concessions through if they can. I say if they can, because sometimes Congress introduces clauses which are unacceptable to us and we say, "Thank you, we do not want the concession, keep it." Probably in a few years they ask us to build and we say, "You cut this out, and we will build the line and will not do it otherwise," and we get it in that way.

1579. As it seems to me, the functions of the local Board as to power are not very important?—Individually I agree; it is greatly individual. Their functions are important to this extent, everything comes before them. The general manager is for the time being *ex officio* a member of that committee because he is their technical assessor on questions of traffic, accountancy, and so forth. Individually they have their little compartment to look after. Week by week they meet in committee, as a matter of fact they meet day by day; they are all in the same building, but they have a formal committee meeting in which they record all they do, which comes on to us in London.

1580. They have daily meetings and discuss it, and somebody draws a minute which they pass once a week. One knows how those things are done?—Yes.

1581. You have not said anything about rates and fares. I do not know how the Government controls rates and fares. Have you maximum rates?—The Government control rates, or are supposed to control rates and fares under the provisions of the Mitre Law, which is before you. The rates and fares according to the letter of that law may be anything that we like so long as our maximum earning power of 6·8 per cent. is not exceeded in three consecutive years.

1582. That is on your whole capital?—On the capital they recognise.

1583. On the recognised capital?—Yes.

1584. It is 6·8 per cent. overhead on the whole of it?—On the whole capital. It is 17 per cent. in gross receipts on the recognised capital.

1585. What about the 17 per cent.?—It is 17 per cent. measured in gross receipts upon the recognised capital, working expenses being taken at 60. That gives you 6·8 per cent. That is the way they work it. If the gross receipts exceed 17 per cent. for three consecutive years on the recognised capital and the working expenses do not exceed 60 per cent., then the Government shall intervene to revise the tariffs.

1586. What does the Government do?—It has never had an opportunity of doing it yet, and from the very time this law went through, which I had much to do with in 1908, when I was out there, we have always laid it down to the general manager and to the Local Committee to watch our rates year by year, and if ever we get two consecutive years in which we have exceeded the 17 per cent. and we look like doing it a third year, then we must reduce our tariffs where it suits us. That is the way one gets round that difficulty or will get round it if the time ever comes. As against that, the contention which has been put forward by all the chairmen here in speeches and by some of the representatives on the other side, that our tariffication is absolutely in our discretion so long as we do not exceed those limits, is disputed by the Government, and I say rightly disputed, because the original railway law, which is not derogated by that Mitre Law except so far as it amends it, stipulates that the Government's function is to see that all rates are just and reasonable, and I think that is the proper position. We are the biggest maize carriers there and have had our rates increased this year. Until recently it hardly paid to carry maize except in tremendous bulk. Hence one might say, "I do not want to carry maize, I am going to put such a rate on to stop the growing of maize." That would be wrong and a railway ought not to have that power.

1587. Have the Government any machinery for seeing that rates are just and reasonable? Have they anything of the nature of a Commission?—No, they have no Commission. I do not know any Government office with a Railway Board that has a more complete and thorough knowledge of the penal portions of every railway law in the world than the Argentine Government. Their railway law is an accumulation of all the penal parts of every law in the world. If you go into the Government House in Buenos Ayres they will produce the German book of tariffs, the Italian, the French, all the English, the Yankee, the whole lot. They are very good in that way.

1588. They have these rods put away apparently in pickle in jars and not taken out?—No, may I say very candidly on the question of tariffs and things of that kind we have not been badly treated; that is to say, we have had to put up a fight, yes.

1589. How did you have to fight?—The Government department.

1590. Is there a department of railways?—Yes, under the Ministry of Public Works you have what they call the railway department, the Department of Ways and Communications. You have a Director there and he is the man who calls on you for all kinds of things.

1591. He has no definite machinery?—He has a tariff section under him, which does nothing but tariffs.

1592. Which does nothing but say to you, "Do not or we may do something," but does not do anything?—No, I do not think it is quite that. Suppose we want to amend a tariff, we have to give a month's notice publicly. We first of all submit it to the Railway Department and say: "That is what we are going to do."

1593. You say: "What we are going to do"?—That is what we propose to do anyway.

1594. The onus is on you?—If he thinks the rate unjust or unreasonable he will discuss it with us. Perhaps we have to go from him to the Director, and the Director may back up his underling; we may have to go from the Director to the Minister, and perhaps the Minister will say: "Put your heads "together, and if you cannot do exactly this see if "you can find something which satisfies everybody," and one gets at it in that way.

1595. Suppose you said you would not, they cannot force you?—The Government has a very long arm.

1596. Has he executive machinery that he can put in force? What would happen, I suppose, is that he would introduce a law into Parliament to give him powers. That is probably what would happen if you were recalcitrant?—I think myself the Railway Companies would put up all the opposition they could in Parliament through the members. After all, there are things which get through in Parliament to whip you up, but they

never get any further, because there are other means. Out there you negotiate one thing and another; you give away something here and take something there.

1597. To come back to the Railway Board, I think we follow how it works. In effect, the law which requires you to have attorneys out there does not result in your putting more authority on the local Board than a Board of wise business men would probably put on their local manager in any case?—I agree. The only thing is that your manager, if he is well advised, will attend to his own business of railway management, and not visit Government House unless he is sent for. I have heard it laid down, and I am not sure that I do not agree with it in many instances, that we should probably do as well if we had two or three Englishmen, assuming they had knowledge of the country and of the language, as members of a local committee as against the Argentine. The advantage of the Argentine man is that he keeps you right as far as the law is concerned, that he has got undoubted influence with his own countrymen because he is not a foreigner. On the other hand, when we put up a fight, and it was a pretty acute fight with regard to tariffs, the trouble is that the Argentine will say to the local Director: "I am "astonished at you, an Argentine, putting forward "a thing like this, when you know it will affect our "country all the way through." That is the other side of the medal. On the whole, I think it would be very difficult indeed to get Englishmen who had a knowledge of the country and of the language, and particularly of the Latin character, who could worm themselves into society and take the place of these men; but if such men could be found, they would be the ideal men to get there, because I think they would not be criticised for putting forward things while some of the Argentines are.

1598. Your local Board is quite small, is it not—only three?—Three, plus the general manager.

1599. Who takes the chair?—The president.

1600. The president of the Board?—Yes. We call them Local Committees as a matter of fact. The Southern call it a Local Committee and the Western call it a Local Committee. The Pacific are the only people who call it a Local Board.

1601. Is there any difference?—No.

1602. May we take it from you that what you have told us about the Central Argentine is typical?—It is.

1603. This legal obligation must apply to all?—Yes.

1604. And for practical purposes the system is the same in all the Companies?—Yes.

1605. As I see it, you have got a local Board whose business, so to speak, is to represent local opinion?—Yes.

1606. These gentlemen exist to know local opinion, and to put the London policy through by means of their local affiliations; is that correct?—Yes.

1607. There might be quite a different opinion about a local Board that existed for the purpose of inducing the London Board to follow the opinion of the locality?—Of course, one does get instances where they recommend a policy. Sometimes it is accepted and sometimes it is not; it all depends.

1608. This Local Committee has, as you say, only three members?—Yes, three.

1609. And two of them have definite functions?—Yes.

1610. The third man is an Englishman?—No, he is an Argentine too, although his name is Pearson. He speaks English as well as we do, but he is an Argentine. He is of Yankee descent, many years ago.

1611. He is now an Argentine citizen?—Yes.

1612. If you wanted the Board to be a mirror to reflect local opinion back to London you would clearly put more men on it, would you not?—No, I do not think we would.

1613. If that was your object you would, would you not?—It is the object in general terms, but there is a great deal more in their work than merely that. There again the three Argentines with a British general manager *ex-officio* as a member, who always attends—I speak for our own people to-day—may put forward a suggestion, and the general manager will explain to them that it is not likely to be accepted in London. He will give them reasons why in his opinion it would not be accepted in London, for instance, because the thing would merely please the public. Very often in that way we do not get things sent forward to us which have been discussed at the Local Committee.

1614. Could you get a report from the Local Committee saying "We recommend this," and a dissenting report from the general manager saying "I entirely disagree." Could that happen?—Speaking for the Local Committee as at present constituted, I do not think that would ever happen because the Committee would not recommend an extension, for instance. They might say: "We "have been approached; it has been suggested to "us that you should build a line from so-and-so to "so-and-so," but that is the utmost they would do. The general manager might say: "All right, I think "there is something in this line," and he would send an engineer out to survey it and report, and it is for us to decide whether we will go forward with it or not. They would not commit us in any way.

1615. Would they commit themselves?—No, I think not.

1616. Who would the report come from?—What report, on the line?

1617. Suppose the engineers went out and surveyed the line, and the question of whether it should be made or not had been discussed at the Board?—The survey of the line is made jointly by one of the civil engineers, a representative of the Traffic Department and the land agent, and they make their joint report or individual reports as the case may be.

1618. To the general manager?—To the general manager. The general manager would then write to the Local Committee: "I enclose you the "report about a certain line which it is suggested "may be made," or "The line about which I had a "conversation with you the other day. I have had "the line surveyed and enclosed are the details," and so on. Then they pass them on to us.

1619. He would probably say, I suppose: "We "will discuss it next week at the next meeting of "the Committee"?—The whole thing comes to us in London.

1620. The report?—The whole thing.

1621. With a covering letter from whom?—There will be a report from the chief engineer and a covering letter from the Local Committee enclosing the general manager's letter with the reports that have been made to him.

1622. It comes from the Local Committee and not from the general manager?—Yes, as a rule.

1623. The essence of your story comes to this, that full control remains in London?—Yes.

1624. Do your London Board ever deal with the question of wages?—No, except that of the officers

1625. What do you mean by the officers?—The officers on the other side.

1626. It is left to the officers on the other side?—No. The wages are dealt with on the other side. I was referring to the principal officers.

1627. The board officers?—Yes. For instance, the local committee could not alter the salary of the general manager, the traffic manager, the chief engineer, the chief mechanical engineer, nor the chief storekeeper.

1628. You appoint them from London?—Yes, we send them out from here as a rule, with very few exceptions.

1629. The general manager has full power over wages?—Yes, as he has over tariffs.

1630 What about stores bought in England?—We buy all we can in England, which is very little just now, but we buy everything that we can in England naturally.

1631. What is your machinery?—We have our own stores department here with our consulting engineers. When we get a requisition from the other side, either for running stores or for special stores, as the case may be, we invite tenders from firms that we have been doing business with perhaps for the last 50 years. They quote; their quotations come in, and they are opened by a Director. They are then tabulated as to price and delivery. Sometimes we get prices from the Continent, sometimes from the States, but we always put a heavy premium in favour of the British manufacturer whenever we are allowed to. Unfortunately we are getting to the stage when things are becoming impossible. I have had two letters from firms this week, who write to say that having regard to the uncertainty as to what the Government may do with wages and things of that kind, they regret that they are unable to quote. That is the difficulty. It is a difficult thing to-day to get a hard-and-fast quotation or date of delivery.

1632. And when you get it you do not like it?—I quite agree. It is all rings.

1633. Who drafts the specification for a new engine? Does that come before the Board at all?—It comes before our Stores Committee, which is really the Board as a matter of fact. They give us all the leading details from the other side if it is a new class of engine. If it is an old class of engine we have the details at home, but if they desire to make any variations they come to us attached to the indent. They then go to the engineers who draw out their specifications, which are supplied to the tenderers, and the tenderers quote.

1634. The Board does not attempt to deal with matters of that kind?—Oh no.

1635. I think we now fully appreciate your system. We are very much obliged to you for what you have told us. How far it is applicable to India remains to be seen?—Of course, I can express no opinion on that because so much has to do with local conditions in all these things. I sent you a copy of the Articles of Association a few months back.

1636. It has not reached me, but I have no doubt the Secretary has it. Is there anything special in it?—No, except that it deals with the Local Committee—how it is appointed.

1637. When did you send that in?—Back in September.

1638. If we could have a copy of that for ourselves we should be grateful to you?—I will give you this copy (*handing in copy of Articles of Association*).

1639. As far as I know the communications with regard to this Committee only date from the 4th November. That is the first we have cognisance of?—The first letter we had from the India Office, from a Mr. Haines, was dated the 6th November 1917.

1640. I think there was an idea of appointing this Committee some time ago, but the war got too serious, and it has only been appointed now. That is what I think has happened?—I wrote a letter of the 20th November 1917, which recites the functions of the Local Committee. I can give you a copy of that.

1641 (*Chairman.*) Sir Henry Burt has copies of the correspondence, and we will look at them, thank you?—If it is of any use I can let you have a copy of this new map showing the various railways out there, broad gauge and various other things. If it is of any use I will leave it; if not, I will take it away.

1642. I do not think it will be of any use to us, thank you; we have the general idea of the railways there?—There is only one other thing I might mention. I was asked on that occasion for standing orders. We have a book of standing orders for the local representatives and management. I have a copy of it here, but it is the only copy I have got. I am afraid these standing orders are more honoured in the breach than in the observance. If you will kindly look at this copy and tell me if it would be of any use to you I will have it typed out for you, but I cannot part with the only copy I have got. (*Handing copy of the book to the Chairman.*) I do not think you will get very much out of it.

1643. I do not think the book of standing orders will be of any particular value to us in this case?—That is so. I only mentioned the standing orders because they were mentioned in your communication to me. As a matter of fact, we do not take the slightest notice of them. They have power to do everything under the power of attorney.

1644. They must have power, but they do not use it except in conformity with the policy of the Board, which is laid down in London on the advice of the local committee. That is what it comes to?—Yes.

1645. (*Sir Henry Burt.*) But for the law requiring the establishment of the local committee, would you think it worth while to keep up the local committee or would you then from choice prefer to leave the conduct of local affairs in the hands of the local railway officials under the general control of the Board?—I do not think it would work there.

1646. You think the local committee is necessary?—Yes, it has so many functions to perform.

1647. (*Mr. Hiley.*) Do you regard it as of value?—Yes, it is of great value to us from several standpoints. Take, for instance, such a question as the Railway Pension Law, which was a tremendous business. We fought that for years. Then the Mitre Law is another one. In contentious matters of that kind it would be hopeless for us to try and get them through unless we had Englishmen qualified to deal with the matters, and they are very difficult to obtain.

1648. Then there would be a local committee?—Yes. It is too big a thing to deal with otherwise. We have 3,300 miles of lines taking 60*l.* per mile per week. The general manager out there is entirely different from a general manager in this country. He has the whole burden on his shoulders; he has to run the whole thing himself, and he really has not time for Government House business.

1649. (*Chairman.*) These people are really a liaison Board between two nationalties?—Yes.

1650. (*Mr. Hiley.*) The general manager does not find in practice that the local Board is irksome to him?—Not at all.

1651. (*Chairman.*) I am very glad you have raised the point. These gentlemen are all paid

officials of the Company, and it is their business to act, so to speak, as liaison officials?—Yes.

1652. You would not favour a Board consisting partly, at any rate, of unpaid representatives who would represent, we may say, local pressure?—No.

1653. You do not think that is desirable?—Not out there. I do not know what it might be in other countries, but out in the Argentine, no.

1654. (*Mr. Hiley.*) You mentioned the question of the advocacy of members of Parliament on your behalf?—Yes.

1655. They, I suppose, would be interested because they are shareholders?—No. There, again, it is purely a question of personal friendship. It is the Latin race all over.

1656. Friendship, assisted by the local committee, I suppose?—Yes. I have just come back from the Argentine, where I have been for four or five months. I know a great many of these people, and they will do it for you personally.

1657. (*Chairman.*) We are very much obliged to you for your evidence.—I am entirely at your disposal if you want information on any other point that occurs to you. I am always ready to help if I can.

1658. Thank you very much. You have read the note which says that you are liable to be recalled if necessary?—I shall be only too happy to assist in that way. I am always very interested in railways.

The witness withdrew.

Correspondence between the India Office and F. Fighiera, Esq.

India Office, Whitehall, S.W. 1,
16th November 1920.

Sir,

The Committee of Enquiry into Indian Railways desire me to say that there are three questions which they omitted to ask during the interview you had with them, but they would be very greatly obliged if you could furnish them with written replies to them. The questions are:—

1. What would you or your Board say to—
   (A) allowing the actual management to be in the hands of an Argentine Board, reserving only financial affairs to the London Board;
   (B) eliminating the London Board altogether. Could a purely Argentine Company raise money in London?
2. Could you give us the total Central Argentine Railway capital raised in London, and maximum amount raised in periods of most rapid development? Lord Rothschild and Mr. Daniel (of Messrs. Mullins and Marshall) told the Mackay Committee of 1907 that India, both directly by Government and through Companies, could not expect to raise more than 10,000,000*l.* a year in London. Can you explain why the Central Argentine Railway has less difficulty?
3. What has the Central Argentine Railway done in reference to renewal reserves for maintenance unavoidably postponed during the war?

As the Committee are proceeding to India next week, they will be greatly obliged if your reply could be sent by the end of this week.

I am, Sir,
Yours faithfully,
W. GAULD,
Assistant Secretary to the Committee.

F. Fighiera, Esq.

CENTRAL ARGENTINE RAILWAY, LIMITED.

3A, Coleman Street, London, E.C. 2,
17th November 1920.

Dear Sir,

In reply to your favour of yesterday's date:—

1.—(A) Allowing the actual management to be in the hands of an Argentine Board, reserving only financial affairs to the London Board, would, in my opinion, not work at all. In the first place there are no men of sufficient experience available for such a purpose. The Argentines, as a rule, are farmers, cattle breeders, doctors of law, engineers, architects, or men of independent means. They are, save very few exceptions, not business men in the sense of qualified persons for sitting on a Railway Board, such as we understand those qualifications. It must be remembered, too, that their railway experience is in the main that of the traveller and not of the administrator. There would, further, be the tendency to give the principal positions to Argentines, irrespective of their lack of practical experience in railway operation. The English and French owned lines are, or should be, managed by the best trained English or French railway men, who should, as to their heads of department, be assisted also by qualified technical men. Except theoretically, those experienced men are not procurable from among Argentines. The merchants and business men are almost exclusively foreign—German, Italian, English, French, &c. Roughly, this is the order of the importance of the nationalities in the ordinary trading sense.

(B) I would very much doubt that a purely Argentine Company could raise capital in London to the extent of financing a large railway. In the first place, would the shareholders agree to such a change? I imagine not. After all, the shareholder looks almost as much to the respectability, responsibility and competence of a Board as to the reasonable probability of securing a steady and safe return on his investment. A purely Argentine Company would entail all the objections mentioned in the previous paragraph. In the Argentine one of the most striking features of business is that the great bulk of successful so-called Argentine industries are financed and worked by foreigners. Electric light and power, tramways, manufactures of matches, paper, boots, clothes, &c. fall into this category. The only defectively managed and worked railways in the country are the State-owned lines, because the political element comes in there. Jobs are found for people without any regard for competence or suitability. Some few years ago they strove to reorganise the administration of those railways by constituting a body of men supposed to act more or less on the lines of our London Boards. They were to receive reports and recommendations from the several State systems—they are not all physically connected—and they were to determine what should be done. The scheme has proved a complete

failure, and those railways continue a by-word of inefficiency both administratively and in their operation. This is, perhaps, a common experience where the State embarks on a specialised business such as railway management, but I am confident that the elimination of the London Board in favour of an Argentine Company would, from the trader's, public's and shareholding standpoints, prove disastrous.

The Argentine does not invest his money in the Argentine railways, although he accuses them of paying excessive dividends. He gets a far higher rate of interest from his land, and will, therefore, not take up railway capital except very occasionally as a speculation.

2. The total Central Argentine Railway capital is tabulated on the enclosed statistical card, and will be found in the attached report and accounts to 30th June last. It was all raised in London except $15,000,000 Ten-year 6 per cent. Convertible Gold Notes issued in U.S.A. This particular operation was made in New York to replace notes issued in London, which were, at the request of the British Government, called in under the Regulation of Exchanges Scheme.

The amounts raised since 1905 are as follows:—

	£	
1905 - - -	1,600,000	Consolidated Ordinary Stock
1906 - - -	1,760,000	" " "
1908 - - -	2,500,000	" " "
1911 - - -	3,000,000	" " "
1912 - - -	3,000,000	4½ per cent. Preference Stock
1913 - - -	3,000,000	Consolidated Ordinary Stock.
	£14,860,000	

Beyond this share capital, there was issued in debentures—

	£
1904 - - - - -	150,000
1905 - - - - -	350,000
1910 - - - - -	2,500,000
1914 - - - - -	2,500,000

and in notes—3,000,000*l.* of which was replaced by the above $15,000,000 gold notes—

	£
1914 - - - - -	1,000,000
1915 - - - - -	2,000,000
1917 - - - - -	500,000

The latter figure of 500,000*l.* 6 per cent. five-year notes is still outstanding in London, as will be seen by the Capital Account.

These figures apply to the Central Argentine only, but, of course, over that period issues were made by the other large Anglo-Argentine lines, and probably more or less to about the same amount.

In our issues we do not appeal to the outside public. We allot the shares—converted into stock when fully paid—*pro rata* to our stockholders who either take them up (the usual course with the majority) or dispose of their rights. We have over 50,000 proprietors. To-day we cannot, of course, issue either preference, ordinary or deferred stocks, all being below par.

The only reason I can suggest for the comparative ease with which this Company raised capital is that it allotted the shares to the existing stockholders at par when they were at a premium, thus avoiding the expense of underwriting and giving to the existing stockholders a tangible advantage.

3. The Mitre Law lays down the maximum that may be set aside from the revenue of the railway in any year, viz., 2½ per cent. on the value of the wasting assets, the list of which is mutually agreed between the Railway Department and us. From the Annual Report above referred to, it will be seen that from the difference in exchange, Renewals Fund was strengthened by a further contribution of 300,000*l.*, leaving the balance in Renewals Fund Account at 30th June last at 3,041,571*l.* 6*s.* 1*d.* I enclose copy of the Report of Proceedings at our Annual General Meeting in which I have marked the explanation in regard to the Renewal and other Funds which were strengthened during last year.

I avail myself of this opportunity of enclosing the translation of the power of attorney which I yesterday promised the Committee I would send.

I remain, Dear Sir,
Yours faithfully,
F. FIGHIERA, *Secretary.*

W. Gauld, Esq.,
Assistant Secretary to the Committee.

(Adjourned for a short time.)

LIEUT.-COLONEL G. HUDDLESTON, C.I.E., V.D., called and examined.

1659. (*Chairman.*) I think you are the Chairman of the Nizam's State Railway?—Yes.

1660. You are, I see, an Anglo-Indian?—Yes; I think I may call myself so.

1661. Was your service in India originally in the service of the Government?—No; I was in the service of the East Indian Railway Company.

1662. In what capacity?—On the traffic side. I had a long service in all the traffic grades of the East Indian Railway Company.

1663. Had you anything to do with the Nizam's Railway before you came home?—No, I had not.

1664. You first had to do with that when you retired?—Yes. When I retired I was invited to a seat on the Board of the Nizam's Railway.

1665. How long ago was that?—That was in 1911, after retiring in 1910.

1666. You then joined the Board, and have now become its Chairman?—Yes.

1667. (*Sir Henry Burt.*) You are also connected with other Indian Railways, are you not?—I am the Managing Director of the Assam-Bengal Railway, but I am going to deal with that later.

1668. (*Chairman.*) You and your Chairman are coming to tell the Committee about that Railway?—Yes.

1669. I dare say you will not mind if, when we have exhausted the Nizam's Railway, we take you on to a few general questions relating to your experience, so that we may save time hereafter?—Not at all.

1670. I suppose in a sense the Nizam's State Railway is outside our reference?—Absolutely, because we are only indirectly under the Government of India, that is to say, we are subject to maxima and minima rates. Apart from that, the Government inspector inspects the line every year for safety and so forth, but otherwise we are quite independent of the Government of India, and we are financed in a totally different way.

1671. I presume the Nizam's guaranteed State Railway is an English Limited Company?—It is a Company domiciled in England and the bulk of the capital was raised in London.

1672. Would you mind telling us what the capital is?—I think it is about 6½ million pounds—I cannot tell you the exact figure. Out of that, as far as I remember, 4½ million pounds were raised in London in the form of capital stock and debentures.

1673. Ordinary stock?—Yes, ordinary stock, capital stock and debentures; and the balance of the capital was taken up by the Government of the Nizam in the form of debentures.

1674. In India.—No, in London.

1675. Also in London?—They lent us the money here.

1676. Your security is that of the Nizam's Government and not of the Indian Government?—That is so.

1677. Your debentures are guaranteed by the Nizam's Government?—Yes.

1678. Your ordinary shares are also guaranteed?—They were originally, but the guarantee has expired now.

1679. Are you now at liberty to earn all you can?—In a sense, but there are two agreements. One relates to the broad-gauge section of the line and one to the metre-gauge section of the line.

1680. What is the total length of the line?—Under 1,000 miles.

1681. Of which how much is broad gauge?—It is about half and half.

1682. The broad gauge was, I suppose, the original?—Yes. With regard to the broad gauge, the Government guaranteed 5 per cent, and when the Company was not earning 5 per cent. the Government had to advance the money.

1683. What was the date of the foundation of the Company?—I cannot tell you straight off; it was in the early eighties, I think.

1684. That is near enough—practically 40 years ago?—Yes. With regard to the money that they advanced, we have to repay them out of surplus earnings, and the consequence is that there is what is called a contingent liability of about 2,250,000*l.*, which they cannot call on us to pay except by giving them half the surplus earnings of the line. It is a misnomer really, because a contingent liability is something that may arise, but this may be wiped out.

1685. What is the period of your concession?—There are various periods. They can terminate the contract in 1934 or in 1954 or in 1988. I think those are the three varying periods. You will see them in the Administration Report.

1686. (*Sir Arthur Anderson.*) Do you earn any earnings beyond the guarantee?—Oh, yes.

1687. (*Chairman.*) Let us get the other point clear first. Supposing the Company was formed in 1880, that would have been a 56 years' contract as a minimum?—Yes.

1688. During the currency of the contract half of anything you earn beyond 5 per cent. goes to the Nizam's State up to the point when you have repaid the sum which is outstanding?—That is right.

1689. What are your respective rights if the contract is terminated in 1934?—The Government then have to buy us out by buying the stock and debentures at par plus a premium of 25 per cent. I am talking of the broad gauge now.

1690. That is entirely irrespective of whether you were earning 6 per cent. or 20 per cent. or nothing?—Entirely. They take over the whole of the rolling-stock and the lines as they stand.

1691. They buy you out lock, stock and barrel for 25 per cent. more than you have spent?—Yes.

1692. That is for the broad-gauge line?—Yes.

1693. (*Sir Arthur Anderson.*) The line was built before 1880, because it says here that up till the end of 1878 the line was worked by the Great Indian Peninsula Railway?—Yes. I am talking of the time when the present Company took it over.

1694. From 1879 to 1884 it was worked by State Railway agency and from January 1885 by the Nizam's guaranteed State Railway?—Yes.

1695. (*Chairman.*) Then your Company dates from 1885?—Yes. I see it says here: "The Govern-"ment may also terminate the agreement and "purchase the railway rolling-stock, &c., on the "1st January, 1934, or the 1st January, 1954, by "giving 12 months' notice."

1696. That is to say, it was a 50 years' contract—from 1885 to 1934?—It is really meant to be a 99 years' contract.

1697. With a break at 50 and another break at 70?—Yes, that is about it.

1698. What is the history of the narrow-gauge railway?—The metre-gauge railway was built out of debentures issued on the security of the broad gauge, and on its own line—entirely by debentures; there is no other capital.

1699. You are of course very familiar with the ordinary arrangements between the Government of India and the Indian Companies?—Yes.

1700. We see that your contract is different from the contract of the East Indian Railway Company, for instance?—Yes, entirely.

1701. It seems to me it is more like one of the branch-line contracts—power to purchase at the end of a certain period for cost, plus 25 per cent. That is the branch-line type?—Yes.

1702. What have you to say for your own contract? What is your opinion in comparing the two types?—I cannot say that I have ever compared them. You mean in regard to finance?

1703. What we have to do is to recommend future policy. Does your experience lead you to say that the Nizam's contract is better or worse than the Indian Government contract?—I cannot say that it is better or worse. I think it is quite a good contract. It works exceedingly well. We have not the same difficulties in raising money, and so forth.

1704. We will come to that later. On the form of contract itself you have no special observations to offer?—We have no complaints to make about the contract.

1705. Are the conditions for the termination of the narrow-gauge contract the same as for the broad-gauge contract?—There is one essential difference—that we have not got any contingent liability. When the contingent liability on the broad gauge is all wiped out, the whole of the surplus earnings will be given to us, but we have a different agreement for the metre gauge, under which we have to give half the surplus earnings to the Government, although there is no contingent liability on the metre gauge.

1706. You say you raised the capital by debentures charged on the old line?—Partly on the old line.

1707. Charged on two securities?—Yes.

1708. So that I presume the old line has to bear the liability if the new line cannot?—Yes.

1709. In that case you have made the old line liable for the full interest from the very beginning?—Only partly so in regard to the old line, because the debentures were a primary charge on the new line.

1710. But supposing the new line earned 1 per cent. and the debentures received 5 per cent., the balance of 4 per cent. had to be found all the way through by the old Company before it could divide anything?—Yes, but that position has never arisen.

1711. I daresay not, but that was the position?—I think it might be said the position is that the old line did accept a liability.

1712. It took the whole of the liability of whatever was the debt charge of the new line?—Yes.

1713. (*Sir Arthur Anderson*) The old line guaranteed the new?—Yes, but I should mention that the Government guaranteed the new line for the first twenty years.

1714. (*Chairman.*) You do not want to offer any observations on the point of the different forms of the two guarantees, the Indian Government and the Nizam Government respectively, but you were going to say something about your being freer to raise capital?—What I wanted to say was that we had probably not the same difficulties in raising capital as exist in India with the Indian railways generally.

1715. Will you explain why?—Because we get our capital direct from the State, from the Nizam's Government. They advance it against debentures. We simply issue more debentures and they advance the money. We get the funds in that way.

1716. Where do they get the money?—From heir own State funds.

1717. Do they raise loans in India?—No.

1718. They take it out of surplus revenue?—They take it out of what they have.

1719. Where do they get it?—From their revenues.

1720. They are able to find the money for the debentures out of the surplus annual revenues?—I suppose so, unless they have some reserves.

1721. That means previous surpluses?—Yes.

1722. They do not issue Indian loans?—No, they do not issue any loans that I know of.

1723. You say that you issue debentures in order to give the Government a charge, and you issue them to the Government at par at 5 per cent.?—At a certain discount nowadays. They do not give us 100*l.* per 100*l.*

1724. You issue on the market terms?—Yes.

1725. You issue sterling debentures?—Yes, and the Government take them up.

1726. But the sterling money is never found in London in that case?—No, not in this case—not since 1907.

1727. What did you do prior to 1907?—Prior to 1907 the whole of the Company's capital funds were raised in London.

1728. Were you free to do it yourselves, or does the Government control your finance?—No; we were quite free to do it, but we had to get their guarantee to enable us to do so. They guaranteed the capital.

1729. If they guaranteed the capital it is clear they must in some way have checked the amount of it?—Yes, I suppose they did. We could not issue it without their assent.

1730 Clearly they would fix the amount, because that is what they had to guarantee?—Yes.

1731. Did they fix the terms of issue; did they interfere with whether you floated debentures or ordinary stock?—It was a matter of agreement between the Company and the Government as to the form of issue.

1732. Can you tell us how you issued it?—I can tell you that we issued in London, prior to 1907, 1,500,000*l.* capital stock, 1,158,000*l.* 4 per cent. debentures, and 1,800,000*l.* 3½ per cent. debentures.

1733. Can you tell us what the machinery was? You have not a prospectus with you, have you?—No.

1734. You do not know whether you issued it through a bank or an issuing house, or whether you put out your own prospectus?—I cannot tell you now.

1735. Would you mind looking that up before you come again?—I will do so.

1736. What does the Company earn now?—Last year we paid 5 per cent., plus 2 per cent. bonus, and we might have paid 10 or 11 per cent., but as a matter of fact we are building up reserves.

1737. You say you paid 5 per cent., plus 2 per cent. Did you pay back, in discharge of your liability, another 2 per cent to the Nizam's Government?—The Nizam's Government get half the surplus earnings.

1738. The surplus earnings were divided into three?—No, they were divided into two. There were the Company's share and the Government's share, half and half.

1739. But the Company's share was subdivided again between what you divided and what you put to reserve?—Yes, between what we paid as bonus and what we put to reserve.

1740. What has your Company done in reference to the money which, under normal conditions, you would have spent on renewals, but which you could not spend because you could not get the material?—We created a deferred maintenance account, as we call it, and that accumulated until we could get the material. I am sorry to say it is going pretty rapidly now, but it was a godsend to us.

1741. Did you get enough?—Yes. It was a splendid move, I think. I think the Nizam's Railway was rather unique in that respect.

(*Chairman.*) Not quite. We have heard of another. The Bengal North Western did the same thing.

1742. (*Sir Henry Burt.*) And the Rohilkund and Kumaon did the same.—I had not heard of that. We thought it was our own speciality.

1743. (*Mr. Hiley.*) How long have you been accumulating this fund?—Since 1917. In 1917, 1918 and 1919 we put by to this reserve practically 72 lakhs of rupees.

1744. That is about ¾-million pounds sterling?—Yes.

1745. (*Sir Henry Burt.*) Which you charged against the working expenses?—Which we charged each year against the surplus earnings.

1746. (*Chairman.*) You charged no part of that against the Nizam's Government?—Yes, the Nizam's Government contributed towards it.

1747. (*Mr. Hiley.*) You deducted it from the gross earnings before declaring the surplus available for dividend?—Yes.

1748. (*Chairman.*) The reserve comes in front of what we may call the surplus available for dividend?—Yes.

1749. And then out of the surplus available for dividend the Nizam takes one-half?—Yes.

1750. That is not quite as you put it before. The 2 per cent. bonus corresponds to what you paid to the Nizam?—We simply thought that our surplus earnings were so large that we could equitably distribute a 2 per cent. bonus and at the same time put a considerable sum to the deferred maintenance and other reserve accounts.

1751. You have other reserves also?—Yes.

1752. (*Sir Arthur Anderson.*) Am I right in understanding that the Nizam's Government contributed their share to the deferred maintenance

reserve?—Yes, inasmuch as the surplus earnings were not so large.

1753. (*Chairman.*) It really was not surplus earnings at all?—It was not. It was money that should have been spent.

1754. It was money that was earmarked for a special purpose?—Yes.

1755. How long have you been in that state of exuberant prosperity?—I think we have followed a very conservative course in building up several reserve funds. We have always been fairly prosperous.

1756. For quite a good many years?—Yes, ever since I have been with the Company.

1757. I am asking you that because you told us that there is a contingent liability on the part of the Company to the Nizam's Government of over 2,000,000*l.*, which represents the accumulated failure to pay the stock and debenture interest which they guaranteed?—To pay the 5 per cent. in the first days of the Company.

1758. It must have gone on for a good many years to reach that figure?—It did go on for many years.

1759. When did you turn the corner?—I should say we turned the corner since we have earned over 5 per cent. It has been ever since I have been there—probably 12 or 15 years or more.

1760. For a considerable period of time, at any rate?—Yes, ever since we have paid our 5 per cent.

1761. The line was constructed in the seventies, and it was not till after 1900 that it paid 5 per cent.?—I am not sure it was 1900, but thereabouts probably. It was some considerable time before it paid at all.

1762. That is important as a sample of the speed of development. I take it you do not wish to express any opinion on the various Governmental connections?—With the Nizam's Railway?

1763. Or generally. We cannot divide you into watertight compartments. You are a director of the Assam-Bengal Railway as well?—You mean in regard to finance?

1764. I want to know if you have any observations to offer on the relation of the Secretary of State or of the Government of India, or of the Railway Board to the guaranteed companies?—As far as the Nizam's Railway is concerned, as I have said, we are only subject to this question of maxima and minima rates, the construction of new lines, and agreements in connection therewith, the annual inspection, and sanction for the undertaking of works where any question connected with the safety of the public is concerned.

1765. Of course it is necessary in all those things that the Government of India as a whole should have control?—I quite agree.

1766. Have you any suggestions to make from the point of view of a director of a guaranteed company?—I do suggest that the Government of India have on occasions interfered too much in rate questions.

1767. Rates and fares?—Yes. I once wrote a little history of the East Indian Railway, a copy of which I have here. I cannot hand it in, because it is the only copy I have got, but as far back as 1882, when competition first started in India, the Government of India wrote a despatch in which they said the question was chiefly in regard to competition between Calcutta and Bombay, the two big competing ports in those days. The Government then said: "The Government of India certainly have no wish to "favour either the port of Calcutta or that of "Bombay in this matter." Shortly put, what it amounted to was that the Government of India were going to leave it to the railways to settle all rate questions themselves and not to interfere with or favour one railway or one port against another. Then, as the outcome of a long controversy, the Government introduced what were maxima and minima rates. The railways were not allowed to go above the maxima rates or below the minima rates, and for years when I was out in India the Government, I think very wisely, left these matters entirely to the railways themselves; they never interfered. There was strong competition that went on for many years not only between Calcutta and Bombay but Karachi and other points of competition came in, with the result that the railways came down to very low rates and trade and traffic developed enormously. Latterly the Government have not left it entirely to the railways to settle these questions of freights among themselves, but have stepped in and interfered where I think it would have been far better for them to have left it, as they originally did, to the railways.

1768. Can you give an instance of that interference?—Yes, I can. I would give the instance of the Hyderabad-Gadag Railway. I will give you a little sketch of the district, which may perhaps help you to understand the position. I think Sir Arthur Anderson was on the Railway Board at the time and will remember it. (*Handing sketch to Chairman.*) You will see Secunderabad, which is the headquarters of the Nizam's Railway. The Nizam's Railway sends its traffic chiefly to the port of Bombay. Bombay has been unable to take all the traffic offering, because of the congestion on the line that intervenes, the Great Indian Peninsula Railway. It intervenes between a point called Wadi and Bombay. As the Great Indian Peninsula Railway has been unable to take the traffic, they have restricted it and said: "You must only hand over so much per day or per "week." Consequent, partly on the restriction of the traffic, the Nizam's Railway and the Government of the Nizam wanted to find an outlet at some other port, and they thought that if they could make a connection down *viâ* Gadag they would be able to get to the port of Marmagoa. Marmagoa is, I believe, a port of very great possibilities, but it is a place without any market. It is not like Bombay, where you can send goods and they can be bought and sold. Anything that goes to Marmagoa has to go direct on board ship and go away from there. Therefore Marmagoa would, in a sense, never be a competitor of Bombay. But Bombay—in other words the Great Indian Peninsula Railway, which leads to Bombay—thought that they saw in this proposed railway a line that would compete with them. They raised objections to the line being constructed, and said to the Government of India: "If you are going to allow this line to be constructed "to Marmagoa port, you will divert the traffic from "Bombay, and we must have an agreement in regard "to rates." The Railway Board then, instead of leaving the Great Indian Peninsula Railway, the Nizam's Railway, and the Southern Mahratta Railway, who were all interested, to settle this question of rates between themselves, were approached, and although an agreement was ultimately come to they interfered in this question. I say it would have been far better for them to leave this question alone.

1769 (*Sir Arthur Anderson.*) This occurred two or three years ago, did it not?—Yes. I think you were there.

1770. Were not the Railway Board invited in the first instance to give assistance in the matter, and did not the traffic managers of the three railways have a meeting in Simla and come to an agreement more or less?—Yes, they may have come to an agreement, but the whole time the Nizam's Railways felt that the Railway Board should not have taken any action. The Railway Board said, as far as I remember: "We are doing this in order to prevent "the competition that will follow, and the agreement "that will ultimately result from it."

1771. (*Chairman.*) To make this new route, you would have had to build 176 miles of new line, would you not?—Down to Gudwal.

1772. You would have had to build from Gudwal through Raichur to Gadag; that is a total distance of 176 miles?—Yes.

1773. You could not build that without the sanction of the Government of India, could you?—Oh, yes; that is all in the Nizam's territory.

1774. (*Sir Arthur Anderson.*) Not all in the Nizam's territory, is it?—It is practically all. We should have had to get the sanction of the Government of India.

1775. (*Chairman.*) I thought so, because you said you had to get the sanction of the Government of India for building any railways, even in the Nizam's territory?—Yes, that is so.

1776. So that you could not build this line without the sanction of the Government of India?—That is so.

1777. Were they not justified in setting out the terms? I do not say whether they were wise terms or unwise terms. I do not know?—I say that they are justified certainly in making terms, but I do not think they are justified, or at least that it is necessary for them to go into detailed questions of the rates that are going to be charged.

1778. But surely the rates are at least as important as the weight of rail?—I do not think they are. If the Government had laid down maxima and minima rates, and had said: "You can do anything you like within those rates," I say all they have to do is to say: "Very well."

(*Chairman.*) Those of us who have been brought up in Western countries know that the question of rates is vastly more important than the question of the construction specifications.

1779. (*Sir Arthur Anderson.*) Has your Company made any protest against the action of the Railway Board in this matter?—I do not think they have. I do not think it would be any use to make a protest.

1780. (*Chairman.*) We will remember the point; it is the first time that anybody has mentioned it. I have been struck with the fact that Government control of rates is really so little?—They certainly do control them very little, but it is a very wise policy, which has answered.

1781. You say that, little as it is, it has sometimes been too much?—I think myself it is unnecessary.

1782. You have not built this line?—No.

1783. Are you building it?—No. We are building an alternative one. We have built it down very nearly to Gudwal, and then we go down by Kurnool, and the moment we propose to go there the Great Indian Peninsula Railway again objected and said: "We must have a rate agreement." We had a meeting with the Railway Board and the Railway Board have thrown out the Great Indian Peninsula Railway contention.

1784. (*Mr. Hiley.*) It did not unnecessarily interfere on that occasion?—No.

1785. (*Chairman.*) You say that all the capital that has been raised from the public has been raised in London?—That is so.

1786. Have you ever tried raising rupee capital in India?—I have never tried it, but I have heard it talked about.

1787. What is your view in regard to that matter?—I think it is a very good solution in regard to the Nizam's State.

1788. It should be easier, I should have thought, in a Native State?—I think at the present time it would be easier, but you have to remember that the Government of the Nizam may also want to raise capital, and if you were to go into the market of Hyderabad to raise capital for feeder lines or anything like that you might be interfering with the raising of capital by the Government.

1789. In your view, is a substantial amount of capital available there that can be obtained on reasonable terms?—You mean a substantial amount of capital for short feeder lines?

1790. No; I mean for big lines?—No; I do not think so.

1791. You think that India will not supply capital for more than the local feeder lines?—I do not think it will. I do not think you will get the money.

1792. Why? Because they do not want to invest?—I think they can invest in much better ways.

1793. That is what most people tell us. Your Board is a purely London Board, is it not?—Yes.

1794. Have you an ordinary English agent in Secunderabad?—Yes.

1795. And you manage your line exactly in the same way that any of the big Company lines are managed?—Exactly in the same way.

1796. You have no method of bringing the Indian community into any closer connection with the railway than any of the other Companies have?—We have none.

1797. And the Nizam's Government practically does not interfere with the management?—No; but we are in very close touch with them.

1798. But there is no official machinery of control?—Yes; they have their own Government examiner.

1799. What does he examine?—The accounts. He passes our accounts out there in the same way that the Government of India examine and pass the accounts of the railways in British territory.

1800. The physical inspection is done by the Government of India?—By a Government of India inspector.

1801. In reference to what I may call policy, service to the public and things of that kind, there is no official machinery for controlling you?—No.

1802. (*Sir Arthur Anderson.*) Has any desire been expressed on the part of the public to have a say in the management of the line?—Never. I think they are only too glad to have it managed for them.

1803. (*Chairman.*) Have you any views as to the possibility of getting a limited number of Indian gentlemen of business standing who would be useful directors?—You mean if there were Boards in India?

1804. Yes?—I think it would be very difficult to get them.

1805. We had a very representative gentleman from Bombay yesterday, who told us he thought a limited number could be obtained, but not many?—I dare say that is so, but I do not think you would get a great number who have any knowledge of railways.

1806. After all, is it necessary for a railway director to be a technical railway man?—No.

1807. He very rarely is in this country?—I do not say he is.

1808. He never is in America?—No. I do not know whether English Railway Boards are models of what they ought to be.

1809. I am not saying they are. Would you say the Indian Boards were?—Yes.

1810. You would?—Yes, I would. I think they are very excellently constituted.

1811. We may take the typical Board of an Indian railway as representing broadly retired Anglo-Indians either with business experience or with railway experience?—That is so.

1812. The theory of an English Board is that it does not manage?—Yes.

1813. The theory of your Boards is that they do manage?—They take a considerable part in the management, leaving to their agents a very free hand.

1814. I think we may consider that the difference between calling a man a general manager and calling him an agent is represented by a difference in the position?—I should not think there is a great difference in the position.

1815. I think there is a real difference. An English general manager manages the concern?—Yes.

1816. He asks his Board's advice on very important matters and that is all?—Yes, and I think you might say very much the same of an Indian agent.

1817. Would you say that the Indian agent asks his Board's advice or receives his Board's instructions?—I think that, as a rule, there is a very good and intimate relationship between the Board and the agent. You can call it receiving their instructions or confirming his actions or something of that sort, but it amounts to the same thing in the long run.

(*Chairman.*) I think not. With respect, I think you will find it is really different in practice.

1818. (*Sir Henry Burt.*) There is one point I should like to clear up for the information of the Committee, and that is as regards the formation of Indian Boards. Assuming, for the sake of argument, that it may be possible in the case of the G.I.P., the B.B.C.I., and the East Indian Railway, I think it may be said that it would be quite impossible in the case of an inland line like yours. You could never get a Board at a place like Secunderabad?—No, I quite agree.

1819. Assuming that it would be possible in other cases, it never could be done in the case of a railway line like the Nizam's?—That is so. It is purely a matter of opinion, but if you are going to make any change, why not make a change with the State Railways? Why not take the Eastern Bengal, for instance, an important commercial line running into Calcutta, and managed by the State, and form a local Board there to run the Eastern Bengal Railway and see how it works? There are three or four main points in your terms of reference. The first point you have to consider is direct State management—I do not know whether you want any evidence on that. The second is the question of management through Companies domiciled in England with a Board sitting in London. The third is management through a Company domiciled in India with a Board sitting in India. The fourth is management through a combination of the last two. I admit that there may be difficulties, but my own opinion is that it is a matter of compromise. I think if you can arrive at a combination of these two the whole difficulty might be met, and the only way I can see of doing that is that your Board which sits in London—which some people object to and say it should sit in India—should also sit for a period each year in India. My idea is that a quorum of the English Board should go to India every year, and sit there, say, for a couple of months—that is quite long enough—in order not only to get in touch with the whole of the staff, so that they may know them much more intimately than they can and do at present, but also to get to know the requirements of the line at first hand. They should also get in touch with the Chambers of Commerce, commercial people and so forth, and give those people an opportunity of knowing the Board. That is my own personal opinion. I am quite convinced that everybody will object to it and see difficulties in the way.

1820. (*Chairman.*) I can put to you one difficulty?—I admit there are difficulties.

1821. A good many of the Directors would not be both able and willing to go?—If the Government agreed to a thing of this sort they would certainly have to pay people a much better remuneration than they give at present. I cannot believe there is any Board of which at least two members could not go out. Hitherto the system has been to send a director out to India. Even that system has been very badly utilised in the past. I have been for years on a railway where no director has been sent out for eight or nine or ten years or more. Then a director has come out, and it has done no end of good. He stirs up the whole of the staff.

1822. Even a single director?—Yes. I have no hesitation in saying that the staff welcome him and are glad to see him. He spurs them on to better endeavours and efforts in the future. If that is so, would not it be still more so if you could send a Board who are able to come to proper decisions, and not merely a director who simply says, "This is a "difficult question, and I must refer it home"?

1823. You mean a Board with power to act?—A Board with full powers to act.

1824. Would you make it a rule that if anybody refused for three or five consecutive years to go to India he must retire?—No, I would not, because, even if one refused, there would be somebody else who would accept.

1825. But if it was always the same directors who went, would not that be a difficulty?—I do not think so.

1826. (*Mr. Hiley.*) They would take the full power of the Board with them?—Yes. The Board could practically be in abeyance, as it is during the vacation for a couple of months every year.

1827. (*Chairman.*) Would not the effect of it be that the directors who refused to go would gradually cease to be of any use?—I think in the course of years that might be so, but you are always replacing them. They are not there permanently for ever.

(*Chairman.*) They are there for good long periods.

1828. (*Mr. Hiley.*) It would have the effect of bringing in fresh blood?—Yes.

1829. (*Chairman.*) I think that is a very valuable suggestion; nobody has made it in that form before?—I put it forward as my own personal opinion without any authority from my Board.

1830. (*Sir Henry Burt.*) Do you think that such a scheme as you suggest could be applied to the Nizam's Railway?—Yes.

(*Sir Henry Burt.*) You think you could get a Local Committee there?

1831. (*Mr. Hiley.*) It would be a London Committee?—I am talking of a Committee or quorum of the London Board.

1832. (*Chairman.*) You would not propose to have local members to meet the Committee of the London Board; it would merely be a case of the members of the London Board going out there?—When they get out there they would meet all the constituted bodies.

1833. But they would be the only people with authority?—Yes.

1834. (*Sir Arthur Anderson.*) Would it be possible for Indians to join these Committees and eventually be made members of the Board?—You could co-opt Indians to join your Board temporarily out there. The whole idea is very rough, but I think if it was beaten out it would be found that there is something in it.

(*Chairman.*) I am very glad that you suggested it.

1835. (*Mr. Hiley.*) I conclude under the scheme we are discussing that if you did find it desirable or necessary to co-opt Indian members temporarily, your view is that it would be less objectionable from the point of view of some London Boards than the appointment of a Standing Local Board, because when the English members returned to England they would, under this scheme, take their powers back with them?—Yes, they would simply go on with the

Board in London. My idea is to try and get a solution such as is suggested here without my knowing what it means.

(*Chairman.*) We want as many suggestions as possible. Probably none of them will be adopted as they are put forward, but we hope that something will grow out of all the differences.

1836. (*Mr. Hiley.*) Have you a Government Director on the Board of the Nizam Railway Company who acts in a similar way to the Government Director on the Indian Railway Boards?—Yes, we have.

(*Chairman.*) Thank you very much for your evidence.

The witness withdrew.

MR. FREDERICK SCHOOLING, F.I.A., called and examined.

1837. (*Chairman.*) Will you tell us your position?—I am a past president of the Institute of Actuaries, at present a director of the Prudential, and late joint manager and actuary.

1838. You are going to speak, I take it, from the investor's point of view?—Yes.

1839. Purely from the investor's point of view?—Yes. I think as investors our first consideration is that our existing holdings in Indian railways should not be jeopardised in any way.

1840. Are the Prudential large holders?—We hold about 3 millions in Indian railways. Part of it is in annuities—about half of it.

1841. There you are entirely disinterested in profits and development?—Yes. We hold debentures 341,467*l.*, Guarantee Stock 755,670*l.*

1842. What does that mean?—That means like the ordinary guarantee, the ordinary stock with the guarantee—Preference Stock 382,650*l.*

1843. What is that in?—Some in the Bengal and North Western, and the Ordinary 96,000*l.*

1844. Is that Bengal and North Western also?—No, Bengal Dooars and others, and annuities we have 116,000*l.* per annum.

1845. That probably cost you 2 millions at any rate?—No, I hope not, but not very far off. We are large holders of both the A and *B* annuities.

1846. Will you tell us roughly when you acquired these holdings?—Over a long series of years.

1847. You have been steady investors?—Yes.

1848. Now we want to know your position?—I think I read the first note—as investors our first consideration is that our existing holdings in Indian railways should not be jeopardised. Our second consideration is that an investment field should not be closed against us.

1849. Take the first point. Most of the things you have—anything except the private companies, investments—have the guarantee of the Secretary of State?—To an extent of 3½ per cent. in most cases.

1850. The guarantee is by the Secretary of State?—Yes.

1851. Do you attach importance to that as compared with the guarantee of the Government of India?—Perhaps.

1852. One witness said that the guarantee of the Government of India is not a trustee security. The guarantee of the Secretary of State is. Or the guarantee of the Government of India would not be, because I do not think there are any stocks so guaranteed at this moment; but suppose it was a guarantee of an Indian Railway Board: which is a suggestion, he said that would not be a trustee security. That does not touch you?—No, we are not limited by trustee securities.

1853. Would you attach any importance to the difference?—I am afraid I cannot answer that off-hand. It depends what meaning is put into the Government of India.

1854. In what sense are you raising that?—Do you mean the Government of India as it stands at present? I should say that we should be content with it.

(*Chairman.*) As it stands with all its possibilities of course it must be.

(*Sir Arthur Anderson.*) The Government of India securities are surely trustee securities?

(*Chairman.*) All the securities—the Rupee Loans and so on—are under the authority of the Secretary of State. Is not that correct?

(*Sir Arthur Anderson.*) They raise them under the authority of the Secretary of State, but they are issued by the Government of India.

1855. (*Chairman.*) Do you think the difference in name, the guarantee being by the authority of the Government of India instead of the Secretary of State, would make any practical difference?—I do not think it would. The Prudential in the past, as large holders of the stock of Indian railway companies, has had the privilege of having direct access to the directors of the various companies, and I can give examples of the usefulness of this. I might mention that I was a member of the Committee of the Bombay Baroda Company, which negotiated the present contract; also that at the termination of the last contract for the same company, under the terms of which the railway was to be purchased by the Government of India on the annuity plan, or, in other words, to be paid off by equal annual instalments over a given number of years. Such annuity was to be calculated at a rate of interest depending on the rate yielded by Indian Government securities. The India Office proposed only to take into account India stocks. The Prudential was consulted, and the matter was put into my hands. I at once pointed out that the Great Indian Peninsula annuities were as much an obligation of the Government of India as were India stocks. Sir Lionel Abrahams, whom I saw on many occasions, disputed this, and the Bombay Baroda Company then took steps to enforce their views, and consulted the present Lord Haldane on the Chancery side and Mr. Asquith on the Common Law side, who advised as to the necessary legal action. An offer founded upon altogether a different basis was made by the India Office and accepted by the Bombay Baroda Company, so that it was a glorious British compromise that prevailed there. Another case where the fact of having a London Board was of service to investors was that of the Indian Midland. A provisional agreement for a new contract had been entered into between the India Office and the directors of the Indian Midland Company. The terms of this agreement were submitted to the Prudential, and we told the secretary of the Indian Midland that we should oppose it. Here the question was simple, for the contract terminated by payment in cash, hence investors should have something which must be considered a little better than cash under a new contract. We submitted a proposal, which was refused by the India Office; we then circularised the stockholders, and obtained an overwhelming majority of votes. When this became known the India Office desired to accept our offer, but it was too late, and the stockholders were paid in full in cash. Then we have always had cordial relations with the Great Indian Peninsula and the Madras and Southern Mahratta

Railways, as well as others, and we were consulted and took part in the legal negotiations necessary to enable the Great Indian Peninsula trustees to purchase their own B annuities. I mention these points to show how necessary we consider it that we should have a Board of Directors accessible to large investors such as we are.

1856. Are we to take that as evidence that you are not in sympathy with any proposal for transferring the management to India?—That is so.

1857. When you say you called in Lord Haldane and Mr. Asquith to advise, that rather implies that the contract is pretty difficult of interpretation?—Those old contracts I think were.

1858. I think you will agree that the contracts are very detailed?—Yes.

1859. And very complicated?—Yes.

1860. And all different?—Yes.

1861. Supposing instead of that you had—call it a Railway Board for the sake of argument—a railway body representing the Government of India issuing loans on simple terms like the War Loan, which has been put on half a sheet of paper—the prospectus, I mean—those difficulties would be got rid of, would they not?—They would not be issued as with any specific charge on a railway.

1862 They would be issued with a specific charge, say, on all the railways. For the sake of argument, I am not making a proposal, one could imagine we will call it the Indian Railways Debenture Stock, and that it had a charge on the whole of the railways of the Government and the guarantee of the Indian Government behind it if you like. With a thing of that kind you could issue what you wanted, and the terms would be simple, clear and uniform?—A great deal of the value of the security would depend, would it not, if it was a charge on the Indian Railways, as to whether the railway companies were managed by a Board of Directors in London, or perhaps by native boards in India.

1863. You attach great importance to that?—Yes.

1864. Am I to take it that you do not think that a security on the railways that was perfectly plain for all folks to see and understand would be good if the management was in India?—Without a Government guarantee apart from the success or failure of the railways I do not think it would.

1865. You think it would be necessary and that the loan would be floated on the Government guarantee and not on the railways?—That is so.

1866. Although the railways last year earned 8 per cent.?—Yes.

1867. (*Sir Arthur Anderson.*) The railways are Government property taking them all round. The proposition Mr. Acworth is putting would be a Government Railway Loan?—I am not enamoured with Government management of anything.

1868. It would be really a loan of the Government raised in the name and on behalf of the railways?—If in addition to the security of all the railways the Government made a heavy loss on the railways, yet the interest on the amount advanced would be secure, it is a different thing.

1869. Against the revenue of the country?—Yes.

1870. I take it it would be?—I think investors, as a rule, would not venture their money on an unknown future.

1871. (*Chairman.*) I gather you want things left as they are from that point of view?—Yes.

1872. Pertaining to the point about lack of uniformity and complication, do you think Indian railway securities would get a freer and better market in England if the terms were more simple and more uniform?—Yes, I really have a note on that point. It is beside your point; it is the utilisation of private capital for the construction of new lines.

1873. Let us get rid of the other point first. You were going to say something in answer to what I said. Would you get a freer market and better opportunities of issuing capital if the terms were more of the type that is familiar to the Stock Exchange?—There is not very much difference, is there, at the present time; of course, they are abnormal.

1874. Leave out the present time altogether; take a prospectus of an ordinary Argentine railway asking for 2,000,000*l.* preference; that was a very simple document, and everybody knew what it meant?—Yes.

1875. You cannot compare it with those documents, the Indian Contracts.—No.

1876. Does not that handicap the investment of money in the Indian Railways?—To an extent, yes, but I think as pointed out in an article here the investors in Indian Railways to a large extent are small investors in the country.

1877. Exactly.—They put their money into these concerns on the advice of their banker or solicitor probably.

1878. I put it to you, you are an expert, should you say that the ordinary person with a capital of 10,000*l.* or 20,000*l.* was at all likely to have any part of it in Indian Railways. They would probably have some in Argentine Railways and some in various Government loans and Colonial loans and so on, would they not?—Yes.

1879. Do you think they would be likely to have anything in Indians.—Some would.

1880. Would it be common?—No, I do not think it would.

1881. Why not?—Because of the complexity of the contract.

1882. You agree?—Yes.

1883. What would you do in the direction of simplification and making them attractive?—Still with the Government guarantee?

1884. I am asking you?—I have a note here. I say: "If the Government desire to retain an "option to take over the holdings of the private "investor, the terms of such option should be quite "definite and subject to no misconstruction, the "payment to the stock holders should be made in "cash, and at a substantial premium on the issue "price of the stock."

1885. That is a plum?—Yes. As a rough indication we will assume the Government guarantee at 5 per cent. per annum—and stock issued at par; the guarantee by itself would be approximately equivalent to a market price of 80, that is 20 points below par. The premium on redemption should therefore be 120, that is 20 points above par. A simple transaction like that, I think, would probably draw investors.

1886. There are two points there; in the first place it is something that anybody can see and understand?—Yes.

1887. In the second place, there is a plum?—Yes.

1888. The Government of India, as far as you know, have never given any plums?—No; I agree, and the Government of India would only exercise their option if the railways were a success; if they were a failure they would not do it, so that they could afford to pay a premium.

1889. At present they exercise it if they are a success, and when they pay off at par there is nothing. But if it is a failure they say, "Keep your "concern," which does not attract the ordinary investor?—Yes.

1890. How are these Government issues made, because they are really Government whether called

East Indian debentures or Government loans?—They have been made in a variety of ways.

1891. Who issues them, the Bank of England?—The Bank of England has issued some.

1892. I assume they are never underwritten or anything of that kind.—I do not think so. They have not in the past, but now we find even the English Government underwriting loans.

1893. Again, this is abnormal. They never were underwritten.—No

1894. I suppose if it was in Argentine they very likely would be underwritten.—Sure to be.

1895. That tended to get it pushed?—Yes.

1896. Under the other system it is nobody's interest to push it.—Yes.

1897. Are there any jobbers in the Indian Railway market, can you tell me?—There are only three I think.

1898. How many do you suppose there were in the Argentine market—the South American market?—I really do not know, but certainly three times as many.

1899. It all tends the same way: the issue is not made attractive.—Yes; there is no free market.

1900. The reason is that it does not attract the public at large?—No.

1901. Assuming that the market was encouraged. I daresay you know Lord Inchcape's Committee, the Mackay Committee, of thirteen years ago?—Yes.

1902. The Mackay Committee were told by Lord Rothschild and Mr. Daniel, of Mullens and Marshall, that the London market could not take more than 10,000,000*l.* a year. How does that strike you, leaving out the present abnormal conditions?—I should be very sorry to disagree with two such eminent authorities. It is only a personal opinion, but I should think, with an attractive Indian security, that you could double the 10,000,000*l.*

1903. Have you any idea how much Argentine they got with any issue?—I should not like to commit myself.

1904. It used to be said that Canada was taking 100,000,000*l.* before the war?—Yes.

1905. Can you see any reason in the nature of things why, if it could get 100, India should only get 10?—No. Of recent years the wonderful possibilities of India have been very strongly brought home to me.

1906. Will you please go on with what you have there?—Then with regard to this issue of new money, I think it is necessary that all surplus profits on the part of the capital subscribed by the private investor should go to the shareholders. The reason for this is that, owing to the suspicion and uncertainty which has arisen in the minds of the stock-holders, both in English and Indian railways, any other course would result in the money not being obtained. Moreover, it must be borne in mind that no surplus dividends will be payable during the period of construction, that is, with regard to the new capital. That does hold now with regard to the existing companies, such as the Bengal-Nagpur. There the surplus profits on the part of the capital subscribed by the private investor does go to the shareholders.

1907. Up to the limit of their nominal investment?—Yes.

1908. Let me see if I understand. There should be no limit to the possibility of a dividend?—That is so.

1909. That is the Indian practice?—Yes, then there must be an absolute guarantee that investors in Indian Railways should not have to pay a higher rate of income tax than if they invested in home securities.

1910. Is not that safe now?—At present it is.

1911. If the Indian income tax went to 4*s.*, then you would have to pay 7*s.*?—You might. There is no knowing what future legislation can do.

1912. Under the present English law if the tax remained at 6*s.*, and the Indian was 4*s.*, the English authorities would allow you to deduct 3*s.*, and you would have to pay 1*s.* in Indian and 6*s.* in English?—That is so.

1913. That you think clearly is a barrier?—Yes; I think nowadays everyone is so alive to the question of income tax that it is one of the first things an investor enquires about.

1914. Have you any information as to issuing free of income tax?—At the present time it would be most attractive.

1915. We have been told that the Bombay Improvement Trust have issued free of Indian income tax and got 6½ crores?—How would that affect an English investor? Would he not still have to pay?

1916. They have got it all in India?—I beg your pardon.

1917. You would not care to speak, I suppose, about the potentiality of the Indian investor with a lower income tax?—No.

1918. Will you please go on?—In recent cases, of course, we have had this rebate, and the companies that have accepted and adopted the rebate have been successful, have they not?

1919. You are speaking of the branch line companies?—Yes.

1920. Have you any money in them?—Yes, some.

(*Sir Arthur Anderson.*) In rupees?

1921. (*Sir Henry Burt.*) It would be rupees; it must be?—Yes.

1922. (*Chairman.*) Ordinary stock or debentures?—Preference and ordinary.

1923. Do you think the great fluctuations of exchange of the last year have scared the English investor?—No, I do not know that it has.

(*Sir Arthur Anderson.*) It has not been to the good.

(*Chairman.*) It is rather startling to bring one dividend home at 2/9 and the next of 1/7.

1924. (*Sir Arthur Anderson.*) But still the investor originally expected only 1/4?—It has all been to the good of investors in Indian Railways.

1925. (*Chairman.*) Even the 1/7 is better than usual?—Yes. Then I have drafted a note on the Terms of Reference.

1926. Will you tell us anything you think there is in it that is germane to your experience. We shall be very grateful for that?—The first part, I am afraid, is not so much from the big investor's point of view. "Direct State Management. This, "from the point of view of the private investor, "might mean either of two things: (1) purchase of "the stockholders' holdings by the Secretary of "State, or (2) the State managing the railways and "still paying the stockholders their proportion of "profits. Experience has proved that the first course "is invariably inimical to the stockholders' interests. "The second course would be even worse, for it "seems impossible for a Government Department to "work any business on a profit-yielding basis. Most "State concerns tend to become economically "unsound, eventually throwing a burden on the "taxpayer, and investors are averse from engaging "in any enterprise which is economically unsound. "As an example of this, the case of the present "Corporation Housing Bonds may be mentioned, the "hesitation on the part of the public to subscribe "for the Bonds being due to the knowledge that "the scheme, in addition to being on an unsound "economic basis, is largely under the control of the "State or the Municipal authorities. It should also "be borne in mind that the present-day tendency is "to give an increasing share in the government of "the country to the native Indian; and in view of "the possibility of the ultimate grant of complete

"autonomy to India, the stockholders would probably "be unwilling to place their undertakings under the "direct management and control of the Indian State. "The alternative of the British Government owning "the railways in an Indian self-governed State "would appear to be unworkable. For example, "imagine the position of the Canadian Railways if "they were directly owned by the British Govern- "ment. Another objection to direct State manage- "ment lies in the temptation for the Government to "use the railway for its own purposes regardless of "the interests of the stockholders, *e.g.*, the construc- "tions, for strategic purposes, of lines that would be "unremunerative for ordinary traffic. From the "private investor's point of view the present "methods of Company management with a Board "sitting in London have worked admirably, and the "onus of proving that any alteration would give "better results should fall on those proposing such "alterations. In those cases a fixed rate of interest "on the stock is guaranteed by the Secretary of "State, and, after payment of a fixed rate on this "share of the capital, the surplus profits are divided "in agreed proportions between him and the "Company. The directors and management have "thus a direct incentive to administer the railway "with efficiency and economy in the interests of the "stockholders, while the interests of the general "public are safeguarded by the Government "through the Railway Board and the Government "director. Then (*b*) and (*c*). (*b*) is management "through a Company domiciled in England and "with a Board sitting in London; (*c*) is "management through a Company domiciled in "India and with a Board sitting in India. As "between methods (*b*) and (*c*) preference must be "given to the former, as at present in operation in "the cases of several of the principal Indian "Railways, as it has the advantage both of simplicity "and efficiency. The Secretary of State being "resident in London has direct access to the "Directors and Management in London through the "Government Director; and the Directors, in their "turn, have access to the local officials in India "through the Company's agent. It might be argued "that a Directorate and Management domiciled in "India would be more conversant with local "conditions and methods, but it should be borne in "mind that the Directorates and Managements as "at present constituted include many men with an "extensive personal knowledge of India, and the "Company's agent spends the whole of his time there. "Further, the Directors' duties being mainly con- "cerned with wide questions of policy, they can exer- "cise their functions as well as, if not better than, they "could if resident in India, technical and detail matters "being dealt with by competent local officials with "wide powers. Again, the majority of the holders "of stock, being resident in England, and having the "power of electing their Directors, should have the "opportunity of being in close touch with them. "Generally speaking, an English investor in the "stock of a Company, with a London Board, which "either wholly or in part is dependent upon the "profits earned, as distinguished from a fixed "interest-bearing security, should not subsequently "be deprived of his privilege of direct access to the "Directors of such Company. A further objection "to the choice of India as the domicile of the "Company lies in the fact that it would thereby "become subject to the Indian Company Law."

1927. I know nothing about that. Is there anything in that?—There might be.

1928. Do you know anything?—No, not at the present moment; it is only possibility.

1929. It raises an uncertainty in the investor's mind?—That is so. "From these considerations it "would appear that, from the point of view of the "private investor, method (*b*) is preferable to either "(*a*) or (*c*) and that no useful purpose would be "served by the combination suggested under method "(*d*)."

1930. I expect you have some bonds in the Canadian Northern. You know the constitution of the new Canadian National Railways?—Not well.

1931. It is merely this, the whole of the stock of the Canadian Northern Railway, every penny of it, belongs to the Dominion Government; and the Dominion Government has constituted a body called the Canadian National Railways, and as they hold all the stock they can appoint any Directors they like. They have appointed a Board of Directors such as you and I would appoint if we wanted our property properly managed, well-known business men and so forth; they manage the railways for the benefit of the public, at least that is what they are supposed to do, subject to the fact that the Government of the day could vote them out of office at the next General Meeting if they liked. Have you felt tempted to sell your bonds?—We have sold, I think, a large amount of them. We hold some now. We only hold the prior charges.

1932. It was not on that ground you sold them, I take it?—No, we had a favourable opportunity with the dollar securities.

1933. Have you any view as to how something of that kind might act?—Would you get this wonderful Board to accept such a position?

1934. Yes. I suppose it may be better to be the servant of one shareholder than 10,000; I do not know, but I understand it is an unexceptional Board and they manage the railway?—They might get such a Board in Canada, but would they get such a Board in India.

1935. That is another question; you have raised that point; it is a question of the constitution here.

1936. Is that the end of your memorandum?—Yes.

1937 Is there anything else on the terms of reference that specially comes to your mind?—No, I think not.

1938. I do not remember that there is. You do not want to go into Indian details and the constitution?—No.

(*Chairman.*) Then I think that is all I need ask you. We are very much obliged to you for coming.

The witness withdrew.

(Adjourned until to-morrow at 2 P.M.)

FOURTH DAY.

Wednesday, 17th November, 1920.

PRESENT:

MR. W. M. ACWORTH (*Chairman*).

SIR HENRY BURT, K.C.I.E., C.B.E.
SIR ARTHUR ANDERSON, KT., C.I.E., C.B.E.
MR. E. H. HILEY, C.B.E.

MR. WILLIAM GAULD (*Assistant Secretary.*)

SIR CHARLES ARMSTRONG and MR. A. MUIRHEAD, called and examined.

See Written Statement No 7, Vol. IV.

1939. (*Chairman.*) Sir Charles Armstrong, you are the Chairman of the Great Indian Peninsula Railway Company?—(*Sir Charles Armstrong.*) I am.

1940. I understand that previously you were a merchant in Bombay?—I was for over 30 years.

1941. Will you tell us what firm you were in?—Lyon, Lord & Co.

1942. Mr. Muirhead, I understand that you are a Director of the Great Indian Peninsula Company?—(*Mr. Muirhead.*) Yes.

1943. What were you formerly?—I was the agent of the South Indian Railway, and previous to that, since 1884, I was in both the State Railways' and Companies' employ.

1944. Were you on the traffic side all the time?—Yes, entirely, until I served as the agent, which is a general managership.

1945. Were you ever on the Great Indian Peninsula as an officer?—Yes, I was General Traffic Manager.

1946. And subsequently agent to the South Indian Railway Company?—Yes.

1947. Then you came home and became a Director of the Great Indian Peninsula?—Yes.

1948. Sir Charles, the first point you raise is the advantages resulting from competition?—(*Sir Charles Armstrong.*) Yes.

1949. As I understand that, you mean between the State Railways and the private railways?—We do mean that, but we also mean between the Company worked railways themselves. the competition, say, of our railway with the East Indian and the Bengal-Nagpur Railways.

1950. That is, competition for the traffic?—Yes.

1951. It is competition from the producing centre in the same market to get the traffic in two different directions in that case?—Yes.

1952. Which can be carried either eastwards or westwards?—Yes.

1953. (*Sir Henry Burt.*) Mainly to the ports?—Yes, it is port traffic.

1954. (*Chairman.*) That of course is not the same thing as what one understands in England or America, where there may be three Companies, each starting, say, from the Nagpur source and all arriving at Bombay?—That is so.

1955. You have not anything of that kind?—No, we have not the same sort of thing in India.

1956. May I ask you a question, which has been in my mind a good deal, in regard to a point that you have raised? Is there anything in the statement that is made that the tendency of the Companies, partly, I take it, because of their English affiliations, has been to attach undue importance to through import and export traffic and less importance to the development of purely local traffic?—I do not think there is really anything in that. It is a point that has been very often raised. I was Chairman of the Chamber of Commerce for seven years, and that was a point that frequently came before me, but I do not think there is really anything in it.

1957. Do you mind giving the years when you were the Chairman of the Chamber of Commerce?—I was Chairman of the Chamber of Commerce from about 1906 until I left India in 1914.

1958. May I put the question to you in this way? I am sure you will not object to it. As a Bombay merchant, your interest might be to consider export and import as of great importance?—That might be so, yes, certainly.

1959. And people might say you were prejudiced?—They might.

1960. But, as far as you know, there is no ground for the statement that the development of local traffic is neglected?—There is no ground for the statement as far as I know.

1961. Now I am going to ask Mr. Muirhead to answer the same question?—(*Mr. Muirhead.*) The question has been raised several times. I noticed that only the other day in Bombay they were agitating that the reduced rates for export and import traffic should be withdrawn. I quite agree with Sir Charles Armstrong that, looking at it from the railway point of view, there is nothing in it, and that the rates for export and import traffic are not unduly favourable at the expense of the local traffic.

1962. You say, "looking at it from the railway "point of view," I expect every railway man, speaking as a railway man, would say that, however low the through rates are, the through business is generally more profitable to the railroad than the local business, however high the local rates are. That is a sort of railway opinion all the world over; the big bulk business is always the profitable business?—Quite so.

1963. But looking at it not from the railway point of view but from the point of view of the development of the country, what do you say?—I think the export and import traffic is very important to the development of the country, and that it is wise to encourage exports and imports by putting the rates on as favourable a basis as you can. Of course, I do not hold that local traffic is of no importance. I can conceive of local traffic being of far greater importance than the through traffic in certain cases.

1964. Are the proportions varying?—Yes, they are.

1965. That is to say, local traffic is becoming increasingly important?—Yes.

1966. You are clear in your own mind that the rates are such as fairly develop that traffic?—They were at the time I left, and I do not think there has been any great change since.

1967. How long have you been home?—Since 1919—about 1½ years.

1968. I think, Sir Charles, you have only recently returned from India?—(*Sir Charles Armstrong.*) I

came home in 1914, but I was out in India again this last cold weather a few months ago.

1969. May I ask you a question that we raised at some length with Sir Marshall Reid, the question of the manning of Local Boards? Sir Marshall Reid told us that a few people, whether Indians or Englishmen, suitable for railway directors might be found in a place like Bombay at any rate, but one of the great difficulties was that from the time when a man got sufficiently high up to be recognised as important enough to be put on to a Board to the time when he left India was a very short period—he thought on the average not more than five years.—That is so.

1970. Would you agree with that in every respect? Would you agree that there was a certain number of men to be found?—I agree that there are a certain number of suitable men. I take it you are speaking of Indians as well as Englishmen?

1971. Yes, both.—I agree that there are a certain number of men who are quite capable of being railway directors, but they have not got the experience.

1972. But they are men of business?—Yes.

1973. They are capable of going on to a Board?—Yes, they are capable men. At the same time they are very busy men. They have got their own business to look after. I have had a great deal of experience in Bombay of public companies—I was a director of several—and my experience is that men could not give more than a very short time to a Board meeting.

1974. We put it to Sir Marshall Reid that an English Railway Board did not take up the time of a director more than a day in a month roughly. If a banker or a big manufacturer or a country gentleman is on one of the English Railway Boards, it does not really mean more than, roughly speaking, a day a month. They could give that, I take it?—My xperience of my own Board in London is that it takes a great deal more time than that.

1975. I think you do a great deal more than they do. You do things that our English Boards do not do, because you have not your agent on the spot, and you would probably get through your business quicker if that were the case than when you have to refer and discuss correspondence, and so on?—Yes, but my experience of a great many of the Boards of Joint Stock Companies in India is that, owing to the fact that the Directors are very often Directors of many other Companies and busy men, they have not really got the time to give to the work, and become Boards for confirming the acts of their agents. They do not exercise much directing power.

1976. Do you think that is wrong? Does the Company suffer?—Yes. Of course most public Companies in India are worked by agents, and they are generally experienced men. They have a big financial interest in them, and of course it is to their interest to run their concerns properly. I was a Port Trustee for ten years. The conditions as regards the Bombay Port Trust are different, because the handling of ships and the handling of import and export cargo is part of the business of the merchants. On the Port Trusts the merchants have a real power, and their advice is extremely valuable, because it is their work and they know what they are doing. But in connection with other Companies that I have been on, my experience has been that the Directors really do nothing more than confirm the acts of the agents.

1977. That is where you have a Managing Agent, you mean?—Yes. That is the general system.

1978. Where you have a company like an English company (I do not know whether there are any of them in India) where the Agent corresponds to our General Manager, do you see any objection to the real management being in the hands of the Agent, subject to general control by the Directors?—If you put it from the point of view of a railway, I think it is a very great responsibility to throw upon one man.

1979. On the other hand you would agree that it is impossible for a Board of Directors to adjust rates to suit traffic as it grows and changes?—Yes.

1980. And you would agree that they cannot interfere with engineering matters?—All engineering questions are closely examined by the Board in consultation with their consulting engineers.

1981. They certainly cannot interefere with methods of operation; they do not understand them?—Yes, they can and do, as the Home Boards are composed of experienced men.

1982. That is a different system?—They can give very valuable advice. They are in touch in the City of London with most experienced men and modern methods, consulting engineers and so forth, and they can help the agent very considerably; otherwise he has not always got the requisite knowledge and facts.

1983. Now let me get an answer to the second part of the question. Is Sir Marshall Reid unduly pessimistic when he says that, whenever you become really valuable you go away in five years?—Yes, I think that is a correct statement as regards India.

1984. It is quite a short period?—It is.

1985. Of course, that five years does not apply to an Indian merchant on the spot?—No. During those five years an Englishman is extraordinarily busy. He is generally a Director of many companies; he has his own business to look after, and he has endless outside interests to attend to.

1986. It is rather regarded as a distinction to be a Director of the North Western Railway in this country. Do you not think a Directorship of the Great Indian Peninsula would attract first-class men?—It might attract them, but it would not induce them to stay any longer in the country.

1987. I agree; but they would give a certain modicum of time to the company for those five years?—Yes, but I think there is a great danger in continually changing the Directors. A railway wants continuity of policy, and I think it is very unwise for the Board always to be changing.

1988. Now let me take you back to the question of competition. You have explained what you mean by competition between railways which may be privately owned for the output from a market or, it may be, on the other hand, for supply to a consuming centre from two possible port sources. That is one kind of competition?—Yes.

1989. If I understand you aright you also use competition in the sense of rivalry in efficiency?—Yes.

1990. From that point of view you object to sheer State management because you think it would not secure it?—I do.

1991. I do not know that I quite carry in my mind what your view is with regard to the maintenance of the dual system?—I think the present system, the dual system, is advisable.

1992. On principle?—I think one helps the other. I think the competition of the company lines with the State lines is all for the general good.

1993. You speak of the dead level which would result from the State management of all railways?—Yes.

1994. But you do not think the State Railways will be at a dead level as long as they have Companies alongside of them?—It is impossible that they should be. They have to compete. (*Mr. Muirhead.*) There has been no experience in India of State Railways alone.

1995. Has the North-Western any competition to speak of?—Yes. It is in competition with Company.

lines in the way of rolling stock, speed of trains, convenience to passengers.

1996. I should call that rivalry in efficiency; it is not quite competition?—That is so.

1997. What I meant was that the basin from which the North-Western obtains its traffic is pretty well a preserve of the North-Western line, is it not?—Yes.

1998. (*Sir Henry Burt.*) There is a certain amount of competition for Bombay and Karachi is there not?—(*Sir Charles Armstrong.*) Yes. (*Mr. Muirhead.*) Take the competition between ports, each Company is working for its own port. The Great Indian Peninsula for Bombay, the East Indian for Calcutta and the North-Western for Karachi.

1999. Against Bombay?—Yes. If they were all State Railways, how would that competition be brought about and adjusted. (*Chairman.*) The point I want to get at is this. If the traffic from the north-west, the Punjab wheat, goes to Karachi or goes to Bombay, in both cases it originates, does it not, with a State Railway system. (*Sir Henry Burt.*) Oh no. (*Sir Charles Armstrong.*) No. There is a very large area in the Punjab where this wheat grows and there are other railways there.

2000. (*Sir Henry Burt.*) Even as far down as Bareilly there are competing points?—Yes, many competing points.

2001. There is a large area around Bareilly for which both Karachi and Bombay are in competition?—Yes.

(*Chairman.*) If it goes by one route, it would go by the State Railway to Karachi.

(*Sir Henry Burt.*) Partly State and partly Company.

(*Mr. Muirhead.*) There would be only a very small Company mileage to Karachi, the major portion of it would be State.

2002. (*Chairman.*) On the other hand, if it came to Bombay it would be a Company line all the way?—Yes.

2003. And therefore the State Railway is stimulated by that direct competition?—Yes.

2004. I would like you to say exactly in your own words what you wish to say on the subject of the economic and commercial interests of railways being subordinated to political influences. Does that happen at the present time on the State lines?—(*Mr. Muirhead.*) Yes, I should say it does. The question whether Government can commercially work a railway as advantageously as Company lines has been discussed, as you know, among many people, and you yourself have expressed views upon it. With regard to what you say about politics, I assume you are talking about political influence on the railways?

2005. Political influence might be used in regard to rates, either in the reduction of rates or by using the rates as an engine of taxation. We have a case in point in Ceylon. The railway rates in Ceylon are much higher than in India, simply because there is no land taxation in Ceylon, and they use the railways for the purpose of raising revenue. In India the question of the Salt Duty has also had an influence on rates. The Government are interested in the Salt Duty, and they made propositions to the Railway Companies (I am talking from recollection, and this occurred some time ago) that the salt rates should be unduly reduced, and, I think, insisted upon it, in spite of the protests of the railways.

2006. On the ground, I suppose, that salt was a necessary of life?—Yes. The Government did not want to reduce the tax on salt.

2007. They wanted to make salt a reasonable price, and they preferred to do it by reducing railway rates?—Instead of by reducing the duty. Those who know India know that the political changes there are more acute than they are likely to be in other countries. If the State worked the railways there would be manipulation for the reservation of compartments for castes and creeds—there are all sorts of castes and creeds—and you would get political influence at work. You will have reduced fares for higher officials and all classes there. The whole railway may be used for purposes other than commercial.

2008. What you told us about the salt happened very many years ago?—Yes.

2009. But the things you are now mentioning are things that are now happening?—They are things which may happen to-morrow. They cannot urge these points with Company lines, because Government are always in a position to say, as they have done on many occasions to my knowledge: "This "is a matter the Government cannot deal with; it "is a matter for the Railway Companies." They are able then on their own State Railways to resist political pressure and political agitation.

2010 Do you say you think it may be difficult or that it has been difficult?—It has been difficult, I think, in the past.

2011. Have they resisted anything?—Yes, they have resisted.

2012. They have managed to resist?—Yes.

2013. If I understand you aright, you would put it in this way: that the pressure is considerable and increasing, and the Companies are likely to be able to resist it longer?—The Companies are likely to help Government to resist—that is my contention—because the Government reply would be that this is a matter for the Railway Company.

2014. What would the Government do on a State railway?—They will follow the companies.

2015. They would say: "If you cannot "persuade the companies that it is reasonable we are "not going to do it"?—Certainly. (*Sir Charles Armstrong.*) May I state my view, Sir?

2016. Certainly.—My view is that so long as there is dual control the railways will not be subject to great political pressure.

2017. As long as the dual system exists?—As long as there is a dual system, partly State and partly Company, I do not think the railways will be subject to very strong political pressure. The argument which has been put forward and very strongly urged in India for several years past by at any rate one very prominent man is that the railways should practically be run without profit for the benefit of the community generally. I have argued that question with him when travelling in the train to attend Council meetings at Delhi. That is his view, and it is very powerfully put. I think myself it would be a very great disaster to the trade of the country if the railways were all under State management, because they undoubtedly would be subject to very severe political pressure—pressure which Government would not be able to resist. The efficiency of the railways would most undoubtedly suffer, and rates, as Mr. Muirhead has just said, would be manipulated in favour of particular trades or for the interests of particular people.

2018. Have you ever turned your mind to a scheme under which we suppose that the Government of India is told: You have got 200,000,000*l.*, or whatever it is, invested in the railways; the railways shall pay you 6 per cent. on it or any other figure that might be reasonable, and that is all you have got to do with it. The management of the railways shall be left to a Board largely independent of the Government.—(*Mr. Muirhead.*) That is the scheme proposed in another country. But there again you see the difficulty of the Government would be increased by having a Board in India, and Sir Charles Armstrong's remarks on that subject apply with great directness to that position.

2019. Supposing there were a single Railway Board in India, you think they would still put pressure on the Board?—I think the strongest argument on the subject is in your own article, in which you said that the Government would have the appointment of that Board, and therefore the Board would do as they are told. That is quite sound, and I agree.

2020. (*Sir Henry Burt.*) Supposing, for the sake of argument, the London Boards were abolished and Indian Boards were started, do you think you would get the same assistance from the Indian Boards in maintaining the management against political influence?—(*Sir Charles Armstrong.*) In resisting political pressure, do you mean?

2021. Yes.—No, you could not.

2022. (*Chairman.*) Or even in resisting commercial pressure?—No, you could not.

2023. That almost seems to go by itself. The interest of the Company directors in London is, broadly speaking, higher dividends. The interest of the directors representing Indian business might be the getting of lower rates as much as the getting of a higher dividend?—I do not know that I altogether agree, at any rate so far as my own railway is concerned. You say the interest of the directors in London is to get a higher dividend. As a matter of fact, my own company has such a very small share in the undertaking that, whilst we are very glad to have a higher dividend, I do not think that is our main point at all. We try to work the railway for the benefit of the trade of the country.

2024. But on the capital you have you get a higher or a lower dividend?—Yes, but the capital is so small that that hardly influences us. In our railway we only have a capital of about 2½-million pounds.

2025. You make a point which a great many other people have mentioned about the inconvenience of the State system through the transfer of an official from a job that he knows to a new job?—Yes. (*Mr. Muirhead.*) Before you go to that, may I just add, with regard to the question of securing men for the Boards, that you realise that that would only be possible in Bombay, Calcutta and possibly Madras. You could not secure them up country, in Delhi for instance.

2026. (*Sir Henry Burt.*) Do you think, Sir Charles, you could get two Indian Boards in a place like Bombay, seeing that it would be necessary ultimately to have two Boards if we followed out the policy of Indian Boards, one for the Great Indian Peninsula and one for the Bombay, Baroda and Central India?—(*Sir Charles Armstrong.*) I am doubtful. Of course there are a good many capable men in Bombay, Indians as well as Englishmen, but they have not got the particular experience which is absolutely necessary for a railway.

2027. I should like to put a question to you which I put to Sir Marshall Reid. I take it that most of the gentlemen who would become directors in Bombay have very intimate business relations with the railways?—Yes.

2028. In many instances they are contractors for the railway?—Clients or contractors.

2029. Do you think that that makes any difference? What importance do you attach to that?—We have said in this statement that the interests of many of the directors may not be in accord with those of the railway.

2030. Yes, I see you do say that, but what importance do you attach to it?—Interests frequently clash and this is not desirable.

2031. That is your experience as a Bombay merchant?—Yes.

2032. You would not welcome a few of the Bombay merchants being directors, say, of the Great Indian Peninsula if your firm were left out; that is what I mean?—It comes to that.

2033. There would be a good deal of competition for them?—Yes. We say on p. 3: "Were "the Boards to be situated in India they would "necessarily be composed of men who would be "engaged in other active employment, whose interests might not always be identical with those of "the railway." There is no doubt that that is so.

2034. (*Mr. Hiley.*) Did you find that an objection on the Bombay Port Trust?—Not exactly, because the working of the Port Trust is a matter for the merchants and the shipping people. It is to their interest to see that the ships are properly berthed, that the discharge is quick, that the exports are brought into the dock and loaded properly, and that the imports are discharged and sent out. It is part of their business. So that if they are working for their own interests they are working for the benefit of the community generally. Of course I have seen cases of a man trying to urge his own particular interests.

2035. (*Sir Henry Burt.*) And the rates, generally speaking, are uniform?—Yes.

2036. That makes a difference?—Yes, it is a different thing on a railway.

2037. (*Chairman.*) I was asking you about the State-managed railways and the transference of officers. Is that a necessary part of the system?—I understand it is.

2038. I understand there have been instances of a gentleman being transferred to a new post, because it carried a larger salary?—I think that is so.

2039. You would get over that difficulty if you paid him the same salary?—Sir Henry Burt can deal with that question better than I can, because he knows the Government system, but that is what happens.

2040. It does not seem an essential part of the system, does it?—No, but it is part of the system. (*Mr. Muirhead.*) It is suggested it can be got over by giving him a higher rate of pay. The pay of a railway officer on State Railways is not fixed by his market value or his value to the railway, but in relation to some other Government service.

2041. You appreciate that our job here is to suggest to the Government possible changes. It is not necessary that the Government system of payment and promotion should continue to be what it is now?—No.

2042. (*Sir Arthur Anderson.*) At the present moment the higher State railway officials, say the agents, do not draw their grade pay; they have special rates of pay for those particular appointments?—Yes, but it is fixed by the scale drawn by other people in other departments.

(*Sir Henry Burt.*) The unfortunate part about it is that if it is now what it was when I was in India the pay of the Eastern Bengal man is lower than the pay of the North-Western man, and therefore when a vacancy occurs on the North-Western Railway there is a demand by an officer of the Eastern Bengal Railway, if he is the senior, to come to the North-Western Railway.

(*Sir Arthur Anderson.*) I think the pay of the agents of the North-Western and of the Eastern Bengal is now the same. The O. and R. is slightly less.

(*Sir Henry Burt.*) Supposing you admit that the pay of the Eastern Bengal and the North-Western happened to be the same, it means that there is really a difference of 500 rupees a month, because it costs 500 rupees a month less to live in Lahore than it does in Calcutta, and therefore there is a difference of 500 rupees in the pay.

(*Sir Arthur Anderson.*) On the other hand, the North Western is a much bigger charge.

2043. (*Chairman.*) Anyway these are not essentials; they can be altered?—(*Sir Charles Armstrong.*) Yes, but unless a man is permanent he cannot get to know his staff, and I think that causes trouble.

2044. I see you say: "It might also be advisable to obtain the advice of residents in India who "are specially interested in railway matters by the "creation of consultative or advisory Boards in "India"?—Yes.

2045. There would not be less difficulty in getting a man to serve on a consultative Board than in getting him to serve on something that was more important?—I think a man would serve on these consultative Boards, and I think in many ways they are advisable, because then there would be a point of touch between the people of the country and the management of the railway. We had a consulting Board on the Bombay Tramway Company. I was one of the members of the consulting Board. We only had a meeting once a month, and that a very short one, but at the same time it was a link between the people who used the tramways and the Company itself.

2046. Will you tell us what number of members there was on the Board?—I think there were five.

2047. How many Indians and how many Englishmen?—I think there were two Indians—I do not think there was any fixed number—Sir Sassoon David and two Englishmen, myself and the Managing Director.

2048. You picked them because of their merits and not because they were of a certain creed?—They were chosen for their merits and for the advice which they could give. We had one meeting a month, quite a short meeting, when advice was given on local affairs.

2049. And you found that really useful machinery?—Yes. The Committee did not do very much, but they advised on coal contracts and local matters—points which were brought to their notice by their friends and others who used the tramway service.

2050. They kept the London Board in touch with local opinion as well as doing a certain amount of work?—They did.

2051. Had they any powers?—No; they had no powers.

2052. All the powers were in the hands of the agent?—All the powers were in the management of the Tramway Company under the orders of the London Board.

2053. That is what you think might be useful for the railways?—Yes; that is my idea.

2054. You would not give them any powers?—Yes, perhaps they might have small powers, but not at first. (*Mr. Muirhead.*) I do not think they should have executive powers. I would give them advisory powers, that is all.

2055. Do you think you would get good men to accept that position?—(*Sir Charles Armstrong.*) Yes.

2056. Were your Board paid?—Yes; it was a very small fee. There was as a rule one meeting a month and a 50-rupee fee per meeting, but the meeting did not take more than three-quarters of an hour.

2057. (*Sir Arthur Anderson.*) Your control is at the present time wholly centred in London, under the Board?—Yes.

2058. Do you not think there is a danger, with authority centred so far away, of local opposition increasing?—No doubt you know there is a strong feeling of opposition growing to home Boards?—I know that.

2059. Do you not think there is a strong likelihood of that opposition increasing, and possibly of British interests suffering from claims having as their object the transfer not only of control over administration, but also of finance, from London to India?—I am afraid I do not quite follow the point.

2060. There is a considerable amount of opposition to home control growing up in India?—Yes. I think probably it is political opposition.

2061. With control solely centred in London. If that system is continued, do you not think it will give a handle to strengthen that opposition to the home Board?—Yes, I think the people of the country will agitate and agitate.

2062. You have at present no Indian shareholders?—No.

2063. They are practically all English?—They are all English.

2064. As long as that continues it is to the Indian practically foreign control and foreign ownership?—It is.

2065. Do you not think it would be advisable or wise, seeing the present movements that are taking place in India, to give encouragement to Indians to become part owners in the undertaking?—We shall be very glad if Indians will put their money into the railways; but the railways do not give a sufficiently good return.

2066. They could only put it in through money being raised in India. I mean through rupee shares?—Yes, shares or whatever it may be—debentures and so forth. (*Mr. Muirhead.*) Do you not think the control of the railways will follow the purse? If you raise the money in this country you can hardly transfer the management to some other country.

2067. (*Chairman.*) What is your share capital?—(*Sir Charles Armstrong.*) Shareholders' capital, 2,575,000*l.*

2068. Supposing a similar amount of share capital were raised in rupees throughout India, how would you represent that capital on a Board in London?—(*Mr. Muirhead.*) I am afraid you would not get the capital, because the rate of interest is too low.

2069. We will assume the terms were such that they did raise the capital. I presume you need capital, like everybody else?—(*Sir Charles Armstrong.*) Yes.

2070. Supposing the Indian Government said, "We will issue 2½ million pounds of capital in rupees "and we will give such good terms—as good as the "Bombay Port Trust—that the money will be "raised." Then you have Indian money and English money—half and half. How would you then represent the Indian interest?—It would be very difficult to represent it in London, I admit, but, of course, you must have your Board somewhere. It must either be in London or out there, and I think, from a great many points of view, it is very wise for the Board to be at home. It is away from political pressure; it is away from pressure of a very awkward character which would very often be put upon the agent.

2071. (*Sir Arthur Anderson.*) But cannot you imagine the creation of an affiliated Board, retaining the London Board, but having another local Board to work with it?—We have suggested a sort of advisory Board.

2072. What I was suggesting was an administrative Board up to a certain point—that you should transfer certain of your powers to them, but that they should remain under your supreme control, you still being centred in London?—That could be done, of course, but I think I should start it first of all, if anything of the kind is going to be done, in the way of an advisory Board.

2073. (*Chairman.*) You would agree with me that an absentee owner is not a popular person?—I agree with that.

2074. He appears, wrongfully very often, to be taking something out of and bringing nothing back to the country?—That is so.

2075. If you had an Indian Board with Indian capital, would not that protect the English shareholders also from the fact that there would be no local hostility to them?—I doubt very much if London would put money into Indian railways if there was an Indian Board.

2076. That is another Board. For the capital that is in at present, would it not be a protection to you to have Indian capital alongside it with local people to look after it?—It would be a great help to us to have Indian capital.

2077. (*Mr. Hiley.*) And it would be a protection against political influences, perhaps?—(*Mr. Muirhead.*) I am afraid the pressure would be worse.

2078. (*Chairman.*) I agree. On one side you have the disadvantage that you are more liable to local pressure, but on the other side have you not the advantage that you would have local sympathy with you, because they would agree that you were entitled to a living wage?—Yes. I think you would.

2079. It has got to be looked at from both points of view, if I may say so. You say that the Boards in London deal with the matters that come before them entirely without bias. Will you forgive me if I ask you this: Is not a man accustomed to managing things according to what he no doubt thinks were the best methods when he was in India biased in favour of his own old methods, although things may have changed?—(*Sir Charles Armstrong.*) I do not think so. I think men go with the times.

2080. Do you not think we all tend to trust our own old experience rather than the other man's new experience—is not that the tendency of human nature?—Yes, but I think so long as a Director or Directors go out to India every year there is no fear of our getting into a groove. I went last year; our Managing Director is going next week. So long as we keep in constant touch with the line, as I think we ought to do, I do not think there is any fear of our getting into a groove.

2081. Can we trust you to do that?—Certainly, so far as our railway is concerned, you can.

2082. So far as your railway is concerned you are quite sure that some member of the Board will go to India every year?—I personally shall insist upon it more or less every year.

2083. It is not a recognised practice now?—It has not been in the past, but as soon as I became Chairman I said I considered it absolutely necessary that somebody should go every year, and I still hold that opinion; in fact, I think it is most essential.

2084. I am afraid it is a system under which the zeal sometimes waxes cold after a time—of course, I am not speaking of your railway?—I agree, but I think it is most essential.

2085. (*Mr. Hiley.*) We had a proposal put to us yesterday, I think by the Chairman of one of the railways with a Board in London, which he had been considering on his own account, namely, that they should take out every year or every other year—I forget exactly the periods, but at any rate very frequently—the whole powers of the London Board to India as represented by two or three Directors, who would travel the district covered by the railway, consult with their Agent and officers, get to know their staff, confer with Chambers of Commerce and persons of importance on their railway, and deal with the matters decisively at the time precisely as if they were the Board sitting in London. The gentleman who put that suggestion forward had in his mind the agitation raised in India for direct representation in India, and that was one of his suggestions as a solution of the difficulty. His idea was that whilst the Board was in India they should co-opt, to assist the Board, influential European and Indian merchants, but, of course, retaining their own powers, and they would have the advantage of being able to deal decisively with all matters that were put before them. Of course, when they returned to London they would bring the powers of the Board back with them. How does a suggestion of that sort appeal to you?—I do not think it is necessary.

2086. Do you think it is feasible?—I think it would be very difficult.

2087. You have talked about your Directors going out and getting in touch, but they have got to come back again before they can do anything?—I do not agree there. For instance, when I went out last year, knowing the views of the Board, I was given practically a free hand on a great many questions. I went out particularly to arrange about the electrification of the suburban services, and I made very considerable progress, knowing that my Board would approve of what I did.

2088. (*Chairman.*) But you are the Chairman?—I quite admit that I am the Chairman.

(*Chairman.*) Another Director clearly would not have the same power to say "I am practically the "Board."

2089. (*Mr. Hiley.*) You took the powers of the Board with you on that occasion?—The Board on various important questions gave me practically full discretion, but I knew the views of the Board, and I should not have gone materially outside them.

2090. (*Chairman.*) You had not any Board minute conferring special powers on you?—No.

2091. You merely had the powers of a Chairman, which we all know in practice are very substantial when he has the confidence of his Board?—Yes.

2092. But clearly another Director would not be able to take as strong a line as you would do?—Possibly not; but at the same time there are some of our Directors, men of great experience, to whom we should be very pleased to give the power.

2093. (*Sir Henry Burt.*) I think it is fair to say that when Directors do go out they do so with very full powers, whether they are Chairmen or not?—Yes. For instance, Mr. Dallas is going out, and if Mr. Muirhead went out we should be very pleased to leave a great many things to him.

2094. (*Chairman.*) I am afraid we must get on, as another witness is waiting. You, like a great many other people, say that the real power to act is left to the Railway Board, but they are required too much to report and obtain sanctions?—Yes.

2095. I think that is so much a general view that I will not ask you any more about it. You also say that you think the Railway Board ought to have its own representative, who can express his own views in the Executive Council?—I think that is advisable.

2096. That also is so common that I will not ask you about it. Then you speak of the constitution of the Board, which you say would comprise a President and what you describe as "colleagues"?—Yes.

2097. Would they be colleagues, or would it be like the agent of the railway with chief officials under him?—(*Mr. Muirhead.*) It all depends upon the powers that are delegated to the Railway Board. If you gave them full powers the President would have the right of overruling his colleagues.

2098. In fact, he should have a staff?—Yes, there should be two other members of the Board, but he could overrule them, if necessary. (*Sir Charles Armstrong.*) He would have colleagues.

2099. You want him to have colleagues?—Yes.

2100. And then in addition to his colleagues he would have a working and executive staff?—Yes.

2101. The colleagues would be the Board that would discuss matters?—Yes.

2102. Supposing there was an engineering colleague, he would give the directions to the

engineers?—(*Mr. Muirhead.*) Yes, you can divide the work as you like. As a matter of fact they do divide it.

2103. Coming to finance; you refer to the question of raising the fares and rates. Your dividend has not been affected yet?—(*Sir Charles Armstrong.*) No. I should like to say a few words about that. Last year we paid 7 per cent., which is the highest dividend the railway has ever paid, but 1 per cent. of that was made in exchange. We got our surplus profits remitted home at about 2*s.* 4*d*, which is a very high rate to-day. Another 1 per cent. was due to the fact that we had had to put aside for the two previous years a sum of money each year for possible excess profits duty. The question took a very long time to decide, and it was eventually decided that we were not liable, so that we were able to augment our last year's dividend in that way.

2104. That was really a deferred dividend?—It really was. As regards this year, the prospects are very poor, I think. The percentage of working expenses just before the war was about 62 per cent. of the gross receipts; at present it is nearly 80

2105. That is a very large figure for an Indian railway, is it not?—Our railway is an exceedingly difficult one to work. We have a mountain section, the Ghaut, which is very expensive. Our percentage at the present time is just under 80. We have been urging on the Railway Board for some time—we have written very strongly on the matter—that they should agree to an immediate raising of rates and fares.

2106. You are not proposing to go above your contract maximum, are you?—We must. We are getting to the position where we feel we shall not be able to go on otherwise.

2107. Has there ever been any case of the Government agreeing to raise the maximum during a contract?—(*Mr. Muirhead.*) No, I do not remember any case.

2108. It is a new point?—They may have done it during the war.

2109. By how much per cent. have your rates and fares gone up; have you any idea?—I should say roughly about 33 per cent.

2110. I should imagine that that is probably lower than any other country in the world?—Yes.

2111. (*Sir Arthur Anderson.*) Are you working to the maximum now on the passenger fares?—(*Sir Charles Armstrong.*) Not quite.

2112. Are you working to the maximum in any chief commodity?—On the goods rates, yes, many.

2113. Up to the limit?—Yes.

2114. You said you divided 7 per cent. last year?—Yes.

2115. Have you any reserves?—None. We have just 20,000*l.*, which is also excess profits money, which I kept possibly for this year, but we have no reserves.

2116. (*Chairman.*) I gather you did not place any reserve to a fund for deferred maintenance?—We were unable to do so, although we were quite prepared to do so. Our share is only 1/20, and we were quite prepared to put something aside provided Government would also put their 19/20 aside. The Government said No, so that we felt that to put our little 1/20 share aside would really be of no avail.

2117. You could not allocate it to your 1/20 of the railway, so to speak?—That is so.

2118. And you were not prepared to pull the chestnuts out of the fire for the Government?—That is so.

2119. You agree it is bad finance?—I agree it is bad finance. It should have been done, certainly.

2120. (*Mr. Hiley.*) You put it to them officially, did you?—Yes, certainly, and they turned it down.

2121. (*Sir Arthur Anderson.*) I do not quite follow that. If the Government finds the money for renewals to meet their share of the deferred renewals, you, with your share of the increased expenses, would have no balance over as you are already working at 80 per cent.?—Everything depends upon "if" the Government are able to find the money, and they are not. We are told that for the next two years there will be hardly any money available for the railways. That is what we have been given to understand. At any rate, the amount available will be very small.

2122. (*Sir Henry Burt.*) Do you know how much your capital grant was last year?—(*Mr. Muirhead.*) A little over 3,000,000*l.*, eventually reduced to 1,000,000*l.*

2123. Was it spent?—No, not fully.

2124. Was that for rolling-stock that you could not get?—Yes, we could not get it.

2125. (*Sir Arthur Anderson.*) The Government grant includes charges which will ultimately go against revenue?—Yes.

2126. As a matter of fact, you could not get the materials for your renewals?—No. (*Sir Charles Armstrong.*) That is for last year, but this year they are rolling in. (*Mr. Muirhead.*) We could not get the money.

2127. You had the money last year, but it was not spent?—(*Sir Charles Armstrong.*) But the conditions were exceptional.

2128. (*Chairman.*) This is the story of the lapse of grants?—Yes.

2129. (*Sir Henry Burt.*) Many of the larger Railway Companies have been told by the Railway Board that indents for rolling-stock are to be largely reduced?—(*Mr. Muirhead*) We have been told that there is no money. (*Sir Charles Armstrong.*) We are in this position, that unless we can get a further over-certification grant from the Government we shall not know what to do. They allow us under over-certification to place orders in anticipation of funds which will be received in the next financial year, and we have applied for an additional amount but have not yet got it. I do not know whether we shall get it; if not, we cannot place a single order between now and the 31st March. We have had many tenders sent in during the last few weeks and we have had to put them aside because we have not got the money.

2130. And that is the same on the Bombay, Baroda?—Yes, on several railways.

2131. (*Chairman.*) You cannot carry the traffic, because you have not got the trucks?—We are short of practically everything—engines, trucks—everything.

2132. You cannot earn money to pay the dividend, because you have not got the trucks to carry the traffic that is offering?—A very great deal of traffic had to be held up during this last season, because we had to carry an immense quantity of coal.

2133. That is off your back now; now it is going round by sea?—Some of it is.

2134. (*Sir Arthur Anderson.*) The point I wanted to bring out was that last year—I cannot say anything about the current year—you had the money, but could not spend it?—We placed the contracts, but could not get delivery.

2135. (*Chairman.*) Then this year you cannot place the contracts because you cannot get authority to do it?—No. (*Mr. Muirhead.*) There is one contract we have placed which is for the electrification of railways, and now we are told that there is no money for it. (*Sir Charles Armstrong.*) We have made a contract with the Tata Hydro Electric Company at Bombay to supply us with power within about two years from now and we are sending out our men. They have just gone to prepare the scheme for electrifying the suburban railways. The success of

Sir George Lloyd's experiments in developing the northern part of the Island of Bombay depends on the electrification of our line and a constant service, and we have been told that we may expect no money for this work next year.

2136. What will happen?—I do not know what is going to happen, but it is a very serious position indeed I can give you another instance if you like. When I went out to Bombay I lunched at Government House, and Sir George Lloyd told me the first thing we had to do was to remove our shops out of Bombay. He said, "I want the whole "of the place for housing." I told him that it was impossible, and that it would cost millions, and could not be done. I saw his point of view, and it was a very sound one. Then he asked me whether we would consider it, and we did, and we came to the conclusion that whilst we might keep our repairing shops and erecting shops in Bombay we might move out of Bombay above the ghauts our manufacturing shops, when we might have one place to manufacture for the whole line. That, I think, is a very first-class scheme, but it will cost a great deal of money and we cannot get a penny. We are blocked all round.

2137. Then with regard to the methods you suggest for consideration that the Company should be allowed to raise share capital as recommended by the Mackay Commission?—Yes.

2138. That would be the English Companies to be allowed to raise new capital in England?—Yes.

2139. On terms sufficiently attractive to get it?—Yes.

2140. That would be clearly something better than the old terms?—Certainly.

2041. Secondly, you suggest, as I understand it, that the Trustees of the Railway Annuity Sinking Fund should invest their money in new debentures. Is that the idea?—Yes; but the difficulty is about the English income tax. The idea is that instead of the Trustees of the Sinking Fund putting the sinking fund deduction and the interest which accrues every half-year into War Loan or some other stock of that kind, it should be put into Indian Railways.

2142. That is open to you to-day?—No, we have no means of putting it in. There is no channel for it.

2143. There is no opportunity for subscription?—No; there is no way of doing it. At present all the money that we want is loaned to us by the Secretary of State.

2144. That is what I want to understand. As trustee of an annuity fund your business is to do the best you can for the annuities?—Yes, we must do so.

2145. Clearly you would rather as annuitants, other things being equal, put it into War Loan because it is regarded as a better security?—We could put it into any trust security.

2146. We were told by Mr. Kisch, the financial representative of the India Office, that, whereas the difference between an Indian Government Loan and Consols before the war was ½ per cent., the difference is now 1½ per cent.—That may be so, but I have not gone into it.

2147. My point is that the Secretary of State, or whatever the Government issuing authority was, would have to offer better terms to justify you putting it into an Indian Loan.—I think if the Secretary of State gave his guarantee in the matter that——

2148. That is what Mr. Kisch told us, that the Secretary of State guarantee is worth 1½ per cent. less than an English Government guarantee.—If that is so, then I must accept that position, but it might not always be so.

2149. If instead of getting 5½ per cent. for War Loan he offered you 7, you would do it?—Yes, we should be very glad to take it.

2150. Then thirdly, your No. 3 is this?—There is an objection to No. 2. The objection would be the redemption liability on the Secretary of State. If he issued debentures they would be repayable in 1948 when our annuity fund falls in. There is that objection. To meet that objection we have suggested No. 3; that, of course, no doubt would require an Act of Parliament, but I should think that it is a feasible scheme. At least I think a great many of the annuitants would be very glad of it.

2151. In fact your view is that the Secretary of State like every other borrower nowadays has to attract the capitalist instead of condescending to receive his savings?—That is so undoubtedly now.

2152. He has to compete in the market where there is very little borrowing money available?—That is so.

2153. Then No. 4 I think we have had in other shapes, to relieve as far as possible railway finance by financing through independent companies?—Yes.

2154. Which would be closely connected with the parent company, but would be rupee capital raised in India?—Yes. The whole point there is that the dividends of that rupee capital must not be subject to English income tax. This is a scheme for getting over that.

2155. I take it that if you had the Great Indian Peninsula Electrification Company (Limited) probably your Agent could be Chairman of it?—I do not know that we could call it the Great Indian Peninsula. That is a Company registered in this country.

2156. You could register it in Bombay?—Yes, you could.

2157. Your Agent would be Chairman and its business would be done at your office?—Yes, that is exactly what I have in my mind: the Accountant-General, and one or two Bankers and so forth.

2158. With regard to undue preference, we are told that there is a law providing for a Commission to decide questions of undue preference, but the Commission has never been constituted and there has never been a case?—Yes, that is so.

2159. I do not think we need say anything about that.—(*Mr. Muirhead.*) No, it is in the contracts, too. I should like to add this, that, besides the Act, the Government exercises wide control over the railways. They have control practically of everything except the appointment of staff.

2160. And except your power to vary rates inside of the maximum.—They can alter that by giving notice.

2161. There has never been an instance of it being done?—No, there has never been an instance in which the trader has called for a Commission.

2162. You are speaking of undue preference?—Yes.

2163. I am speaking of your power to vary your rates within the minima and maxima. The minima and maxima have never been altered.—No.

2164. Although there are companies paying over 10 per cent.?—Yes, that is so.

2165. Not guaranteed companies?—Yes.

2166. (*Sir Henry Burt*) Do you give your Agent a very free hand?—(*Sir Charles Armstrong.*) Yes, we do.

2167. (*Mr. Hiley.*) He settles wage disputes on the spot, I suppose, without reporting to you?—Yes, but he keeps the Board advised; we leave things to him in that way because he is on the spot. We do not hamper our Agent, that is one of our great points.

2168. (*Sir Henry Burt.*) To give him a very free hand?—Yes.

2169. (*Chairman.*) That you feel is the right line to go upon?—Yes.

2170. We are told that there is considerable difference between the companies?—Yes, there is I have no doubt, but that is my view. (*Chairman.*) Thank you very much, Sir Charles, you have helped us a great deal, if I may say so.

The witnesses withdrew.

SIR DAVID BARBOUR, K.C.S.I., K.C.M.G., called and examined.

See Written Statement No. 8, Vol. IV.

2171. (*Chairman.*) I think we all know that you have been connected with India all your life?—Yes, for a great portion of it at any rate.

2172. You went out as a Civil Servant in 1863?—Yes.

2173. You were in India for roughly something over 30 years?—Yes.

2174. And were Finance Minister and a member of the Executive Council?—Yes.

2175. Since you have been home you have been a Director, practically from the time you came home, of the East Indian Railway Company?—Yes, pretty nearly.

2176. And you are now Chairman of that Company?—Yes. Since I drafted the abstract of the evidence which I sent to the Secretary, I have noted down a few points upon which I should be prepared to give evidence if you thought it worth while.

2177. I have a special reason to remember that you had a good deal to do with London traffic?—I was Chairman of the London Traffic Commission, 1903–5.

2178. You were a member of the Mackay Committee, of which we have heard a great deal?—Yes.

2179. You think that on the whole the Indian Railways have no ground to be ashamed of their record?—That is my decided opinion, which I have held a good many years.

2180 You would agree with me, I think, perhaps, that however good they are, there are very few of them?—If you take the area of the country the mileage of the railway is not very great certainly, but if you consider the circumstances of India altogether I do not think progress has been unreasonably slow.

2181. I think it was your Mackay Report that said they wanted 100,000 miles?—Very likely. To go back a little into the history of Indian Railways, there were great doubts at first, that is before the middle of the last century, whether Indian Railways would be a success, and I had a conversation on this subject with the late Sir Macdonald Stevenson many years ago. He took an interest in the question of railways for India, and he told me he went out to Calcutta and became the editor of a newspaper with the object of advocating their construction. He worked up the question there until he got the Government and the public ready to accept the railways. That was the first start. Shortly after the construction of railways was begun came the mutiny, and one result of the mutiny was to leave the Government in great financial difficulties for years, and the railways did not pay at first. Consequently progress was rather slower than it might have been. When the financial position improved, which it did about the time Major Baring, Lord Cromer, was Finance Member of Council, an impetus was given to the construction of railways, and then came the difficulty about exchange. It came like a thunderstorm on a blue sky. In consequence of the fall in exchange and the uncertainty of the future, great objections were raised to further borrowing in England, and that hindered the prosecution of a more active railway policy. Therefore there is some reasonable excuse for the railways not progressing more rapidly.

2182. It is not our business to judge things?—No, I confess if I had to form a judgment about those who managed affairs in those days, I should let them off very easily.

2183. Do you consider that the original system of Companies, the subsequent change under the altered circumstances to State Railway policy, and the subsequent reversion under again altered circumstances to a further Company policy were each of them wise at the time?—I think they were quite reasonable and proper at the time.

2184. To come to more recent times, the Mackay Committee said in 1907 that you wanted 100,000 miles?—Of course, that must only be taken to mean that a great many more railways than were existing in India could with advantage be constructed. Nobody could say whether it was 100,000 or 120,000, but there was evidence in the opinion of that Committee that a great many more railways were required.

2185. They had then over 30,000?—Yes, I daresay.

2186. And they have now about 35,000?—Yes, I suppose so.

2187. It is not a very rapid rate of progress, is it?—Had they 30,000 miles at the time of the Mackay Committee?

2188. Yes, I think so. That is not a rapid rate of progress in 13 years, even allowing for the war, is it?—No. When I was in the Financial Department, a long time ago, 30 or 35 years ago, I came to the opinion that a railway made anywhere almost, anywhere in India, economically and under reasonable conditions, would at any rate pay the interest on the money. The rate of interest was low then. That was my conviction 35 years ago, which I came to from experience.

2189. Have you any reason to doubt that it was correct?—Not the slightest.

2190. In other words, you want all the money you can get, and more than you think it is possible to get, and you still will not have enough for what is a profitable business?—My opinion is that you might spend money very largely, supposing it were done judiciously, on Indian railways, and be quite certain of getting the interest on the money expended, and perhaps something more, and in addition there would be indirect benefits to the country.

2191. You say, being a Government official yourself, that you formed a strong opinion that no Government department can successfully manage a commercial business?—Yes that is my belief.

2192. But dealing with facts as they are, you are prepared to allow the State management on certain railways to continue?—I think if a State is to manage railways they should put them under a Board as independent of the Government as can be found practicable, or a Commissioner or somebody of that sort.

2193. Would the Board that directly managed the State railways be the same Board that controlled the Company railways?—I think it would be advisable.

2194. You think it should have both capacities?—I do. In dealing with India we must recollect that the great bulk of the railways, nearly the whole, are owned by the State, and therefore the arrangements we make should recognise that condition of affairs.

2195. You have on the Company lines another wheel in your coach between the Railway Board and the agent. On a Government railway there is nobody?—Nobody.

2196. Between the Railway Board and the agent of the Company Railway there is a Company Board?—Yes.

2197. You do not see any objection to the same head organisation dealing with both?—No, I do not, and it has never occurred to me that there would be any objection.

2198. Several witnesses have told us, that in their view the Chairman of the Railway Board should be a member with a seat on the Executive Council, and rank as a Member of the Government?—On that question I hold a very strong opinion, which is contrary to the view which you have stated. If the Chairman of the Railway Board is a Member of the Government from that point of view it seems very nice, as the Chairman of the Board may conceivably be able to induce the Government to provide more money for railways On the other hand, if that arrangement is made it follows that a Member of the Government would be Chairman of the Railway Board, and the Railway Board would practically become a Department of the Government, which, I think, is open to the strongest objection.

2199. Quite so?—That is my objection to the proposal and I think that that idea of making the Chairman of the Railway Board a Member of the Government has arisen in this way. There were difficulties in getting all the money that was wanted for the railways, and it was thought that if the Chairman was made a Member of the Government you would get more money. I am not sure that would be the case, but I am strong in the belief that the Railway Board would become a mere Department of the Government.

2200. (*Sir Henry Burt.*) As a matter of fact the Board is now a Department of the Government?—Very much so; too much so, in my opinion.

2201. (*Chairman.*) You want to detach it?—Yes, as far as is found practicable.

2202. How are we to do it?—That is a very difficult question. It would be best done if you could manage it by leading the Government to that frame of mind in which it thought it was best not to interfere with the Board, but to do it by means of Rules and Regulations is very difficult.

2203. Here is, I think, your real point, that somehow you must have a liaison between the Railway Board and the Government?—There must be a connection of some sort; after all, the Government is, and must remain, supreme.

2204. How are you going to do it?—If you ask me how it can be done with complete success by means of rules and regulations.

2205. No, not by means of rules and regulations; but can you give me a rough outline of the situation? If you cannot help us few people can.—I do not think I can help very much, but I think the Government ought to find a certain amount of money for the railways, and the less they interfere with the Railway Board the better.

2206. How would it be to let them do their own financing on the security of the railways?—I would much rather not have continual interference by the Government with the Railway Board. I think it would be possible for the Railway Board to arrange its own finance.

2207. The gentleman who controls the purse strings can do a great deal?—Yes.

2208. If you left them to receive their own revenue, to expend their own revenue and raise their own capital, they would not want to talk to the Government of India?—A difficulty might arise if they failed to raise enough money to meet their liabilities, they would have to go to the Government to get it. I do not say that it is an insuperable difficulty, but there would have to be some control over the Board, I think. Or the Government might want a new strategic railway or something of that sort, and that would interfere with the programme and finance of the Railway Board.

2209. Clearly. I assume that the India Council is like a Cabinet here which concerns itself with important questions from every Department, week by week as they come up. Would you let the Chairman of the Railway Board go to the Cabinet when there was railway business to be discussed?—First of all I would try and keep railway business out of the Cabinet as much as possible.

2210. But if there is an occasion upon which it is being discussed?—I see no reason why he should not be asked to go and state his views. I think that can be done at present.

2211. Ought he to be a big enough person to meet them as equals?—I would pay him well and give him high rank.

2212. You would make him rank as a Member of the Cabinet?—I am doubtful about his ranking as a Member of the Cabinet, but I would give him a status equal to that of a Member of the Cabinet.

2213. And that he should go there with full power to discuss with his equals when it was railway business but that he should be allowed to mind his own business when the Government of India was touching other matters?—When the Cabinet chose to ask him to come.

2214. Your view is that he should be entitled to go if they were talking railway business?—I do not know that I would give him power to insist on going. I do not think that would do any good.

2215. But that should be the understanding that he should be there when railway matters were discussed?—I do not object to his getting the same rank as a Member of the Cabinet, or even higher pay or rank, but I do not want him to be a Member of the Cabinet.

2216. Is there any difficulty in a thing of that kind? Does it cut across established methods of organisation in a dangerous way?—I should not think so; I do not see any difficulty.

2217. Then you speak about political pressure?—Yes.

2218. Your idea, I take it, is that, if the Board was as you suggest, political pressure would come on the Government, and the Government would absorb a good deal of it before it reached the Board?—If the Board was made independent of the Government, the political pressure on the Board would be reduced, but if the Chairman is a Member of the Government, the political pressure will come with full force on the Board.

2219. That is why you want him not to be a regular member of the Government?—Yes.

2220. (*Sir Henry Burt.*) You think that the working and the management of the railways should be free from political influences?—It should.

2221. You think it should most certainly.—Most certainly.

2222. (*Chairman.*) You say you view with alarm the prospect of all the railways on the Continent of India being worked in the future under the control of a Board appointed by the Government, liable to be interfered with by the Government and to be subjected to increasing political pressure. That is on the theory we have been discussing?—It will be extremely difficult to get a Board that is not subject to political pressure.

2223. It always is?—Yes. I do not say it is impossible, but the more you can relieve the Board from that political pressure the better. If you try to relieve them from political pressure and fail the whole scheme fails.

2224. One of your reasons for accepting the maintenance of certain railways under State management is that it affords a training ground for the sort of men who would be required by the Central Board as its officers?—That is the conclusion I have come to from practical experience and from noticing the working of the railways.

2225. You speak about the Boards of Directors of the State-owned railways. You believe that they should be in London rather than in India.—At the present time I think that you could get men for the London Board such as you cannot get in India.

2226. We have had two gentlemen of experience from Bombay, both of whom told us, if I may translate what I understood them to say, that if you wanted one or two Boards of seven members or some number of that kind, and the understanding was that it meant about a day's work a month or something of that kind, you would have no difficulty in getting prominent business men, Indians and English, in Bombay?—To begin with, I do not think you would get men of the same experience of railway business.

2227. Do you think that it is necessary for a Director to have experience of railway business?—I do not think it is necessary for all the Directors, but it is essential for some of them to have experience of railway practice. You could get men no doubt as Directors in Bombay, but that would not of itself amount to very much. I do not think they would take much interest or do much work; perhaps it is not desirable that they should, but they might be useful in their way. I think that at the present day you could get a better Board of Directors in this country.

2228. Do you recognise that there is a disadvantage in an absentee owner?—In the Board being in this country, do you mean?

2229. Yes?—Yes, but on the other hand there is an advantage. If you have a Board in India there will be a certain want of reality about it in the first instance. It will be a Board not for purely commercial and industrial purposes, but for the purpose of managing a railway that already exists and is owned by the State. It will, I am afraid, be somewhat artificial in character. The amount of capital that it will represent as compared with the total capital of the railway will be very small; for instance, the capital of the East Indian Railway Company, at present at 1/8, is about 63 million sterling. A Board appointed in Calcutta to manage that railway would necessarily have a very small capital in proportion to the total capital of the railway; it would not be in a strong position, and if it is under a Railway Board subject to political pressure it would practically have no power at all. I think that a Board in this country is a little less subject to that pressure.

2230. On the other hand you have the reverse of the picture, that it is not accessible to local opinion?—It is susceptible.

2231. It is not accessible to local opinion, a Board in this country?—It is more accessible than you might imagine.

2232. Shall we say that the people in India do not think that it is as accessible as they wish it to be?—That, I think, is quite possible.

2233. It is true, is it not, that the local people sometimes ask for reasonable things?—They do certainly, but then the East Indian Railway has a Consulting Committee in Calcutta.

2234. Will you tell us about your Consulting Committee, because you are the only railway that has one?—The Committee meets periodically, and the agent puts various matters before them and hears what they have to say, and they can bring to his notice anything which they think necessary.

2235. How many are there?—Five.

2236. Are they paid?—Yes, a small sum, not much. They are men of undoubted position in the commercial world.

2237. Are some of them English and some Indian?—Yes, some are Indians.

2238. I understand there are three English and two Indians?—Yes.

2239. Have they any powers?—No, only powers of recommendation. People have talked of giving them powers and of having a second Board there, but I think in practice that would be found impracticable.

2240. I think we agree that you cannot have two co-ordinate Boards?—No.

2241. Do you think you could go further and delegate certain powers?—No, I do not think you could with advantage.

2242. Then there was another suggestion which was made that it should be an understood thing that two or three members of the Board went out from England to India every year and had a mandate from the Board—a formal mandate—authorising them to deal with certain matters as though they were the full Board?—I think that goes much too far, at least further than is necessary. I do not think it is necessary that two or three members of the Board should go out every year, but I do think that a member of the Board should go at least once every two years. Once every year might possibly be better, but hardly seems to me necessary. Practically the member of the Board who goes out in that way is given power to settle things in consultation with the agent, and he can always communicate with the Board by cable. I do not think you could draw up formal rules with regard to that.

2243. You do not give him any powers?—Not formally. Matters are talked over with him before he goes.

2244. You say to him, "You settle that, we "shall accept it"?—Yes, we say, talk to the agent and see what can be done, and he can refer to the Board by telegram if he wants to. For practical purposes that is the best way, I think.

2245. One member going out every two years does not mean a very close touch?—It does not mean a very much closer touch, because the touch is close already if the railway is properly managed. I get a private letter from the agent every week, and I write one with my own hand every week, and I do not think there is any question with regard to the management that is not before me.

2246. Do you not think that the fact of a Director being on the spot and travelling over the line and it being known that he is there would be a good thing?—Certainly. I was merely suggesting once every two years, but I admit that it would be better if he went every year.

2247. It would be better if two Directors went than one?—No, I do not think so. I would give the same power to one especially chosen for the purpose.

2248. I am looking at it from the point of view of public appearance. You cannot say that one man is a Board, but you might say that two men were a Board?—If you come to the question of appearance, it might be better to send two or three. But I should not be surprised if a peripatetic second Board of this nature came in time to be looked on in India as a fifth wheel in the coach.

2249. Do you think your Directors would do it?—No, I do not think they would, but we might make it a condition of appointment. Such a condition would somewhat limit our choice.

2250. I am afraid that would be a real difficulty? Yes, I do not think they would be expected to do so, and certainly you would have to pay men better.

2251. You spoke of the capital being 63 millions. All the capital that the shareholders represent is 6½ millions?—They only represent that nominally.

2252. That is all that is in any sense interested in the development of the line?—It is in a sort of way interested. If we got a share of the surplus profits proportional to our 6½ millions I would say we were interested, but we do not get such a share. To a large extent it is a nominal interest.

2253. All except 6½ millions which means 57 millions are mere receivers of the interest on the loan?—The railway is vested in the Secretary of State for India, the whole 63 millions.

2254. I mean the 6½ millions that represents share capital has an interest in development?—Very little.

2255. It is a very short one in your case, but take a Company that has a contract for thirty years. It has a special interest in development?—If it gets a proportional share of the surplus profits; but we do not get a proportional share. Our contract is a temporary makeshift, and as a normal contract would be an absurdity. It is only for five years and we get one per cent. of the surplus profits. If we develop the railway and make 1 million extra a year we get £10,000 and the State gets £990,000, but if on the other hand we lose one million a year by bad management, we would suffer to the extent of £10,000 and the State would have a loss of £990,000. It is only a temporary makeshift.

2256. You never would have taken it as a contract?—As a new contract, never.

2257. It is that you do not want to break up the concern at present?—Yes, and we recognise that it is a temporary arrangement.

2258. Take an ordinary Company like the Bengal-Nagpur with about 30 years to run or something of that kind, the shareholders have a substantial interest. What I wanted to put to you was this: would there be any difficulty in the East Indian Company raising in India as much capital as the share capital of the East Indian Railway Company at present?—Do you mean raising 63 millions?

2259. No, raising 6½ millions. We may call the whole 57 millions as mere debentures?—If I were to look back at what was the case when I left India twenty-six or twenty-seven years ago, it would be difficult to raise much money there for railways, but there is no doubt there has been a great change and there is a good deal more money to be got in Bombay and Calcutta than there was in those days. 6½ millions would be a good deal to raise, but it might be done, I should think.

2260. Bombay has raised it for a Port Loan quite recently without difficulty.—Yes, something like 7 millions.

2261. Calcutta is much richer and has more accumulated wealth?—I really do not know; I do not think that loan could have been raised in my time, but things have changed and therefore my opinion is not worth very much on that point.

2262. Suppose that could be done would it not be desirable to get Indian share capital? Do you not think so?—I think it would certainly be desirable if you got it cheaper than English capital. And I think it would be a good thing apart from that, even on the same terms.

2263. Or even it might be to pay Indian terms which would be higher?—It would depend to the extent they were higher.

2264. Anyway you would agree that it is desirable?—Yes, I see no objection to that. Quite the contrary.

2265. If you got it, how would you represent it?—How could you represent it? One way of getting money—you could not get representation—would be for the Government to raise it in India.

2266. That is a mere loan?—That is a mere loan.

2267. I thought you agreed that it would be good to get it as share capital?—If you ask me if it would be good to get it as share capital with the object of establishing an Indian Board, I should be somewhat doubtful about the answer, but if you get it as share capital, leaving the Board in this country, I see no objection. There are difficulties in it; first of all there are no shareholders in the East Indian Railway Company now; we are deferred annuitants who have made a contract with the Secretary of State for the working of the railway.

2268. So to speak you are shareholders under another name as long as you exist?—Yes, you may call us shareholders; we are sometimes called shareholders. I suppose you could raise money in India and you would pay a certain rate of interest and give a certain addition from the surplus profits.

2269. Then the question of representing their interest would arise in a very difficult form?—It might if you wished them to be represented; I do not see quite how it could be done; there may be a way which does not occur to me by which it could be done. After all, the shareholders really interfere very little with the management of the railways in any Company. As a rule they do not do anything until something goes wrong.

(*Sir Henry Burt.*) They do not turn up in force to the meetings.

2270. (*Mr. Hiley.*) Not if you are paying good dividends?—No.

2271. (*Chairman.*) You say here that you do not think the present time is a favourable time for making a great change?—Perhaps I did not put that accurately, because you do not propose to make a great change immediately, you could not make a great change until the railways fall in. What I wanted to bring forward strongly was that at this moment the urgent necessity is to find some more money for the railways, because we are in a shocking bad state and cannot carry the traffic, and the pressure for funds seems to get worse and worse in India. The railways are cut down in all directions, and it is a great pity that urgent wants cannot be met. The railways have fallen into arrears and we cannot carry the traffic. A special burden was thrown on the railways by the transfer of the coal traffic, which used to go by sea from Calcutta to Western India. Owing to the war ships are not available, and that traffic has been thrown on the railways.

2272. That is getting off the railways now?—Yes, to a slight extent.

2273. Still the East Indian Company has not had enough rolling-stock for many years?—I think so, and other railways have been worse.

2274. Is that so?—Yes, I think we are better off than most.

2275. They expect a higher standard from you?—I have given you the figures; you probably have read what Colonel Gardiner says. Do you not think it remarkable?

2276. The growth?—Yes, and the charges made.

2277. We have always known that the Indian charges were extraordinarily low?—Yes, I do not pretend to say that it is entirely due to the London Board, because the East Indian Railway was so very well made in the first instance, and occupied a most favourable position, running right up the valley of the Ganges, but at any rate it shows the management has not been altogether a failure.

2278. We all agree that it is a good record of progress?—Extremely good. And I should like the figures given by Colonel Gardiner to form part of the evidence.

2279. I suppose you would agree that if you had spent more money on the development of your system it would have earned its keep very successfully?—Yes, it would have appeared much better.

2280. What have you done about reserve for renewals you could not carry out?—We have not formed a reserve.

2281. Does that commend itself to your sense of financial propriety?—It is a question of degree. I think. It is safer to form a reserve, but it mattered very little to the deferred annuitants.

2282. Is there any justification for dividing as dividend, because you could not buy rails, money that you would have devoted to buying rails?—So far as the Company is concerned, we got so little that it did not really matter much—after all, the bulk of the surplus went to the Government. It was much more a question for the Government.

2283. A witness from one of the companies has told us that they said it ought to be done and the Government said, "We will not do it", and thereupon they said it is not worth putting a reserve by of one-twentieth part of the rails if there is no reserve for the other nineteen-twentieths?—I do not think it was so improper as you might think at first sight. Practically it does not make so very much difference because the transactions of a Government are very numerous and cover a wide field. A loss in one case is balanced by a gain elsewhere. And as the Indian Government was borrowing to meet war expenditure, if it had formed a reserve for the railways, it would in practice have had to find the money in borrowing.

2284. It is a very serious matter for the English railways?—I agree that it would be a very serious matter for them, but for a State railway it does not matter so much. The Government transactions are so big they can lump them all together and the loss on one covers the gain on another.

2285. (*Sir Arthur Anderson*). The State would look at it much as insurance?—Yes, I think so. A wealthy company might say, "It is not worth while "to insure, my business is so big that if I lose I am "not likely to lose more than the insurance premiums "would be."

2286. Then here is your new statement, which I have not had the opportunity of reading. You think the Company should have a substantial portion of the total capital?—I think so; it gives them a real interest in it; it is better than having a sort of fictitious Company with no real interest.

2287. Suppose one-third of the capital was raised in ordinary shares, the Company could have half of that; something of that kind would be the meaning?—My idea was that it should have, at any rate, one-fifth of the total capital—something substantial.

2288. That would be something like two-fifths of the ordinary capital?—Yes, something of the sort.

2289. Secondly, that the contract should be a long term of years?—Yes. I am very strong on that.

2290. Would not it be necessary to put in what the Secretary of State has not put into his contracts—power to break in at any moment on terms that were liberal to the shareholders?—If he thought it necessary to have a clause of that sort, I think the terms given should be liberal.

2291. I presume he would do it by an Act of Parliament?—Yes. I do not see any objection to that; not put in with the intention of breaking in, but a sort of stand-by in case of need.

2292. To give him a free hand if he changes his policy?—Yes, I do not see any objection to that.

2293. No, sufficiently generous—paid off let us say at 15 per cent. premium?—Yes, I think so. In the contracts made with the railways from time to time. I think the poison of the Government Department comes in. They are not prepared to accept the Companies as partners in the business; they want the last farthing out of them. It looks well at the time, but in the long run, if you consider that the Company have to manage the railway for a series of years, it is better that they should be partners. I am sure that if two private institutions were dealing with a matter of that sort, they would, in their own interest, acknowledge that each was a partner in the business and they would not drive too hard a bargain.

2294. A business man agrees that a satisfactory bargain is one that the other fellow is satisfied with?—Yes, in the long run.

2295. Your view is that the State has driven a hard bargain?—Yes, I think so; when I was in the Financial Department and trained in Government methods of doing business, I feel sure that if any Railway Company had come to make a bargain with me I should have driven a hard bargain, but, looking at the matter with a wider experience, I am not sure that I should have done right. Of course, you ought not to waste the Government money, but in dealing with railways it is advisable to take a long view.

2296. Do you think, on the whole, that the Government could have done as well for itself if it had a *clientèle* which said that Indian Government stocks are good things to go for?—I think so, and it could raise more money for the railways.

2297. That is what it comes to?—Yes, in the long run, over 50 years, if the Government had made a different bargain and given the Companies more and greater powers of raising money the results would have been better.

2298. We were told yesterday, which seems to carry out your view, that there are three people recognised as jobbers in the Indian railway market, whereas there are at least nine in the South American market. That seems to imply a limited investing public?—I think so. I do not know that Indian stocks are very much in demand. When the Secretary of State bought the East Indian Railway he paid by annuities. Now there are the "A" annuities and the "B" annuities and the deferred annuities, and the deferred annuities class "D," and it is most complicated.

2299. Do you understand them?—I do to a certain extent.

2300. I have been trying to for a long time?—If anybody applies to me for information I always go to the Accountant. The other day a man did come to me for information about the "D" annuities. He thought of investing trust money in them. I had a good general idea of it, but before I answered him I got the Accountant to go through the whole thing for me. That is not a good class of security: for the Stock Exchange you have to have something quite simple. Who is going to take the trouble to try to solve a financial puzzle before he makes his investment? There is the deferred annuity class "D" and we have a contract for four years more, which gives the holder something extra, and at the end of that time we go back to our old 4½ per cent.; in that case the annuitant will begin to get an abatement on account of income tax, and the value of that abatement depends on the rate of income tax for the time being, and the proportion of abatement increases as time goes on, and then there is a sinking fund calculated to pay off the whole thing in 1953, which in practice will not be sufficient to pay off the whole thing in 1953, but probably sufficient to pay off the amount you would pay for the annuity at the present day. How is the ordinary investor on the Stock Exchange to follow all that?

2301. Is there much beyond that it is necessary to understand?—I think that is enough. That is not the sort of thing for the Stock Exchange.

2302. It comes to this, if you think you have understood it sufficiently to invest and have invested and subsequently want to sell you will have a difficulty in finding many people who under-

stand it also so as to want to buy?—Yes, that is so: you cannot get a free market. If I, as a private person, wanted to make an investment, and a broker came to me with a thing like that, I should not look at it. I like the sweet simplicity of a 2½ per cent., or 3 per cent., or 5 per cent., or 6 per cent. loan.

2303. You lay stress, as everybody does, on the necessity for an adequate programme over a series of years that is stuck to?—Yes.

2304. The Mackay Committee said that you could only get 10,000,000*l.* here in London?—At that time they put down 10,000,000*l.*, but who can say whether it will be 10,000,000*l.* or 15,000,000*l.*? I rather think Lord Rothschild gave evidence that there would not be any difficulty in getting money at that time.

2305. I think 10,000,000*l.* was his figure?—Very likely it was, but I dare say, if pressed, he would have said that you could get 15,000,000*l.*

2306. It was a smallish amount. You want a good deal more than 10,000,000*l.* or 15,000,000*l.* a year?—I am not in favour of going in for an enormous programme of new construction of railways in India. Experience has taught me that if you go in for a very big programme, something is sure to occur to break it down. My plan is a moderate scheme for new works and no breakdown, but I do not wish to put any limit to the amount of money to be raised in order to put the existing railways in a proper condition.

2307. We are told that 25,000,000*l.* is wanted for some years ahead each year for mere development of existing main line without additional lines?—I should not think it was so much, but I am not in a position to give an opinion on the subject.

2308. That is double pre-war cost?—Yes, there is that fact which makes a great difference.

2309. How are you going to get it? Do you think that there should be any difficulty if the public are approached in a liberal manner in getting it, or do you think that it is too big a sum?—I think that for some years at least there would be great difficulty in raising such a sum. In any case, there must be considerable difficulty.

2310. At present you will have to live from hand to mouth?—Yes, I think you will have to. I do not know what they could do in India, but I should not like to see 25,000,000*l.* put on the market for Indian railways at present.

2311. At present the thing is impossible, but anyway your view is that there should be a broad programme for development years ahead and efforts made?—To keep to it.

2312. To keep to it?—Yes, that would be my point. If it comes to a question of what money can be raised in London at the present time you should consult the men who can tell you: you should consult the brokers and people who have to do directly with such matters. Personally I am not sanguine.

2313. You think that the Government of India, or whatever be the Government for this purpose, should adopt commercial methods in getting the capital it wants?—It must give such terms as the public will require to find the money.

2314. And meet the public demands by giving something the Stock Exchange understands?—The simpler it can be made the better. I am sure about that.

2315. You say you think that the whole Indian system should be worked in a series of large groups?—I think this should be the case in any big country such as India; I came to this conclusion many years ago that to have a number of small railways here and there competing with each other was a mistake. The whole system should be in large groups.

2316. I am impressed with the fact of the number of Companies. I think I am correct in saying that the revenue of the Pennsylvania Railroad is considerably larger than the revenue of all the Indian Companies and State Railways put together?—Very likely, and I came to the conclusion that that was the proper system when I was considering the way they worked railways in America. I came to the conclusion that it was better to have big groups.

2317. Would you amalgamate the existing Companies?—In India?

2318. Yes?—I am not prepared to give an opinion upon that point. It might be looked into to see whether anything could be done, but already each railway system covers a considerable extent of country.

2319. Judging by size in other countries, they are small systems?—Do you think so? They cover a considerable area.

2320. Yes?—I would rather leave that to the railway experts; I do not think I could give a useful opinion upon that question.

2321. Your view is that the systems should be large?—I do not want to see a number of little independent railways.

2322. You do not sympathise with the system of branch line Companies; you regard them in the way of machinery?—People said that I was opposed to private enterprise, but that is not really private enterprise. There is a branch line to be made; somebody gets up a Company, which costs money; the Company finds the money, and the big line makes the railway, works it, and pays over the profit. It is an expensive way of getting money, and I think the Government could always get the money more cheaply. If the Government will not raise the money, there may be cases where it is better to go to that expense and have a branch line made.

2323. Have you any belief in the system which has been suggested. I do not know whether there is any idea of electrifying the Calcutta suburban lines, but do you think that a thing, for example, like the electrification of the Bombay suburban lines might be financed through an independent Company?—I have not formed any opinion on the question of electrification in Bombay.

2324. There is no point of electrification, but the point of a separate Company financially?—I can only speak as regards Calcutta, where electrification is also required. I am not sure that it would not be the best plan to place all the city and suburban traffic under one company, apart altogether from the main line railways. I think that is worth considering.

2325. From that I take it you might more easily raise rupee capital in Calcutta?—I think so.

2326. That would be like the system adumbrated by the Transport Minister's White Paper of a group system for London?—I think that is worth considering. The electrification of the Suburban traffic and the City traffic in Calcutta should not be considered altogether apart from the main line.

2327. You would leave the delivery of the goods in the main line Companies?—Yes. If any Suburban passenger chose to use the main line let him, but the general system ought to be laid out apart from the main lines. I speak with some diffidence on the subject, because I have not sufficiently studied conditions in Calcutta in the present day.

2328. (*Mr. Hiley.*) Could you tell us whether you have received instructions from the India Office to cancel your orders for new rolling-stock. We have just heard that another Railway Company had received that instruction?—I do not know that I can blame the India Office, I think we have ordered a little more than we ought to have and undoubtedly now it is well known that the Government of India are in difficulties about money, and we are not placing all the indents that come home. There is undoubtedly difficulty about money, that is unquestionable and

therefore we are not getting things we intended to get.

2329. Have you had to cancel contracts?—I do not know that we have actually cancelled a contract.

2330. You are keeping them back?—Yes.

2331. (*Chairman.*) There is a question that has been raised about the powers the London Boards give to their agents and we have been told that some companies give a much freer hand than others?—We give very free powers. We give full powers to our agents.

2332. You give them full powers?—Yes, I think so. If you go to India you can ask the agent there. I do not think he would ask for anything more; he has full powers.

2333. As far as you know you give as full powers as any other company?—Yes, I think we do.

2334. (*Mr. Young.*) I am not sure whether the powers with regard to spending capital are quite the same?—The powers are full.

2335. (*Chairman.*) That would be only a question of amount?—Yes, I do not think there is any harm done in that direction. My idea of good administration in a big business is that the head should not interfere in everything. If you choose good men, trust them and support them in their work. I do not believe that any big business can be carried on properly if the head is always interfering with his subordinates.

2336. (*Mr. Hiley.*) I notice in the speeches made in regard to the East Indian Railway contract in India that reference was made to the employment of Indians in the higher positions, and the East Indian Railway Company was cited as employing more Indians in responsible positions than the majority of other Companies. Could you say anything with regard to your experience in that respect?—We are employing Indians in increasing numbers, and I recollect that the question was up in Colonel Gardiner's time, and I think the conclusion we came to then was that we were quite as far advanced in that direction as any of the other railways, I certainly think as far as the State Railways.

2237. (*Mr. Young.*) We promised to do what the State Railways did?—We worked in that direction.

2338. (*Sir Henry Burt.*) You are almost as good as the State Railways?—I think so.

2339. (*Mr. Hiley.*) How high do the Indians get in the service? What is the most responsible position they hold on the railway now?—They do not hold very high positions yet. It takes time for a man to rise. There are district and assistant engineers, and they will get higher.

2340. (*Sir Henry Burt.*) There is no idea of keeping them back?—No, they are not kept back because they are Indians. The policy has been only in force for a certain time, and unquestionably they will rise to higher positions as time goes on and they show their fitness.

2341. I think you are exceptional in having an Indian in charge of a locomotive running shed.—Perhaps so.

(*Sir Arthur Anderson.*) They are impossible to get, as a rule.

(*Chairman.*) We are very much obliged to you, Sir David, and I think a good deal of what you have told us we shall have to think about seriously.

The witness withdrew

(Adjourned until to-morrow at 11 A.M.)

FIFTH DAY.

Thursday, 18th November 1920.

PRESENT:

MR. W. M. ACWORTH (*Chairman*).

SIR HENRY BURT, K.C.I.E., C.B.E.
SIR ARTHUR ANDERSON, KT., C.I.E., C.B.E.
MR. E. H. HILEY, C.B.E.
MR. JAMES TUKE.

MR. WILLIAM GAULD (*Assistant Secretary*)

SIR WALTER LAWRENCE, Bart., G.C.I.E., G.C.V.O., C.B., called and examined.

2342. (*Chairman.*) I think you have had your attention called to the printed notice in reference to the conditions under which we are taking evidence?—Yes.

2343. You have seen it and appreciate the position we are in, and that we have to regard the evidence as informal and provisional, pending the decision of the full Committee in India, as to how it is to be treated?—I quite understand.

2344. I think we all know that you have been connected with India in various capacities?—Yes.

2345. Were you a civil servant?—Yes, I began as a civil servant. After 16 years I resigned the service. I went out with Lord Curzon as his private secretary for five years. I became a member of the India Council, but I resigned after two or three years, I think. I have been out with the King as his Chief of Staff in the tour of India, and I have made many tours. I have been all round India, and served in every part of India. I have had 21 years out there.

2346. You are now a director of the Madras and Southern Mahratta?—Yes.

2347. And of the Assam-Bengal Railways?—Yes, and of the Assam Railways and Trading Company, where we have over 100 miles of railway; that is a private Company. I have been on the Barsi Light Railway, and on the Bombay, Baroda, I have been a director, and in a kind of way I have been interested in and known railway men in India.

2348. You are a director of the Peninsular and Oriental?—Yes.

2349. So that you maintain the liaison between India and England?—Yes, and I was on the *Times* staff for three years for Indian affairs, and in a general way I have been interested in India.

2350. We are going to have a witness from the Madras and Southern Mahratta Railway, and the Assam-Bengal, who will speak more particularly as to the railways. You prefer to leave that to them?—Thank you, I should prefer to do so.

2351. You were also a member of the Mackay Committee in 1907?—Yes.

2352. I have no doubt you have seen our terms of reference?—Yes.

2353. I think the most useful thing I can do is to ask you to express your own opinion first of all on the main question of a future railway policy?—Might I say as regards that, my views about all changes in India are these: that it should not be applied to the whole of India; in other words, if you are going to make changes you should experiment in various parts. When you get out there you will see what a huge thing it is; and as in civil administration, so in railway administration, there are parts of India where certain things suit—I am talking now from the native point of view, the public point of view—what is good policy in the Punjab is not necessarily a good and comfortable policy in Madras. If you want to know the Indian point of view, and you went to a place like Morvi in Kathiawar, you would see what is the Indian idea. That is a little railway where the train starts when the passengers wish and stops when they wish. The Indians are very particular. When they have their meals they like to have them in their own way, and they are a very peculiar people.

2354. That would not apply in the neighbourhood of Calcutta?—No. Another thing which is very important in India is the construction of the third-class or Indian carriages, the form of latrines; in fact, the form of seating. An Indian will never sit except on the ground, not even an Indian chief. I have lived a good deal in Native States, and it bores an Indian chief to tears to have to sit in a chair. If you are a friend of his he will sit on the ground. All their ways and habits are different from ours, therefore it is very necessary, I think, to take them into counsel when you are considering things like the construction of railway carriages, the halts and the speed of the railway carriages, that is if you are going to cater for them rather than for the first-class passengers.

2355. (*Sir Arthur Anderson.*) In the third-class carriages these native arrangements are given effect to?—Yes, they are. They are very greatly improved, but even now if you ask a native, he would make other suggestions.

2356. (*Chairman.*) Do you think that the native point of view is somewhat too much brushed aside?—I have left India some years, but I think in the past it was certainly brushed aside. I know that some officers knew the natives and some knew their language, but I am afraid as in the Civil Service, so also in the railway service, very few men who get control speak the language or could talk in the way they should. They make themselves understood, but they cannot get into the Indian mind. A very great change has come over India in that respect.

2357. Is there any difference in that respect between a State railway and a railway managed by one of the English Companies?—Of course, there again I am thinking of very ancient days. I used to think one of the best run railways I ever saw was the old Rajputana State Railway. It was a State railway. There they had a very good manager, a man who took a lot of interest and who was somewhat of a statesman, and I think he got on very well with the native chiefs of Rajputana and knew them. I do not think you will find, I certainly could not say as a passenger and traveller, that there is very much difference between a State railway worked by the State and a State railway worked by a Company, in fact the officers are interchangeable practically. They are all the same class of men, who do their work splendidly and do nothing but their work. If you ask any railway expert he will say, "I worked "just as hard and happily on a State railway as "I did on a Company," and *vice versâ*. There is not much in the difference.

2358. What I may call the sympathetic attitude of the Rajputana State Railway official and his staff was a matter of personality and not a matter of organisation?—This man was a statesman and had a very good staff and he infected the staff with his ideas

2359. (*Sir Arthur Anderson.*) You are speaking of a number of years ago?—Yes.

2360. The railway has been worked by a Company?—Yes, in those days it was a State railway.

2361. (*Chairman.*) Assuming first of all—we will get to the bigger question later—that what we may call English management continues. What can you suggest in order to give Indian ideas a fair hearing?—The idea I suggest is an idea that has worked very well in the Indian cavalry. We have there every day the officers and the native officers sitting in durbar, which is an old Indian institution. Any man in the regiment can walk in if he has anything to say or has not anything to say; if he has any suggestion to make he comes in and it is listened to. I think there is nothing more efficient in the whole world from the point of view of British administration in India than that system.

2362. That is to say, informal personal touch?—The man feels he can have access. He very rarely says anything. I have sat in durbar often and often.

2363. How can you apply that in the case of the Bombay, Baroda or the Great Indian Peninsula, where the chief people are all in Bombay and even district superintendents are only in one or two places? How are we to get the personal touch?—My idea would be this. Take the Bombay, Baroda. I would appoint, to begin with, 10 Railway Durbaries, call them. They would have to buy a qualification of, say, 1,000 rupees stock. They would be given 100 rupees a month, they would be given free passes, they would wear a distinctive badge. If they come on to a platform every official on that platform, the stationmaster, and so on, would treat them with dignity, in other words they would salaam to them. The agent would be a kind of chairman or would preside when the Durbar is held, and the Durbar to begin with should be held quarterly. It may be held in Bombay, Ahmedabad, or Ajmere. That is another matter for the agent.

2364. It would be a meeting in one place once a quarter?—To begin with.

2365. The agent would bring presumably his ——?—He would bring only his traffic people to begin with. I think the appointment of those men is an important thing, and I hope you will bear in mind that they should be appointed by the agent and the district officer, what we call the collector, or the deputy commissioner. If the Government will not allow that, then the commissioner should do it. I would not allow the Government to do it, and I would not allow the India Office to do it. They should have nothing to do with it, but keep it from being in any sense political.

2366. I do not think I follow sufficiently the difference between the commissioner and the collector?—I ought to explain that. India is divided into districts and the district is the important unit, nothing else counts really. The man who runs India is the collector or the deputy commissioner. In what they call the old regulation provinces he is called a collector. In Bombay he is a collector and in Bengal; in some provinces, like the Punjab, which is a non-regulation province, they are called deputy commissioners, but he is the district officer.

2367. It is the two names for the same thing?—Yes. They are grouped. We have three or four or five under a commissioner. I should prefer at the beginning that the district officer should nominate, he and the agent should talk it over and say: "That man is a good man, he is a big landowner, he is looked up to." Everybody knows who the big men are. You should make much of him.

2368. Do you think that Indian opinion would be satisfied with nomination? Clearly election is impossible?—Indian opinion will never be satisfied with anything. The people in the district will be very satisfied and very pleased, and I think you will find that there will be a great competition to become what I call a railway Durbary. There again it will depend very much on the agent; he may feel that it is a great nuisance to him to have to give up more time to this, which may seem so him more or less form; there is a lot in India in form. It is all form.

2369. Just once more a detail, why do you ask for a shareholder's qualification?—For this reason, the time is coming when you may have to look to India for raising capital.

2370. I thought it had come?—Quite so. Some are men of great wealth, and if he begins to put his 1,000 rupees in his friends may follow suit. They are all like sheep there. That is one reason. Another reason is I think the tendency of the present Indian Government is to give these men enormous power without any stake or responsibility.

2371. After all an investment of 1,000 rupees is very little?—Yes, but still it is something.

2372. It implies a connection?—Yes. That is something to argue about; it may be 10,000 if you like.

2373. The figure might be different presumably, it might easily be bigger in Bengal than in the south of India and so on?—Quite so.

2374. There is a little difficulty; there are no such things as rupee shares?—No, that is a question. That is a detail which you will be able to work out when you get out there.

2375. I wanted to raise the point with you for this reason, it carries us further. At present in the Guaranteed Companies there is a fixed amount of ordinary capital, which the Secretary of State would not allow to be increased, and it is all in sovereigns?—That is true.

2376. Do you see any way of bringing in rupee capital into that organisation?—Yes. I think with this qualification which I would suggest. Suppose it were a Company line. there should be an issue in India of a rupee; it may be 5 per cent. I do not know what rate will attract these people. The biggest industry in India is railways, and no native has any voice or say or stake in it, he is merely a traveller. I should suggest, if you think about this scheme of Durbaries, or whatever you like to call it, that you might begin by experimenting on the three State lines. For that purpose you would have then to consider whether the Government of India could issue some kind of stock. I think it would pay them to issue stock, say 5 per cent. free of income tax to begin with.

2377. You could not very well have shareholders in an organisation that was owned by the State. It would have to be something in the nature of participating debentures?—Something of that sort.

2378. I saw participating debentures advertised within the last few days, and never saw the name before. That is the kind of thing it would have to be?—The natives would be pleased with that, especially if you made it free of income tax.

2379. I take it if the railways continue to earn anything like the net income they are earning at present, 8 per cent. overhead as it did last year, that you can very well afford to make this security really attractive?—Absolutely.

2380. You would regard the getting in of Indian money as important and worth sacrificing some income to get it?—Yes.

2381. That is what it comes to?—Yes, naturally it would be for a term, but I think at first you must make it attractive. I am a life member of the Bengal Chamber of Commerce, and I think you will find that they have suggested the co-operation of the commercial community, including natives. That is one of their points.

2382. You are entirely in sympathy with that?—Yes, they have allocated certain functions to them; some may be dangerous, but the kind of work I should give the durbaries at first would be this: I should make much of them, and I should ask them to consider the feeder roads; I should ask them to keep an eye on trade and on new industries. I should go out of my way to let them talk and make much of them, make them think they are very important. One of the functions they would be most valuable in is this: I have seen myself men selling tickets at a ticket office, and I have taken a man there at midnight—very often the trains start at midnight—and said, "You buy a ticket for a place." The price of the ticket was Rs. 3. 4. The man went and I stood close to the guichet listening. The man said: "You are a very clever man, it is "Rs. 3. 4, but I am very busy to-night, and you "will not get a ticket; come to-morrow If you "want a ticket to-night, it is Rs. 4." It is a very common thing to see a ticket collector—I have seen it, and had men punished for it—a Eurasian ticket collector, when the trains are very hot in the hot weather, and the third-class carriages are packed like sardines, drag them all out, although not getting out at that station, and make them pay before they can go back again. I have seen that with my eyes. Of late years they have improved the Traffic Department, and they have some very good young men. They will not get them quite so easily now, but they cannot control this, although they go up and down the line trying to stop it. It makes us most unpopular in India and is a most dangerous thing. If we had these railway durbaries and they were encouraged, I think the better class Indians would lend a hand in that work and stop this infamy. It is impossible for our people to stop it, they have no time, and they are tied to office works and forms—endless forms.

2383. This Durbari system that you suggest would be on both Company and State lines?—Yes.

2384. There is no reason for the difference?—No, none at all.

2384*a*. Now to come to another point, we have had much evidence from representatives of the Company on the question of Boards in England and Boards in India?—Yes.

2385. I think the general opinion is that as long as the money is English the Board in India can only be advisory. Would you accept that?—

Yes, I would accept that, but as regards the British element on the Board the thing cannot work because the British population changes every five years; that is to say, if you could induce one of the seniors say in Calcutta or Bombay to give his time to be a director out there, I doubt whether you would unless you paid him an enormous fee, and even then you would only have his service at most for about three years for the cold weather months.

2386. Sir Marshall Reid told us he thought five?—Five is the term. I have watched it carefully all my life at Simla and at Calcutta, and it is an absolutely safe thing, everything changes. I put three, because three is in five.

2387. There is not much in the point, and I only call attention to it?—At any rate you would have no continuity except on the native side.

2388. Do you think you can get anything beyond? Assume control remaining in England, can you give any powers to a local Board? Sir David Barbour told us that they were very useful, but they had not any powers, they advise the agent?—If you do not give powers you do not get good men. That is the trouble with all these things. You make these appointments and they are shams. I should give them powers. I may say briefly if you want to popularise the Indian railways and bring the Indian element into it you must be prepared for much falling off in efficiency, but I think that owing to the changes in India you have to face that.

2389. After all, you may buy efficiency too high?—That is the trouble.

2390. If it is so taut that it snaps, so to speak, you do not obtain the result?—I think the problem is how to do it without very great danger. I believe if you go in for nomination to start with and give the agent a very strong grip and the district officer, who are both men who know, you will get a good class of men. I should be inclined first of all to encourage them to watch the way the third-class people are treated and to make suggestions about their own districts. There are many little ways in which they can be useful, and gradually you could give them powers. I was Railway Magistrate for the whole of British India, and I was able to see a great deal of that little Rajputana line and to help a great deal. Those men might avert a strike, which is likely to be a very common occurrence in India. A good man may be invaluable. You have no idea how ignorant we are in India. We of the Civil Service know a good deal more than the railwaymen know, but we have to work through natives. We talk of running a district, but we do not; the natives run the district and run us. If we get good Indians the thing goes well. So with the railway; if the railway agent gets some of the splendid Indians who are to be found in every district he must wink at little things.

2391. Now turn from the durbavies and turn from the question of a local Advisory Board and come to the question of assuming the Companies to continue, transferring the headquarters of the Company and the control from London to India. Sir Marshall Reid told us that in his view you could in Bombay, at any rate, constitute—I think he put it that was about as much as you could do—two Boards for the two big Companies, half and half, English and Indian. Indian people would naturally be more continuous, but you could get five years' service out of good English people. How does that appeal to you?—I imagine the agent would be the chairman of that Board.

2392. That was a tentative suggestion?—I think if the agent were chairman of the Board it would not make much difference. I have seen a good many people and there is a general consensus that there is lack of continuity in India and remoteness from London, and they are not near consulting engineers, the India Office and so on. The whole thing seems to me to turn on one thing alone, that is, finance, and also what power you give them and how far the Secretary of State is going to have his dead hand on all railways.

2393. Let us assume that the Secretary of State drops into the background, representing merely what must remain until India obtains a responsible Government, the ultimate control of the British Parliament. Assuming he is dropped in the background?—If he is dropped into the background and decisions can be given in India it seems to me that there is no object whatever in going on with the Boards at home, provided the agent and the general traffic manager are members of the Board and the agent is chairman.

2394. That is, as you probably know as well as I do, the American system: the President and Vice-Presidents are whole-time executive officers and also members of the Board, and the President is chairman. That, you think, would work?—Absolutely, but I must make one proviso.

2395. You have spoken of the consulting engineer. To begin with I will assume that India will more or less supply its requirements?—I think it will.

2396. In the second place, is there any need for the importance attributed at present as I understand to the consulting engineer?—We do lean a great deal on the consulting engineer. The old consulting engineer was a man we all loved; he had known India well. I do not think there is anything important, whether it is new work or a contract, that ever comes through without our going to the consulting engineer. Perhaps we go too much.

(*Chairman.*) Mr. Hiley will correct me if I am wrong, but as far as I know the Dominions, that is to say, Australasia and South Africa, buy very largely in London, but I do not think they have anybody who takes a prominent position as consulting engineer. Is there anybody with that title?

(*Mr. Hiley.*) They buy though the High Commissioner.

(*Chairman.*) Who takes advice?

(*Mr. Hiley.*) Who takes advice when there is a new technical problem arising. Then he takes it to the consulting engineer for engineering advice.

(*Chairman.*) I mean to say that there is nobody who is consulting engineer to the railways with a formal appointment and put on to the reports.

(*Mr. Hiley.*) The railways have a consulting engineer, but that consulting engineer is only brought in when his technical advice is required in regard to the quality of steel, or some technical point of that sort. He is not consulted on ordinary stores contracts.

(*Sir Arthur Anderson.*) He does not make his recommendations on tenders sent in?

(*Mr. Hiley.*) No, the tenders go out, as a matter of fact, to New Zealand and Australia to be opened, and the Railway Commissioner generally states if he wishes the consulting engineer consulted. The consulting engineer is usually only employed for technical duties such as testing steels and duties of that description. He is not asked to interest himself in the acceptance of merely stores tenders.

(*Chairman.*) You might consult one man if it was a question of electrical appliances and another man if it was a question of locomotive design?

2397. (*Mr. Hiley.*) That is a very good instance. In the case of electrical design the Australia and New Zealand Railways would go

past the scheduled consulting engineer and would nominate to the High Commissioner another engineer to be consulted on that particular point?—It is not a great point, because the consulting engineer firms would move out to India. If the Secretary of State will only drop out the thing will be simpler, that is, of course, provided finance can be arranged.

2398. (*Chairman.*) I gather that the idea that the powers of the Secretary of State should only be exercised in the last resort has your approval?—Absolutely.

2399. Clearly, if that is done the importance of the London Boards being in touch with him very greatly changes?—Yes.

2400. Can you help us by telling us how to get rupee capital? You have seen the reference. We are informed that the question of the transfer of the East Indian Railway to Indian control has been decided on?—Yes.

2401. The phrase is this: The Committee will take note of the decision to remove the management of the East Indian Railway to India?—That is five years hence.

2402. That is at the termination of the present contract, which is 1924?—Of course, it is very interesting, but I have seen so many decisions made that have been absolutely rescinded within a year or two that we must not trust too much to that.

2403. I am not discussing how far we are bound by that, but let us assume that policy to be carried out, the share capital of the East Indian, which is called annuities, but which is in effect share capital, will be paid off. What next? Assume it is to remain a Company, how is it to be done?—I thought it was going to be made a State Railway.

2404. That is clearly not decided; that is what we have to decide on. Do you see any difficulty in raising a substantial rupee capital and then entrusting to the shareholders the management of the line in the same way as it is at present entrusted to the English Company?—That is a very difficult thing to answer; so much depends upon what money there is at the time. Suppose there is money.

2405. Assume you have to pay 10 per cent., it does not matter because it is not a large proportion of the total capital?—I think it is a pity that it should be the first line to be dealt with, because it is such a very important one. I would rather see it started if possible with a smaller line. It will have to be safeguarded from a military point of view, that is essential. It falls within the Eastern Command, it comes from Delhi down to Calcutta. That is a matter you will have to talk about in India.

2406. The military authorities must tell us?—Yes. I know this, when we had the Mackay Committee we suggested that one or more of the lines worked directly by the Government of India should be leased to a Company formed under this scheme, the Eastern Bengal. That was the idea I think we had, that they should be made over to a Company just as you make over this thing to a Company. I know then at that time there are several firms in Calcutta quite big enough to manage that. I think they would have managed it very largely with Indian capital.

2407. By "manage," you mean put the transaction through?—Manage to finance it, but I cannot say now. There is one thing that will militate against it, that is the enormous amount of capital going into industrials now in India.

2408. Let us ignore the temporary difficulty because circumstances will probably change before we come back from India. Let us assume that the capital can be raised, and I think you have already agreed that it is worth paying the price to get it?—Certainly.

2409. It may be a little higher?—Yes.

2410. Assuming you have got it you would merely constitute a Board in Calcutta which would take a contract and which would take over the same functions that the English Company carries on to-day?—They would take over much greater functions. I imagine they would be much freer. We are only a little fly on the wheel and our little capital is nothing compared to the State capital.

2411. It happens that the East Indian Company finance almost exactly 10 per cent. of the total capital, 6¾ millions out of 63 millions, or as near as may be?—I imagine they would buy up the whole thing, the Government share and everything.

2412. I was not suggesting that, but what is your view of that? Is there any reason why they should take more than 10 per cent.?—I think so. If you want to try the benefits of company management versus State management you should have a real Company which owns the whole line. As it is now, I daresay you know that these Companies are run by men who have run the Indian railways, and that is the reason they are so safe and so economically run. They are very slow, undoubtedly, but that is no fault of the Companies, it is the fault of the system. We have the check here in the India Office and in India in the Railway Board. The agent there and the chairman here have been through the hoop out there, and they know they are patient, we are all patient, but no man like yourself would care to sit on an Indian Railway Board. You have to have the patience of the East to do it.

2413. Anybody accustomed to an English Board does appreciate that there is a very great difference?—Yes. You will see it when you get out there, but it is a very good system, and it has paid in the past. My idea would be if you are going to make great changes that you should nationalise, that you should get rid of the Companies. The capital they have is so small that I should say make the whole thing State railways and then you will have to work with the Indians. That is what it is coming to.

2414. When you say make the whole thing State Railways, you mean to say the State to begin with pays back 6½ millions and wipes out the English Company?—Yes.

2415. What next?—Then put it under the Railway Board; but the Railway Board should be enormously enlarged and should be very well paid.

2416. First and foremost the Railway Board should operate it as directly as they do at present operate the North-Western. Is that your meaning?—Yes; to do that they will have to have branches of their Railway Board established in Calcutta, and perhaps in Cawnpore.

2417. This is a system of State Railways, sheer?—Absolutely.

2418. Your Board could only be an Advisory Local Board in Calcutta to the real Executive Authority, the Railway Board at Delhi?—Out of this little idea of mine of the Durbaris, you will gradually train up men who will some day be able to act as really valuable men; call them Boards if you like, but the question will be what money stake you can give them in the railway. That may come by what you have been talking about.

2419. It comes to this, that you are not in favour of (C) in our reference, which is management through the Company domiciled in India with a Board constant in India?—I am not very

much in favour of it, but provided the Secretary of State absolutely disappears——

2420. Let us assume he is wiped out?—Provided you could get all you want which we now get from our consulting engineer out in India—provided that the whole thing changes from England to India, including finance, I do not see any object in having a Board here.

2421. And having a Company?—If you can get a Company, well and good. I began by saying that I should be inclined to recommend experiments. Do not have it all one. If all one, there is only one thing, make it State Railways worked by the State.

2422. You would like, also, to experiment further, but whether the East Indian is a proper experimenting ground is another question?—Yes.

2423. But you would like to experiment with Companies domiciled in India working under State control?—No, I do not want to be working under State control. If you want to have an Indian Company, and give it a fair chance, it should not be in any sense working under State control. It should run its own railway under the Railway Act under the laws of the country. I would not have the Railway Board, for instance, sitting on them and telling the Board what they have to do.

2424. I quite understand, and I did not mean that when I said State control. Let us take that the method would be like that by which the French Railway Companies, which are guaranteed by the State, are worked under the control of a Ministry of Public Works?—I would not mind that control.

2425. Now I want to come to the Railway Board. You say much magnified, much better paid, a real service which attracts first-class men?—Yes.

2426. Which is the right system? Of course I know what the Mackay Committee said—that the Chairman of that Board ought to be able to overrule his colleagues. He ought to be really the executive head himself?—Yes.

2427. You still hold that opinion?—Yes.

2428. There must be an executive head, but he must be a very big man—one of the biggest men?—In the railway world.

2429. In India, if you could get him?—You may get him in India, I think you will, probably, but I do not know—yes, it is quite possible he could be got in India.

2430. If not you would have to import him?—Yes.

2431. He would be a really big man and you would try and keep him more than five years?—Yes.

2432. You would make it worth his while to stop?—Yes.

2433. There is a good deal in the question of what is to be his position. Is he to be a member of the Executive Council?—No. There are objections to his being on the Viceroy's Executive Council. He would be snowed under with work.

2434. He would have to deal with ordinary Cabinet business?—He has to deal with every box of every Department.

2435. You would, I take it, give him Cabinet rank and enable him to deal with them on terms of equality?—Yes, very high rank, the precedence of a Member of the Viceroy's Council.

2436. And when there was a railway question he would not merely attend the Cabinet as a subordinate, but would come there as an equal and discuss it with them?—Certainly?

2437. That would be your view?—Certainly, he should speak on equal terms with them all. I do not know whether he should have the power of claiming the right to attend but they would naturally summon him when there was a railway matter on.

2438. Suppose a development where English Companies have disappeared, do you think that under the regime we are discussing the Board could obtain sufficient autonomy, or would the Government as a Government interfere too much?—The Board will not obtain autonomy. No scheme of this sort will work until you separate railway finance from the general finance of the country. They will cling to it and the financial department will fight and fight. If you want to give railways a chance that must be done.

2439. We must get rid altogether of the railways being tied to the tail of the Budget?—Absolutely. There is another thing. You know the lapse, that is maddening, wasteful and everything.

2440. If the Peninsular and Oriental were to make a programme for a year ahead and then cut it off because they could not afford to finish a steamer on the stocks—we need not argue about that?—The extravagance at the end of the year is awful.

2441. People on the one hand spend money in order to avoid this lapsing and on the other shut off a contract half done?—That is true.

2442. I do think, if I may speak for myself, that we need much convincing, but you think it would be possible to make a Board autonomous, a financial entity managing its own business?—Certainly there is no difficulty whatever.

2443. How would you deal with the investment of the Government of India which is some hundreds of millions? Would you say you shall have 6 per cent. or whatever is reasonable, and that is all, and you have nothing to do with how we earn it or spend the balance?—It might be either that, or if the Government of India were well advised, they would do as they do now, they would take a share in the profits. You mean to say to the Government of India you will take a fixed rate of 5 per cent. for ever.

2444. That is what I want you to say?—If I were the Government of India I would say no, I will stand in.

2445. Turn it round the other way then. If the Government of India is allowed to have a share in the profits they would say that you are not to dissipate them?—I should not dissipate them; I should double them.

2446. You agree that it would mean saying to the Government of India, you raised a lot of money and have been out of interest on it for many years, therefore you are entitled to a substantial return, now that it is earning good money, but what you get is fixed and you will get nothing more?—Yes, if you could do that it would be a very good bargain for the railway.

2447. How are you going to induce the Government, if you are running near the margin and it looks as if they were not going to get their 6 per cent., to refrain from interfering?—You cannot. The Government in all these matters is finally all powerful.

2448. It comes to this, I take it, you would erect as many and as strong barriers as possible, and hope that they would not be surmounted very often?—I am certain of one thing, if the railway policy keeps very much as it is now, even with certain allowances for a fall in efficiency, even then I think the Government of India need not have any doubt as to their interest being paid. I believe enormously in the future of Indian Railways. I should like to say one thing, although I dare say you have heard it from other witnesses. There is one thing always to bear in mind when you are

looking at a railway proposal. You should always bear in mind the land revenue that is behind it. I have been what they call a settlement officer, and have seen the enormous change in the rates I can put on land. I do not hesitate to say that in any part of India where the land is fairly easy, and you have not very great bridges, it is a 15 per cent. proposition, if you take into account the increase in land revenue and the direct Indian Railway revenue.

2449. I wonder if you know of the existence of any statistics? Somebody was asking whether we could get any statistics showing the increase in value of land revenue when a new railway came?—No, but you can get it out of the Settlement Reports. If you were to write to Sir Thomas Holderness, who was here as Under Secretary, he would be able to lay his hands on it.

(*Chairman.*) Where is he now?

(*Sir Henry Burt.*) He is a Director of the Bengal and North-Western Railway.

2450-2. (*Chairman.*) If raw materials remain anything near their present price there will be a great leap further in land revenue?—Yes.

2452. Let us assume that we have got a powerful Railway Board partly controlling Companies, partly directing operating railways, you do not take any objection to their duplicate functions?—I do. That is what we tried to get out in the Mackay Committee. Suppose there is a case between a State railway worked by the State and a Company line, I do not see how the Railway Board could be impartial.

2454. They say they have been?—I think they have been good, but in theory they cannot be impartial. There are all sorts of little troubles in their dual position. You will hear about their raising the salaries of certain of the staff without telling the Companies and embarrassing the Companies. The fact is, I think, they are probably too much overworked.

2455. Broadly, it is a difficulty, but it will have to be dealt with. It may have to be tolerated for the present?—I do not think it is a burning grievance, but that was the idea we had, either State railways worked by the State, or all Company lines. I thought when we had this Committee in 1908 we should get it all Company lines because there were only three State railways then.

2456. You would like to do that if you could? I should like to have one thing or the other. From the present temper of India you will probably find what will come is that it will be worked by the State.

2457. (*Sir Henry Burt.*) You would prefer that?—I prefer one or the other.

2458. You would give the preference to the State?—From the Indian interests it would be better to do that because we do not hold enough capital and the predominant partner can always check us.

2459. (*Chairman.*) Are we to take it that the development of Indian national sentiment has rather caused you to change your view from what it was 12 years ago?—Yes, my view is this. If you want to switch the Indians off from politics you have to give them something to do and here is this spectacle which you will see going through these long thousands of miles of railway. There is not a single Indian who has any direct interest in the railways.

2460. Assume this great Board is a really dignified and important body. You spoke in the Mackay report of thousands of miles of line being needed, but they have made very few since you returned and they are still immensely behind?—Yes, it is lamentable.

2461. It is a question of hundreds of millions of capital. Is the Railway Board to raise it by an Indian Government loan?—No, an Indian railway loan. I would give it an absolute name of itself If there comes a question of clashing between the Finance Minister saying that you are spoiling the Government loan by your terms, you must appoint somebody to decide between the two. There will always be a conflict between them as there is now. There is always a conflict going on in the Finance Department.

2462. It is suggested to us that if you take the railways off the hands of the Government of India the amount they want to raise is very trifling. It is only one million or so for irrigation. Their capital requirements are very small?—That is true.

2463. So that there would not be a serious competition?—I had forgotten that; but we must remember that India is now taking to extravagance. We used to be thrifty and economical.

2464. (*Sir Arther Anderson.*) Whatever name you give to the loan it will still in effect be a Government loan?—It is a Government loan, but the security is the railway, and after that the Government.

2465. (*Chairman.*) You would put the Government behind it?—Yes.

2466. It would not be a mortgage on the railway, there would be the Government guarantee behind it?—Yes, but I am not sure that it would be necessary.

2467. Are you not bringing the Finance Minister in again by the back door?—Yes, you are going to call financial experts, and I should prefer to say nothing on this point. I think the public would come in on the security of the railways themselves.

2468. You would raise your money in India if you could get it, or in London?—Yes, anywhere, in America if you can get it, and I think you will get money from America eventually.

2469. In that case you would be getting it as a State loan in the first instance, unless you subsequently determined to hand the whole thing over to independent Companies, but we are imagining it all gradually getting swept into the State net?—Yes.

2470. It might get out again and possibly would?—This is only an opinion; it is one thing or the other. I think you had better have a good many things in India, either a real Company owning the whole capital——

2471. Of course leaving the State as a debenture holder?—Yes, or the State, one thing or the other. This Company system, although it has worked smoothly owing to having a most loyal body of men, has got Boards at home, men with the patience of angels and who have been through the hoop in India; it has worked wonderfully well, but if you knew the delays for years past, with regard to things essential to the line, they say, "You are going to have it," but it never comes. You would not like that if you were on those Boards. I do not think the thing will go on. I am not sure that the class of men will not dry up that used to provide the Boards. Therefore I would urge most strongly, if you are going to talk of Companies, let it be a real Company where they are not overshadowed by the predominating partner who holds nearly all the ordinary stock.

2472. You have experience of both kinds. I think the Directors we have had before us have pressed the point of the advantage of having experts on the Board?—Yes.

2473. You have experience of both kinds of Companies?—Yes.

2474–5. You have experience of the Company where the Directors are business men, but do not pretend to know how to build ships, for example, or that kind of thing. On the other hand, you have had experience of the Indian Board with the expert sitting with the non-expert Directors?—Yes. Speaking as a non-expert, I prefer for Indian railways a Board which is run by experts.

2476. That is to say, your co-directors?—Yes, my chairman and my deputy chairman. They know the thing from A to Z, and one feels sure that with the reports of the agent from India, and constant demi-official correspondence, you know things are going pretty well. But supposing this class of agents in India were to be dried up—and it may dry up if they are not better paid, because they do not pay them properly—then a big man, an agent, will say, "I will not sit on an Indian "Railway Board in England; I can get much "bigger pay if I go into some bigger thing." There is that danger. It surprises me sometimes to think that a man like my old friend Sir William Bissett, who is dead, was so patient in the face of constant delays and opposition.

2477. (*Sir Henry Burt.*) And these delays would be just the same with an Indian Board under the existing financial conditions?—Yes. If the present financial conditions are not altered your Committee might just as well not go out.

2478. You were saying that on the whole you preferred State management. Do you think that under State management political influence would become too pronounced?—It will become very pronounced.

2479. You think you would have to face it?—Yes.

2480. (*Chairman.*) The constitution of your Railway Board would consist wholly of experts; you would not put on business directors?—I do not think it would be wise. You might co-opt for a time a good chairman of a Chamber of Commerce, but I do not think it would be wise. Then, of course, you must be prepared if you are going to have an enlarged Railway Board with, as I say, local branches or provincial branches, which they must be, to put natives on.

2481. Your contact with public opinion would really be through your railway system?—Yes.

2482 And experts with an organised machinery for bringing public opinion to bear on them all the time; that is the essence of it?—Yes. I think under the constitution at present you have a civilian, have you not? Was not Sir Robert Gillan on it?

(*Sir Arthur Anderson.*) Sir Robert Gillan has retired.

(*Sir Henry Burt.*) And the arrangement is not going to be perpetuated. The Board have got now a financial adviser outside the Board. I would like to ask you this question about the Board. You have talked about an enlarged Railway Board. Have you thought out how you would recruit them, because you may take it from me there is difficulty at present in recruiting three men. Very often it works out in practice that it is not a question of recruiting one man a year, as you may think, but very often three men in one month.

(*Sir Arthur Anderson.*) That happened this year.

2483. (*Sir Henry Burt.*) And it has happened before. There is the greatest difficulty in finding suitable men?—That will be met by a very large increase of pay, and izzat. I do not know if you know that word. Izzat means honour status precedence.

2484. (*Sir Arthur Anderson.*) What do you call a large increase of pay—10,000 rupees a month?—Yes. If the Government of India say "It is monstrous; our people do not get that." I should say, "I do not care twopence."

(*Sir Arthur Anderson.*) That is exactly what will occur.

2485. (*Mr. Hiley.*) The salary be governed by the market price for brains?—Yes.

2486. (*Sir Henry Burt.*) You recognise that you must get men from England?—At first you might, but if you get a big man out there—if there is such a thing—he might gradually train a number and form a school. I should let him have personal assistants.

2487. (*Chairman.*) It is possible that the agent of the X.Y. railway might be thought good enough to be taken on the Board?—Yes, certainly.

2488. And that would stimulate the growth of the agent class?—Yes. My idea is that the Board at present cannot get round India. They cannot go and see things. I should also rather encourage the idea of branches. I would have an outpost of the Board at Calcutta, and another at Bombay.

2489. (*Mr. Hiley.*) I would like to ask you a question or two in regard to the durbaries. It is an interesting suggestion. You said, I think, in your evidence that it would be advisable to start it in stages?—Yes.

2490. And that you would suggest starting it in the first case on the State railways?—Yes.

2491. Would not that rather have the effect of emphasising the popularity with Indians of the State railways as against the Company railways?—There might be that danger, I had not thought of that. But I should be equally happy to see it started on two railways, say the North Western and the Bombay Baroda.

2492. It seems advisable, does it not, in order not to make the cleavage of opinion greater?—Yes.

2493. (*Sir Arthur Anderson.*) It would be free to any railway to take it up if they liked?—Yes.

2494. (*Chairman.*) The Great Indian Peninsula contract falls in in 1925?—Yes.

2495. The contracts of some of the big railways do not fall in till 1945 or 1950?—Yes.

2496. Can you imagine the two systems going alongside each other for 30 years?—Yes. I can also imagine the State, if they were politically pressed, paying compensation and getting rid of the contracts.

2497. You are aware, no doubt, that the contracts do not provide any terms for a break otherwise than at fixed periods?—Yes.

2498. Anything else has not been contemplated?—No.

2499. Presumably if anybody offered you to-day a handsome douceur to go away you would be quite ready to do so?—Yes.

2500. (*Sir Henry Burt.*) It is a question of money, after all?—Yes.

2501. (*Chairman.*) If you were representing the finances of India would you think it good business to make the English shareholders satisfied that they had been liberally dealt with?—Undoubtedly, because you would want money for the railways afterwards.

2502. You would want them to be ready to put money into the railway lines in the future?—The railways would want money, and many people would put it back into them at once.

2503. (*Mr. Hiley.*) Assuming that durbaries are to be started on certain railways, do you think it would be helpful to this scheme if the agent's hands were strengthened in dealing with the matter, by English members being co-opted as well as Indians?—I meant that, certainly. What the Bengal Chamber of Commerce wanted was that the commercial community should be interested in

the matter, and I think that would be very wise. I suggested 10, off-hand, to begin with. That would be an expenditure of Rs. 1,000 a month, which, by the way, as it is really for the purpose of Government rather than the purpose of the actual railways, I think Government ought to pay for. I should think that very likely three out of the number might very well be British people living at the Presidency towns, Bombay or Calcutta. But the men I want to get hold of are the men living up-country. Take the Bombay Baroda line, or even the East Indian line, there are men on that line like the Maharajas of Gwalior, Bikanir, and Jaipur, who would consider it a very great honour to be asked, "Will you join this railway durbar" --(of course, they would have special seats in the durbar)—"or will you let your Diwan join?" Men like the Maharaja Darbhanga in Calcutta, and the Raja of Burdhwan, are the sort of men who should always be on it. These men have large wealth under their control, and therefore it would politically be a sound thing to do. But you must give them certain functions, and the agents out there will be able to tell you what functions could safely be given to them. There is one other point I would like to mention, namely, that apart from the question of these durbaries, we have been talking for generations in India of educating men in technical things. A certain amount has been done, but now if we want men as subordinates in many departments of the railways we have to send an indent home for them. That indent goes to the consulting engineer, and he finds a man for us. I think you ought to stop that. You ought to have proper schools. It is not the fault of the Companies —they have nothing to do with it; it is the fault of the Government of India and the Education Department.

2504. (*Chairman.*) There ought to be technical schools?—Yes, there ought to be technical schools for the locomotive part of the business and for many other branches—telegraphy, signalling and so on. It ought to be absolutely unnecessary for them to send a native home to England for education—it ruins him. You ought to offer Indians facilities for learning, and for being able to qualify themselves for work on Indian railways.

2505. Would you put those schools under the Railway Board or under the Government?—I should not mind a bit putting them under the Railway Board—far better, I think.

2506. (*Sir Arthur Anderson.*) There are a certain number of schools already?—You have not provided many yet.

2507. There has been a great impetus given to them during the last year or two?—Give them more impetus.

2508. The foundation has been laid?—I am glad to hear it. In Madras we were always wanting men, and it is a terrible political danger to bring out low-class Europeans.

2509. (*Mr. Hiley.*) That is in the subordinate grades?—Yes.

2510. I was very much interested in the proposal you made with regard to the durbaries. I gather you deprecate any leap in the dark?—Yes, I am afraid of it, but I think you have to make that leap.

2511. Do you think these durbaries might perhaps postpone the day of transferring the Companies entirely to India?—No, I do not think it would. I think the durbaries, if the railway Companies became State railways, might some day form the nucleus of bodies to which the State could delegate a lot of their work. There are lots of little ways in which they could help you. I have mentioned one or two, but I could give you dozens of other ways in which they could help. They would help you in one thing with regard to the present system. The present system, splendid as it is, is like the whole of the Indian Civil Service. It is very efficient, very slow, and very steady, but it has kept the people out altogether.

2512. You do not think a durbari will be accepted by Indian political opinion as a reply to their demand for local representation?—No, but it is something. There is not much real better-class opinion in India, but I think it will be welcomed by better-class opinion. It is a very strange thing that the railway industry is the only industry in which the Indians have no share whatever.

2513. A suggestion was made by one of the railway representatives that the London Boards should send out directors with their full powers every year to confer with the Chambers of Commerce and their staffs and to keep better in touch with conditions of the country?—And to get to know the Indians.

2514. If this deputation of Directors could confer with the durbaries it would probably go a long way towards what the advocates of Indian representation require. It would give the durbaries for the time being very much greater power than it might be safe to give them at the beginning?—That is an excellent idea.

2515. You understand the suggestion—the representatives of the London Board would go out and take their powers with them?—The only trouble about that is that you will not get the men to go out.

(*Chairman.*) That is what I ventured to suggest.

2516. (*Mr. Hiley.*) Would they not go if they were paid adequately?—The deputation fee is so small for a man going to India, that he could not afford to go out year after year. The Boards are very small in number, and it would mean that many men would have to go out year after year.

2517-2617. The reply one Director made to that was that the Board could nominate a Director who would have the perfect confidence of all the Board, and who could take the powers of the Board with him?—You must have two to form a quorum.

(*Chairman.*) Thank you, Sir Walter; we are exceedingly obliged to you for your valuable evidence.

The witness withdrew.

MR. J. M. RENDEL and COLONEL G. HUDDLESTON, called and examined.

2618. (*Chairman.*) Mr. Rendel, you are the Chairman of the Assam-Bengal Railway Company?—Yes.

2619. Your colleague, Colonel Huddleston, has refrained in his previous evidence from saying anything about the Assam-Bengal Railway in particular. Have you any Indian experience?—No, my experience is only English.

2620. Are you connected with India in business?—No, not in business. I have plenty of Indian connections, but no personal knowledge of India.

2621. What are you by profession?—By original training I am a barrister, not practising.

2622. Have you any other business connections besides those?—I am connected with other Com-

panies. I am a Director of the Southern Punjab and of the Nizam's Railway. That is all.

2623. You are not connected with any non-Indian Companies?—No, except a very small concern called Dennison House, Ltd.

2624. You devote your attention to Indian railways?—Yes.

2625. You have seen the notice containing the conditions under which we are hearing evidence?—Yes.

2626. You have not sent in a *précis* of the evidence you wish to give. We do not want to ask anything about the Assam-Bengal Railway in particular; that is not our business; but if you desire to express any opinion on any of the points in the Reference will you please do so?—I should prefer to be asked questions. It is so much a matter of opinion, and such a very wide field is involved.

2627. There are really two big things. The first is the big question of policy. What is your view on that?—My view, for what it is worth, is that you have got to choose between one or other of the two present systems. As a matter of fact, they are really, in my view, very much the same system, one of very strict bureaucratic control either directly by the State managing its own railways, or through the agency of Companies which are really not independent.

2628. They have very small financial responsibilities?—And very small initiative powers indeed.

2629. As Sir Walter Lawrence has said to us just now, if they had not been broken to the system in India they would not put up with it?—So far as my own opinion is concerned, and so far as it is worth anything, the third proposed alternative of doing the thing through Boards in India appears to me to combine the faults of both and the merits of neither system.

2630. I take it you do not see your way to have two co-equal Boards, one in India and one in England?—You will have two Kings in Brentford.

2631. Brentford is a smaller place than the gap between India and England; still, you do not see your way to doing it in that way?—No. I do not, but it is not necessarily impracticable because I do not see it in that way.

2632. Do you see your way to the Board remaining in London and delegating to an Indian body a substantial amount of the powers that you at present possess?—No, I do not.

2633. You would be left between the upper millstone of the Government and the lower millstone of the local body, so that there would be nothing left for you to do?—It would very much depend on how it was done. It would depend really on what was left to us and what was delegated.

2634. Is there anything that you could delegate that is substantial?—I do not think there is. As things are at present the Indian Government and the Indian Railway Board do all and more than all that could be delegated to a local representative.

2635. Then you come back to this, do you not? If you are to make a change it means transferring the real control to India?—It does, where it largely is at present.

2636. But it means transferring the whole thing, does it not?—I suppose so.

2637. Do not let me put it into your mouth?—No; I suppose it does, but I am impressed with the feeling that there is very little substantial control at present.

2638. When does your contract end?—No definite date, but as a matter of fact it is terminable by the Secretary of State at the end of 1921 and subsequently at 10-year intervals, but the India Office has announced to us that it does not intend to exercise its powers to terminate it in 1921.

2639. You are referring to the Assam-Bengal Railway?—Yes. They would have had to have given us notice by 31st December this year, and they have told us that they are not going to do so.

2640. Then you have a 10-year contract?—Yes.

2641. Your Company does not earn its dividend?—It does not.

2642. So that the Secretary of State has no interest in turning you out?—Unless he thought he could do it better.

2643. At any rate there is no financial interest in turning you out?—No.

2644. (*Sir Arthur Anderson.*) The financial interest is rather the other way, because if he did turn you out he would have to pay you back at par?—I do not know whether he thinks it would be of financial interest to him. He would pay us off at par in sterling, and a very much smaller number of rupees would be necessary to provide the sterling at par now than was the case some years ago.

2645. Is that a term of the contract?—Yes; he has to pay us off in sterling at par.

2646. (*Chairman.*) And your shares stand at present at 45?—Yes; they simply stand on a gilt-edged basis, and nothing else.

2647. (*Sir Arthur Anderson.*) May I ask one question with regard to the transfer of the Board, about which you have been speaking? If you had a dual Board, one here and one in India, the home Board would still require to deal with supplies, would it not?—You are thinking of Colonel Huddleston's scheme.

2648. No; I am thinking of what you were speaking about just now. You said that a certain number of powers could be delegated to the Indian Board if you had an affiliated Board there?—Yes.

2649. But England at present being the large source of supply, and likely to be for a number of years to come, all supplies would require to be dealt with from here?—Are you speaking of capital money or stores?

2650. Stores?—That, I suppose, is the case, except in so far as India is able to supply herself.

2651. They can only supply a comparatively small amount at present?—Stores would have to be purchased in Europe, in England, in America—wherever they might be obtainable from.

2652. (*Sir Henry Burt.*) Or Germany?—Anywhere. They would have to be supplied. The contracts for stores would have to be made by the home Board with the sanction, as always is the case, of the Government Director, and the money for purchasing them would have to be supplied by and sanctioned and guaranteed by the Secretary of State.

2653. (*Chairman.*) Have you anything to say on the question of direct State management in India? Have you any special views on the point?—No. Of course, one can find fault with the existing system, but on the whole it is not a bad one. It is capable of being very good.

2654. What do you mean by the present system—the mixed system?—The mixed system, under which you are controlled by the Government of India and the Secretary of State. One fault of it is that it is slow in its methods—that if you want a thing done you have got to convince a great many people it ought to be done.

2655. And it does not find money?—It does not find money, and questions are shelved. That is inevitable, I suppose. But after all, the man who finds the money calls the tune.

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2656. Meanwhile the traffic does not get moved, because there is not enough rolling stock?—I do not think we could say that on our line.

2657. You think that is not so?—I do not think it is so on our line.

2658. What is your third Company?—The Southern Punjab.

2659. (*Sir Henry Burt.*) In that case you have nothing to do with the supply of rolling stock?—It is an owning and constructing, not a working Company.

2660. (*Chairman.*) Is the Southern Punjab full of traffic?—A great deal of traffic runs over it. It is a very complex traffic: that is to say, the traffic that we get in the Southern Punjab is an artificial traffic. So much general traffic passes over it in the administration of the railway that we are entitled to receive under the contract. We get traffic that does not pass over our line, and we give up to the Government traffic that does.

2661. It is a pool?—Yes.

2662. Apart from what we may call administrative difficulties which possibly might be got over, you have no special preference for State management or Company management?—Speaking quite abstractedly and looking at it not as a Director of this line or that but as impartially as I possibly can, I should say: "Yes, either system. It all depends on how it is worked."

2663. Nor have you any great objection to the two systems going on alongside?—Not a bit. What I do feel is that the alternative system of trying to combine the merits of both by having the Company in India is getting the faults of both without the merits of either. By having an Indian Company instead of an English Company I do not see what catch there is in it.

2664. In other words it comes to this, you rule out replacing an English Company by an Indian Company?—Yes, as far as I can judge.

2665. And you do not see your way to a combination of a double system, a Company half Indian and half English?—I do not see the advantage of a Company located in India.

2666. If the management is to be transferred to India, you would make it a State railway?—I should undoubtedly. I should have an honest State railway. You must run railways in India on bureaucratic lines, to my mind, and if the thing is done in India you had better leave it in the hands of the Government.

2667. Let us assume it is a State railway. A great many of the witnesses who have appeared before us have said (I forget whether Colonel Huddleston gave his opinion on the point) that the Railway Board must be much more independent and much more important, and the ordinary Government must stand aside?—I am sure of it.

2668. You agree with that too?—Certainly. There is no doubt that one of the great difficulties at present is the complete subordination of the railway management to Indian finance The whole of the railway earnings go into the general pool of Government receipts.

2669. You would cut the whole thing loose and make it stand on its own footing by itself, with the Indian Railway Board separate from the Government?—If I could, certainly.

2670. We may assume that vast amounts of money are wanted as new capital for the railways?—Yes.

2671. You would raise that capital, I suppose, in India or in London, as the case may be. You would raise Railway Board loans?—I should.

2672. Speaking as one who knows the city, do you think that security would appeal to English investors?—I should think probably it would. Practically the Government of India would be at the back of it.

2673. You are assuming that there would be a Government guarantee behind it?—I am assuming that it is what we call gilt-edged; that it has a Government guarantee behind it. We know that some forms of Government guarantee are not as good apparently as others; some do not catch as well as others. For instance, to emphasise what I mean, there is no difference whatever between the Assam-Bengal Railway stock and Government stock, but, it being a narrower market and a smaller thing, it does not command the same price.

2674. What guarantee have you got?—Three per cent.

2675. And you stand at 45?—Yes.

2676. (*Sir Arthur Anderson.*) The Assam-Bengal Railway stock is really at present in the position of a Government of India debenture?—That is what it is.

2677. (*Chairman.*) What do India 3 per cents. stand at?—I forget what they stand at, but I think they are probably rather higher.

2678. One witness told us that an Indian loan that was not issued by the Secretary of State but by the Government of India would be regarded quite differently in London?—I have no experience or knowledge to enable me to say, but I cannot see why. I would not make any difference myself. I would just as willingly invest in one as the other.

2679. One knows that there is a market opinion?—Yes, I should think there is a good deal of fashion in it myself.

2680. Indian investments are not popular?—Not for the moment.

2681. They never have been popular in the sense of having a large clientele?—I believe not.

2682. You never see much of them in the financial news from day to day?—No.

2683. You never see that Indian railways are flat or are active in the same way you see with regard to Argentines?—No. There is not much speculative interest about them.

2684. Do you think that is partly due to the break-up of the market, so to speak, into a number of separate markets, that every stock has its own contract conditions and its own periods of life and so on?—Yes, I think so. I think that is a point. I think the Indian railway contracts are so complicated that people do not know about them.

2685. Nobody but an expert who very much trusted his own opinion would think he knew what the contracts said?—And even then he does not always know.

2686. You have applied both long practical experience and legal training to the question. Do you think you can understand the contracts?—I cannot understand them very often.

2687. If you cannot, who can?—Exactly. Very often they are not well drafted.

2688. I think we have got your views on the two main points of the Railway Board and the question of management? You have also told us that you would finance the railways through direct Railway Board loans guaranted by the Government?—There is no alternative really.

2689. Is there any other point you would like to raise?—No, I think not, Sir. As I say, the real trouble under the present system is the difficulty of getting things done. I suppose that must happen in any case under Government control; and there are also frequent changes in the constitution of the Railway Board.

2690. That, of course, you would agree would be largely altered if you made it worth a man's while to stop in India?—Yes.

2691. A man goes home because he has served his time and is entitled to his pension, but if you gave him a very handsome salary to stop there he would do so?—Yes.

(*Sir Henry Burt.*) The Government limit is 55 years.

2692. (*Sir Arthur Anderson.*) That rule does not apply in the Railway Board?—There is one other thing I would like to say. I have long felt that the scale of salaries paid is not adequate.

2693. (*Chairman.*) You are restricted in that respect, You cannot pay your agent a big salary without the permission of the Secretary of State?—No. They are not intended to have the amount of independence that a railway man in the Argentine has, for instance, or I think in this country, and they are not paid on that footing. You get tremendously big concerns like the East Indian Railway Company and you pay the agent something very much less than on the other railways of the world.

2694. What do the East Indian pay?—(*Colonel Huddleston.*) Rs. 4,000 a month. (*Mr. Rendel.*) It was Rs. 3,500, it is now Rs. 4,000.

2695. That is the equivalent to something like 3,000*l.* a year?—Yes.

2696. What would a general manager in the Agentine get?—I expect double.

2697. (*Mr. Hiley.*) 5,000*l.* is about the minimum. I know one man who has 5,000*l.* and he was not general manager of one of the big Companies?—It illustrates that we are very much in the hands of a bureaucracy.

2698. (*Chairman.*) The position, I take it, is this. If you get an agent and you think he is worth Rs. 7,000 a month, you cannot pay him that unless you convince the Finance Minister of India that he should receive it?—That is the position; nor can you delegate to him a degree of responsibility which perhaps would justify a salary on that scale.

2699. Do you delegate all you can practically?—Yes.

2700. We hear that some Companies delegate less than others, but they never appear?—We believe in delegating as much as we can. You have got to get a good man and trust him.

2701. Is there anything else you wish to say?—No.

2702. Now, Colonel Huddleston, will you tell us what you have to say?—(*Colonel Huddleston.*) When I was here before you asked me to let you have particulars showing how the capital of the Nizam's Railway was raised.

2703. Yes. You are now going to speak on behalf of the Nizam's State Railway?—Yes.

2704. Will you kindly tell us all you can about the way in which the capital was raised?—The Company was formed in 1883 and capital stock amounting to 1,500,000*l.* was raised by a prospectus in 1884. Then at various dates, partly by prospectus and partly by Issuing Houses further capital was raised in the form of first mortgage debentures. All this money was raised for the broad gauge railway. The total issued in London was 2,658,400*l.*

2705. Did the ordinary capital remain at 1,500,000*l.*?—Yes.

2706. Then there was a little more than 1,000,000*l.* of debentures?—Yes. Further broad gauge capital was issued in the form of debentures taken up by the Government.

2707. By "the Government" you mean the Nizam's Government?—Yes. Then in addition the Nizam's Government at the time the Company was formed, were paid 500,000*l.* in fully paid up shares as part of the purchase price for the line that existed in those days.

2708. The Nizam had started to build the railway on his own account?—They had a railway—I think it was constructed by the Government—that ran from Secunderabad to Wadi only, a distance of 121 miles. That was worked, I think, by the Great Indian Peninsula Railway. That line had to be taken up, and when this new Company was formed it was for the purpose of taking it up and extending it.

2709. You mean, taking it over, not pulling it up?—Taking it over and extending it.

2710. You bought what was on the spot at the rate of 4,000*l.* a mile?—Yes. With regard to the metre gauge we issued through prospectus in London 1,800,000*l.* 3½ per cent. debentures. They were issued at a discount, at 94 and 94½. That was in 1897 and 1899. Since 1907 we have issued to the Government of H.E.H. the Nizam 475,000*l.* in the form of debentures up to the present date.

2711. To the Government?—Yes. They have taken up the debentures and given us the money to finance the line with.

2712. You have got a total capital of something like 5,000,000*l.*?—About 4,250,000*l.* broad gauge, 2¼ million metre gauge—total 6½ million.

2713. (*Sir Henry Burt.*) There is one point I should like to ask Mr. Rendel. You expressed a preference for State management as against the transfer of the Boards to India?—(*Mr. Rendel.*) Yes.

2714. I suppose you assume that the control of the Railway Board would remain as it is now?—Yes, exactly.

2715. Is your preference for State management therefore this—that there would really be no necessity for a Company Board in India?—That is one reason, certainly.

2716. You see my point?—I do.

2717. That the control of the Railway Board is such, there is so much control that there is not much left for a local Board to do?—What is left is better done here than it can be done in India, in my opinion. If, therefore, you are going to destroy the English Boards you had better take the whole thing.

2718. Because the local Boards would not be of any great help or assistance?—I believe very little. You would lose the advantage, whatever it may be, of the English Railway Boards—you may think it much or you may think it small; but whatever it is you would lose it, and I do not think you gain anything in return.

2719. (*Chairman.*) The English Boards have grown up with a system they understand?—Yes.

2720. If anybody were to ask you to join the Board of a Company and you found when you got there that it had as little power to do things as an Indian Board you would say "Well, I think I will retire." Is not that rather what it comes to?—I am afraid I do not quite follow you.

2721. The Boards of Indian railways know what their position is. They have all practically been connected with India; they know that their functions are very limited, and they accept that position?—Yes.

2722. If you were asked to join the Board of an Argentine or English railway, and you found your powers were as limited as those of an Indian Company's Board, you would be inclined to say, "Thank you, it is not good enough," and go away?—Unless I wanted the fees very much.

2723. That is not a reason why they should invite me?—Not at all.

2724. (*Mr. Hiley.*) Have you established any reserve fund to deal with deferred renewals?—Not

on the Assam-Bengal. We are practically a State railway.

2725. Altogether State?—Yes.

2726. Have you attempted to establish one with the concurrence of the Government?—I have never thought of such a thing. It is quite outside the usual practice.

2727. (*Sir Arthur Anderson.*) Has the Company ever paid its guarantee?—Oh, no, but even if it had, I do not think any guaranteed Company has a reserve fund.

2728. Oh, yes?—A reserve renewals fund? I think they pay as they go.

2729. (*Chairman.*) It is deferred maintenance reserve. I think the English railways have got the right name for it.—I do not know that any Indian railway does that.

2730. (*Mr. Hiley.*) Anyway, you have not?—No.

2731. (*Sir Arthur Anderson.*) You really have no interest in that as a Company?—I would not say that. To have a fund on which you can draw when you want it, instead of having to ask the India Office to supply the money when they are very hard up, is something.

2732. Under existing conditions?—We want to do our work properly, and if we had a reserve fund and if we were not subject to the usual Indian railway finance, all Indian railways would be in a stronger position.

(*Sir Arthur Anderson.*) Have you formed a reserve fund out of your revenue?

2733. (*Mr. Hiley.*) Or have you asked the Government to do so?—No. It would be idle to do so.

2734. (*Chairman.*) Surely the position is this: you pay over your net revenue, whatever it is, to the Government in relief of the guarantee?—Yes.

2735. You have paid over more than you ought to have paid because you ought to have kept cash in hand to buy your rails when you could buy them. That is what it comes to. They ought to have taken only so much from you; they ought to have left money available for buying the rails and not have taken it as revenue?—They have never done that. They accept the obligation of providing the capital when it is required.

2736. (*Mr. Hiley.*) Do they carry that obligation out?—I should say so.

2737. (*Chairman.*) You agree it would have been better if it had been liquid in your own hands?—Or somebody's hands. I should think so. It is really a question for the financial authorities in India. They do not proceed in that way. They work to an annual budget and all expenditure lapses at the end of every year.

(*Chairman.*) Thank you very much for your evidence.

The witnesses withdrew.

(Adjourned for a short time.)

COLONEL W. V. CONSTABLE, R.E., and SIR DONALD ROBERTSON, K.C.S.I., called and examined.

See Written Statement No. 9, Vol. IV.

2738. (*Chairman.*) Colonel Constable, you have seen this notice?—Yes.

2739. You are Chairman of the Madras and Southern Mahratta Railway Company?—Yes.

2740. You will appreciate the conditions under which we are taking evidence?—Quite.

2741. We have had this morning Sir Walter Lawrence, who is, I think, one of your Directors?—Yes.

2742. I do not think he spoke on behalf of your Company in any way?—No.

2743. You say that your Board are strong advocates of the retention of the Home Board?—Yes.

2744. You agree that there is a considerable opinion in India against abolishing it?—Yes.

2745. You consider that this opinion is founded on a misapprehension. You also say that you think the efficiency of the railways is better secured by the present arrangement?—Certainly.

2746. Would you agree if people preferred less efficiency—this is a question that might be raised in various parts of the world—if people preferred a less efficient system of their own to a more efficient system supplied to them from outside, there is something from their point of view to be said for it?—Quite so.

2747. Turn to another matter. Assuming, for the sake of argument, that the Companies are liberally treated, leave the Company view for a moment, if you were to speak for a shareholder you would say, "As long as I get at least as good as "my bargain I have no grievance?"—I do not think that is the way the Boards look at it. I am on the the Bombay Baroda Board, and we always claim to be agents of the Government as well as representatives of the shareholders. The Bombay Baroda own 1 share and the Government 22. We own 5 millions out of 16¼ millions capital. To put it in another way, we own four-thirteenths of the capital exclusive of advances by the Secretary of State. This proportion is greater than other Indian Railway Companies hold; that was arranged by the Government when the amalgamation took place, and we had nothing to do with it.

2748. *Qua* shareholder suppose you get all you bargain for. If there is any question between you and the Government and you are liberally treated, has a shareholder any grievance?—We have not looked at it from that point of view.

2749. I want to see what you say from that point of view.—If it is going to be less efficiently managed there will be less return, and both Government and shareholders will suffer.

2750. Assuming the shareholders were given all that they bargained for—assume that in money, and that the shareholders would then disappear; they have not got a grievance?—I do not know.

2751. Suppose you and I own a business—a boot manufacturing business or any other business; if a big Company buys us up on good financial terms, we, as shareholders, are satisfied.—Yes, we are not managing the Company only in the shareholders' interest, but in the Government interest too.

2752. Assume that the Government says: "We "want to take this thing back into our hands, and we "will give the shareholders satisfactory pecuniary "terms," do you agree with me that the shareholders then have no grievance?—I do not think they would. In the last paragraph of the memorandum in the General Conclusions I say as the Companies' contracts fall in, if the Government wish to manage themselves they can do so.

2753. Let us take it in that way. Your contract terminates a long way ahead?—Yes, 1937.

2754. I am putting a purely suppositious case: Suppose before 1937 the Government said—to-morrow for instance—"We will give you terms to break the "contract to-day which will make your share a more "valuable thing than it is to-day." Say that the share

stands at a certain figure—suppose it is 100*l.*—and they say "We will pay you off at 110*l.*," would you have a grievance?—I may say, with reference to your remarks, that none of the Companies understood what the English meant in the first paragraph of the Terms of Reference: "As and when the existing "contracts can be determined."

2755. That clearly means that you are there until 1937?—That is the line the South Indian took, but we say it is not English, and we want to know if it meant if we behaved well that the Secretary of State could terminate the contract. We do not know what that means. You are rather arguing as if it were; suppose the Government terminated the contract and made it up to the shareholders, would we object? I do not know.

(*Chairman.*) I am trying to get your opinion, I am not arguing for anything. I ask what you would say if that happened.

2756. (*Sir Arthur Anderson.*) The point is would the shareholders be likely to agree?—I do not know.

(*Sir Arthur Anderson.*) If they did not agree they could not be forced to.

2757. (*Chairman.*) They could be only forced in the event of their not voluntarily accepting an offer as in any other case of compulsory purchase I will not carry that point any further.—Speaking personally, I am an old State Railwayman, and I believe in State Railway management. I did until all these troubles arose and the war came; now I think the present arrangement is the best, but it is open to the Government as the contracts fall in to take them over. If they could raise the money in India for other lines we do not object, but if you ask whether the shareholders would object, I do not know; I cannot tell you.

2758. Will you tell us what has caused the change in your opinion?—I was on the State Railway lines except 4 years on the Bengal Nagpur, I was on the Eastern Bengal Railway in the consulting engineer's office, and on the North-Western as deputy-manager, and so on, and it seems to me in ordinary times it is reasonable that the Government should get the whole of the profits. I consider in the old days that the State lines were managed as well as the Companies' lines. We are most of us State lines with a small interest in them, and now that there is political pressure and we do not know what the future is going to be, I think it a good thing to keep up the Company system under which we are as much under the control of the Government as the State lines are. They settle what the expenditure shall be; capital and revenue; they have control of the rates and the fares; and we are State lines with a little interest in them. The Indian railways have been earning 8 per cent. lately, but that is not going to last, because there are 60 million of arrears to be made up in renewals and there will be tremendous increases in wages. We made 3 per cent. of our dividend this year by a fortuitous rise in exchange. To-day it is between 1*s.* 7*d.* and 1*s.* 8*d.* I do not think that will continue, but I do not know.

2759. I do not think any of our opinions on exchange will be worth much. We will leave that. Where do you get the figure of 60 millions of arrears?—I am on the Bombay Baroda, and their estimate for the next three years is that they want 11½ millions of capital and capital share of renewals.

2760. (*Sir Arthur Anderson.*) You mean 60 millions for the whole of the railways?—Yes; the whole of the lines. That is outside the annual amount. All the representatives said they thought, instead of 12 millions a year being required for normal expenditure, the capital required would be 20 millions a year.

2761. (*Chairman.*) Do you mean by extensions improvements on existing lines or do you mean both improvements and new construction. You said 12 millions for extensions?—That I am not certain of, but the normal 12 millions that was raised before the war will now, owing to the rupee being higher, require to be 20 millions, and they want 60 millions besides to bring the lines into the same state as they were before the war.

2762. Let us be sure that we understand each other. You require 60 millions in order to carry out works of revenue maintenance?—No, not revenue maintenance, but for renewals. During the last 4½ years, the accumulated arrears of necessary work must amount to 40 million pounds at pre-war prices. That is bringing the lines into the same condition as if there had been no war.

2763. That is purely revenue?—No; necessary capital works and capital share of betterments in connection with open lines.

2764. Revenue renewals?—Yes.

2765. (*Sir Henry Burt.*) Part of that would be capital, but it is not a very important point?—Some portion would be capital. If you get a better engine or a better rail than before, some portion is charged to capital.

2766. (*Chairman.*) That is not a renewal?—To put the line in a normal condition 60 millions will be required.

(*Sir Arthur Anderson.*) The Indian system is that if you renew a unit with a unit of exactly the same type it goes to revenue, and if you have an improved type you put the difference to capital.

2767. (*Chairman.*) Can you divide that 60 millions? How much is expenditure that ought to have been made out of revenue?—No. I could not do so here. None of that is real revenue expenditure.

2768. The precise figure does not matter?—You might get the Bombay, Baroda and Central India figures, but I have not my figures. They have what they want for the next three years.

2769. (*Sir Henry Burt.*) I should say it was about two-thirds?—I do not think that is an overestimate, because the lines including the State lines earned 8 per cent. lately. That is not a fair profit, and there are reasons for it.

2770. (*Chairman.*) Did your Board raise the question with the Secretary of State in any shape or form that you ought to be allowed to keep this as a liquid reserve?—As far as I know the only railway that has made a special provision for renewals—reserve renewals—has been the Bengal and North-Western.

2771. The Government does not share in the profits on that line?—It was discussed by the other Boards—I think there was a difficulty about excess profits and income tax—and the others have been keeping up their reserves, particularly those lines which have a long period to run. Our reserve has gone up 500,000*l.* I warn the shareholders every time a meeting is held that the reserve will be required to maintain the dividend presently, as wages rise and expenses increase. There is an increase in establishment of over 1 crore in working expenses between 1917–18 and this year.

2772. What are the total working expenses. A crore is what percentage?—I have not brought those figures but the increase is 38 per cent. over 1917–18 expenditure on the Southern Mahratta. That does not comprise the enormous increases in establishment that are coming on due to the increase of wages.

2773. (*Sir Arthur Anderson.*) That is merely wages?—No, that is the total. You know Sir H. Freeland on the Bombay, Baroda and Central India says their estimate of establishment is going to be 1½ crores over last year's figure.

2774. (*Sir Henry Burt.*) Establishment only?—Yes. It is not right for the people out there who want to criticise to say that we pay 8 per cent. and

that the State ought not to have companies earning that, but the State is benefiting also.

2775. (*Chairman.*) When they say that they ignore the fact that a small part of that 8 per cent. goes to you and a large part goes to the Government?—The reason the Bombay, Baroda and Central India have not kept up such a big reserve is this. Their capital is 2 millions against our capital of 5 millions, but they have practically completed their programme of renewals of heavy rails and strengthening bridges. The Southern Mahratta were going to start as the war broke out. We are keeping a big reserve to equalise dividends as the net profits decrease from all these causes.

2776. When you speak of half a million reserve is that a reserve that has got past the Secretary of State. That is your own property?—Yes, that is our own property.

2777. It is really a dividend equalisation reserve?—That is why we are keeping it higher than usual because we do not know what is going to happen.

2778. (*Sir Arthur Anderson.*) You said that the Bengal and North Western was the only one who had formed a renewal reserve. I thought we were told that the Nizam had two?—I do not think any of the State lines have special renewal reserves.

2779. (*Chairman.*) A gentleman from one Company told us, as their share was so small and the State's share was so large, if the Secretary of State did not choose to keep a deferred maintenance fund to provide for nineteen-twentieths of the postponed expenditure they were prepared to follow behind him. That is practically what he told us. You say that if there is to be a change the railways should be handed over not to Companies in India, but to the State direct?—That is what we think. I think all the Companies practically think that. It is the old custom, but sometimes they change; sometimes they buy out a Company, and sometimes they do not; but it seems to me that it is better to have all State lines as the contracts fall in.

2780. It is hardly likely that you would start again with the system of a Company that had so small an interest. What would you say if there could be a Company formed in India that really was substantially the owner of its line?—I think it would be a very good thing. We have received a paper on the subject this morning—a proposal for subsidiary Companies.

2781. No, I do not mean that. You say if the East Indian Company is to disappear it had better go to the State to manage direct?—Better than have the Board in India.

2782. When you have said that, I gather you are thinking of an Indian Board having the same kind of financial interest and responsibility for the East Indian Company as to-day?—Yes, the home Board, only located in India

2783. Instead of that, suppose there could be formed in India a Company holding, say, one-half of the 63,000,000*l.* of the East Indian capital and half of it held by private shareholders, would that commend itself to you at all, or would you still prefer the State?—All the Companies have discussed it together, although we are sending you separate memos., and we all give reasons why it is not possible to get as good Boards in India as in this country. There are not the leisured men to do it.

2784. We had evidence that, provided a Board was small and it had not detailed work to do and only needed a small part of the Directors' time, you might make one or two Boards in a place like Bombay. Would that be contrary to your experience?—You may say the Bombay, Baroda and Central India. What would happen to the main home Board?

2785. Suppose the Bombay, Baroda and Central India was handed over, could you get a Board in India of seven men who would be competent to manage and ready to manage, on condition that they were not asked to give too much of their time?—I do not think you could get a competent Board; much better have a State line.

2786. Your view is clearly that if the English Companies are to disappear, the alternative is direct State management?—Quite so, but I think it all depends where the Board should be as to where you are going to get the capital from.

2787. Do you think that it would be possible to get a substantial large capital in India?—I am a good railway man, but I am not a financier, and what has happened in this country as regards railways now is this: We tried to renew some debentures during the last 18 months, and the Bengal-Nagpur had to renew some also. Before that we raised for the Secretary of State 2½ millions debentures at 4 per cent. It has run out and when we tried to renew these debentures the other day at a cost of 7½, and I think the Bengal-Nagpur at 7½, the Secretary of State had to take up from a half to two-thirds. We could not get anybody to take them up.

2788. That is in England?—Yes. You ask me about money out there. I do not know. I read in the "Times" this morning—I know Bombay, I was in the consulting engineer's office and lived with Sir William Bissett, and was on that line for many years—that they have just raised 9½ crores, 9½ million, you may say, at 6½ per cent.

2789. That is the Bombay Port Trust?—The Bombay Improvement Trust. There is a good deal of patriotism about that. It would be a very paying thing to get more land. The idea is to get more land, to drive the sea back and get more land, but I doubt if you wanted to raise capital for railways whether you would be able to get it at 6½ per cent. I do not think anybody knows what money can be raised in England and at what rates, and what it can be raised at in India.

2790. We all agree that nobody knows at this moment, but imagine things to have settled down again, would not the same patriotism that induced people to subscribe to the Bombay Improvement Trust induce them to subscribe for Indian railways?—I do not know about patriotism. There may be patriotism, but I have been out of India for a long time and I do not know whether there is any. That is why I fear people will not subscribe in this country.

2791. There is no question that in this country at this moment India is out of fashion?—Yes, the Southern Mahratta are going to pay 9 per cent., but 3 per cent. of that is due to the favourable rate of exchange. Here you can buy at 94½ or 95 to-day, but it was standing at 114 until nine months ago, and I thought it would go up to 120.

2792. You are not alone in that misfortune; some of us know the English Railways. You can buy English Railway Stocks, which before the war you bought at 4½, at 9½ now?—I am aware that you know all about English Railways, and I have also taken a great deal of interest in railways and attended the International Congress. I do not think much of English Railways.

2793. I do not think we must encourage you to enlarge upon that.—I do not know whether you are going to raise money in India or not. That is the great point that you will have to consider. If you can raise the money then you do not want Home Boards; but can you?

2794. Do you care to say anything upon that, Sir Donald?—(*Sir Donald Robertson.*) No.

2795. We will assume that you have as many State Railways as you have in India at present and

probably more: that is your view—that is the development of the future?—(*Colonel Constable.*) Yes.

2796. Under these circumstances will you say in your own words how you would like to give a voice to the local community?—For the State lines?

2797. Yes.—I have had a long experience of State line management and my opinion is this: I do not know what the Boards think; you are asking me for my personal opinion?

2798. It is for you to say for whom you are speaking.—I have not derived any benefit from commercial assistance. The heads of all the railways in India, at the ports at any rate, are on the Chamber of Commerce. I was on the Chamber of Commerce and the East Indian man was also. We had an agenda, and when there was anything of interest to the railway, any dispute or a question of rates or conditions of carriage in which the railways were interested, we took it up, but most of the business did not concern me. I do not think it does concern railwaymen. Why I think the railways of India are the best in the world is because they are managed by railwaymen. In this country we have on my railway one Bombay merchant and Sir Donald Robertson, who was political and knows Bangalore (we work most of the Bangalore and Mysore Railways). We have Sir Walter Lawrence with general experience, and then there is myself, a railwayman, and Mr. Sawyer, who is also a railwayman, and Mr. O'Connell, who is an Indian Railway auditor, and the Secretary, who is a very competent railwayman, as good a man as myself. I think we manage better by not having too much of the commercial element. All our troubles are administrative.

2799. I quite follow that the Bombay Chamber of Commerce brings you in touch with the needs of Bombay?—Yes.

2800. The Bombay Chamber of Commerce does not tell you much of what the people up country want—do you get as far as Mysore?—Yes, we go as far as Poona, and we are going to make a railway into Bombay I hope.

2801. A large part of your line is in a purely agricultural district?—Yes, we are not much of an industrial country.

2802. How do you get in contact with the local opinion of the agricultural classes?—I do not know about that, but I am suggesting that the traffic men along the line, right over the line, should be members of the Indian and European Chambers of Commerce, and they would bring to the agents' notice what is wanted.

2803. I take it that the Indian agriculturalist, even if he is a comparatively big man, is not a member of the Chamber of Commerce. He would not be here?—They had no natives on the Chamber of Commerce when I was there.

2804. There were no agricultural members I suppose?—No. I had a difficult post as Manager of the Eastern Bengal for four years. There you are up against all the commercial men, and we carried most of the jute of the world on that railway. I think I satisfied them: I did not give them reductions of rates, but I improved the line. I cannot say that I derived any particular advantage from the commercial community, and I do not think it is wanted; my business was to carry the stuff well.

2805. Surely it is your business to know what the whole community are thinking and feeling. They may be thinking something quite wrong about you?—If your traffic man and agent and the traffic men all over the line are all on the Chambers of Commerce, would you get that information?

2806. I am not pretending to have an opinion, but I am asking you whether you would get in that way the opinion of the non-commercial classes?—In my day they did not make themselves felt. The European firms dealt with all that. (*Sir Donald Robertson.*) In my judgment that is a doubtful point.

2807. (*Sir Arthur Henderson.*) Do not the district officers keep in touch with all the local Boards and agriculturalists? (*Colonel Constable.*) Yes, but they should be on all Chambers of Commerce also.

2808. (*Mr. Hiley.*) Are they on now?—In some cases, I think at Cawnpore, and wherever they are, more up in the north, but I do not know that we have any on my line.

2809. (*Sir Henry Burt.*) There are very few Chambers of Commerce.—Where there are do you think they ought to be on?

2810. So they are, I think?—(*Sir Donald Robertson.*) I suggest to this Committee when they go to India they will be faced with the fact that Indians have nothing to do with their railways. I think it will be a wise move even though nothing immediately might be expected, still as time went on they would take more and more interest in railway management, and you would find that they would give some voice to the demands of the country. Even if no immediate good is derived from it, there is a very strong probability that there may be good hereafter, and you are bound to go in for some conciliatory measure when you go to India. It seems to me, as an outsider, that the Committee will be face to face with this very large volume of opinion, but the formation of these Consultative Committees must be accompanied by some appreciable mark of preference such as a pass all over the system of the Indian railways. That would act as a great inducement to a man to come forward. Combination in management would be impracticable. You come at once up against a difficulty there. There would be a great advantage in having a Consultative Board at the headquarters of the railway and the agent sitting as the Chairman, and the principal men up country and at the Presidency town on a Consultative Board to voice the opinions of people whose views the agent or the district officer (the Deputy Commissioner or the Collector) might not voice.

2811. (*Chairman.*) I think that Sir Walter Lawrence practically elaborated that this morning?—I know Sir Walter Lawrence very well, and he and I are entirely in accord on that subject.

2812. I can take it that you would attach just as much importance to the action of these gentlemen as individuals meeting somebody in the local town and representing their opinion by letter to the agent, as you would to their action as a body sitting together?—Yes, first of all they will make all sorts of ridiculous requests, that rates may be reduced to this place, and that the people employed should get passes, but after discounting that, I think you will have a solid residuum of local opinion which will be to the good.

2813. You sympathise fully with the view that the railways ought to get more in touch with their customers?—Most certainly. (*Colonel Constable.*) The conditions in India are very different from what they are in England. When you get out there you will find that the whole of the goods rates are in two books, which you can buy for 6d., with the rates from the junctions to every place. We have an Indian Conference which settles conditions out there. There is only one little thin book for all the passenger fares. They are very simple; it is not like millions of rates in England.

2814. You have mentioned the Indian Conference and we have had some papers about it. What is it? Is it a meeting of the Executive Officers?—A meeting of all the representatives. It was started by the Boards here at home. The State lines and each Company's lines are represented at an Indian Conference, which meets annually. The important thing is that by a three-fourths majority they can

settle all the conditions for interchange of traffic. They have nothing to do with rates and fares unless any particular railway agrees to that.

2815. It is rates and traffic rather than policy?—Nothing to do with policy.

2816. Who takes the chair?—It is taken in rotation by agents.

2817. It is purely an Executive Officers' meeting. The Railway Board has nothing to do with it?—No, they are under the orders of the Railway Board.

2818. The Conference is a Conference of people who are operating and managing and not of policy?—They can discuss other things but their main function is to make the working of through traffic easy.

2819. I wanted to understand what was the function of it?—They have it now in America. I made a report to the Government of India about it, but I pointed out there that we settled these things. They said: "Did you ever get your wagons back?" I said: "Always." "Did they ever pay you the penalty?" I said: "Of course they did." They said: "We do "not do anything of the sort, when we catch "somebody else's wagon we stick to it, and they "stick to ours, and we do not see our wagons for "years. Since then they have got rules like we "have."

2820. One knows that the Conference of the Railroad Association in America have an enormous influence on standardising and methods of operation and management?—The Indian Railway Conference discuss other things besides the interchange of traffic; if the Government puts anything before them they discuss it.

2821. You have heard, Colonel Constable, what Sir Donald says. Do you agree with it?—I do not thoroughly agree with him or with Sir Walter Lawrence. I have no objection to a consultative Committee, provided that they do not interfere in the administration. All our trouble is this, nine-tenths of my time and that of the Home Board and of the agent is taken up with staff matters, and what can a commercial man know about it? A railwayman with railway training would know all the conditions of the work. What does the commercial man know about a driver's work and a man's work in the shops, and what pay and leave he should have?

2822. It would be useful to tell how far you would have the support of your customers if there was a strike. I take it that even in England public opinion has a great effect?—Do you think that has any effect in England.

2823. Yes, I think you will find it has. It is useful to know how the public will regard a strike, whether they will sympathise with the management or with the men. You do think that in reference to a policy of Industrial Development Advisory Committees might be useful?—Yes, provided they do not interfere in administration.

2824. It is not their business how the traffic is to be carried?—I have said, although we are not strongly in favour of it, that we think the agent is the man to say whether he would like it or not. We do not want to impair his authority.

2825. We will agree upon that, but do you think that it would be useful to have local opinion on questions such as whether this or that industry is going to develop, and whether it is worth while providing siding accommodation for it, or what not?—Yes, I have an open mind.

2826. They have no power to settle?—I think it depends whether the agent thinks he could get on with these Advisory Boards. He has such a lot of Committees, because of staff troubles, that it would be hard to give him more work. I think it would increase his work, but I have no objection to it. I think it can be tried.

2827. (*Sir Henry Burt.*) Your point is that the existing traffic department keeps the agent fully employed as regards development?—I think so, and as the rates are so simple every native knows what he is to be charged from one place to another place.

2828. (*Chairman.*) We hear a good deal of what they call block rates. They may be simple, but they are very efficacious systems of effective development in one direction or another?—There is not much of that in India.

2829. I do not pretend to know about it?—I do not think there are many.

2830. We hear of them?—After all, the Government can interfere and put it right.

2831. The Government never orders you to alter a rate, I understand. They have not the power to do so, and you are free.—Within the maxima and the minima.

2832. Yes. They have never altered the maxima or the minima, so we have been told.—Did not they alter the maxima during the war for something?

(*Sir Henry Burt.*) No, an extra war charge was put on.

2833. (*Chairman.*) If you have power within the maxima and charge 4 pies a mile for traffic in one direction and 8 pies in the other, both of which are within the maxima and the minima, you can influence the flow of traffic.—I know certain railways that do it. I think the Government could stop it if they liked.

(*Sir Arthur Anderson.*) By mutual agreement, by request really. I have known cases where the Companies have agreed; on the Government pointing out that they sympathise with the complaints, the Companies have done it.

2834. (*Sir Henry Burt.*) I think I am right in saying that no railway in India would charge 4 pies in one direction and 8 in the other for equal mileage.—No. I know one railway has always charged more in one direction than in another. I do not know that that is right, but I suppose the Government do not object to it. I think that is within their power.

2835. (*Chairman.*) I only gave that as a sample of what might happen within your powers.—Yes.

2836. I think we all understand the point of finance. After all the amount the Companies receive from India, if you take off from it the amount that the Government would have to pay if they had raised the money as loans, is very small?—I think so. We have pointed out that the Government have 370 million pounds in the railways and the main lines, and 27½ millions is owned by the Companies.

2837. (*Sir Arthur Anderson.*) That is share capital?—Yes.

2838. (*Chairman.*) I do not think anybody has given us those figures. It is 370 millions to 27½ millions?—That is about the latest. I think the Companies have 27½ millions.

2839. That is about 7 per cent.?—Yes. There is a total capital outlay of 370 million pounds in the Administration Report of 1918-19, and the Companies have 27½ million pounds only.

2840. It is about 7 per cent.?—It is on page 5 under "Finance."

2841. You lay stress on the fact that India is becoming more and more one, and that in matters such as fixing salaries and things of that kind it ought not to be done on State lines without consideration of other lines?—I have particularly brought that in, as we have received so much criticism as to why we delay and do this and that because all this can be altered by a stroke of the pen. In the old days it did not matter what salaries they gave on the State lines. There was no unrest and the Companies managed those things themselves,

but now the moment you start giving a man in Assam some salary or alter his condition of service the man in Madras says: "Under the Trade Union "principle I am going to have that." There is one railway which has taken the lead in starting things like that without consulting others. I will not mention the name, but that railway can say the Government does the same. There is nobody in the India Office who represents the State Railways; we do not know what they are doing until we receive a private circular saying that those are the conditions of service, say, of the engineers and their pay. We are not consulted before.

2842. (*Sir Arthur Anderson.*) Is not there an informal meeting with the agents and the Railway Board before these increases take place?—It is a pity Sir Arthur mentioned that, because I was told five agents met the Railway Board and that Government showed them the scale fixed for engineers. They said: "You may like to do the same." They also told them of a revenue scale proposed for the other officers, such as traffic and locomotive men, which was to be sent home. Our agent sent it home, and when I discussed it with Sir Arthur, he said: "We "did not approve of that." Anyhow, it has been held up thirteen months.

2843. (*Chairman.*) What is the revenue scale?—Locomotive and traffic officers chiefly. The State engineers are pensionable, but all other establishments and all ours are non-pensionable. I can give you any number of examples where one railway or the State takes action before consulting other railways, and it gives a lot of trouble and is very costly.

2844. I take it as in England standardisation is always standardisation upwards?—That is so.

2845. Your general conclusion from the individual instances is that there ought to be harmony in making all these arrangements, and that you must treat India as becoming more and more a single country?—That is so; we all think that on the railways. Sir Henry Burt referred the case on behalf of his railway. The change can be made by stroke of the pen, but this is an opportunity for pointing out that we have a good deal of trouble because the State takes the action brought to notice.

2846. Do you suggest that it is always the State?—No.

2847. Whoever it is, it is equally objectionable. The status of the Railway Board, you agree with almost everybody, ought to be much higher?—Yes; I think they want more men to begin with.

2848. A larger Board with a chairman?—Yes; who ought to be a member of the Viceroy's Council.

2849. Is the chairman to be merely chairman of a Board, or what he was for some years, with the right to decide——?—Do you mean that the chairman should be able to overrule the others?

2850. Yes.—I do not offer any opinion on that.

2851. When you say that he should be a member of the Viceroy's Council, do you suggest that he should be one for all purposes for taking part in discussions on military matters?—No.

2852. He should have the status and a right to be there?—For railway matters.

2853. And to speak on an equality and not as a subordinate called in.—That is what we think.

2854. He would not be represented through anybody else, but would be there in his own right?—Yes.

2855. (*Sir Henry Burt.*) You would increase the Railway Board in numbers, I take it?—Yes.

2856. Where would you get those men from? Do you not agree that there is a difficulty now in making a Board?—It is my Board's view; I do not know much about the Railway Board, but I think three men, considering they have to look after the State lines, are not enough; you ought to be able to send a man about. If we have a row with the Great Indian Peninsula you ought to be able to send the man out to settle the dispute.

2857. You agree that it is not easy to get three men?—You have here some men, so you need not stick to India. You might get a man like Sir Eric Geddes.

2858. (*Chairman.*) Would you approve of paying the price?—Yes, I think the Railway can afford to pay anything.

2859. You would pay a commercial salary?—Yes.

2860. We have been told that it is a great objection that the Board changes so frequently. If the salary was sufficient would he tend to stop longer?—If you are going to have all railways State lines you must have a Railway Board. I have never been against it, and I do not see how else you could manage it.

2861. When you speak of inspecting something on the Great Indian Peninsula, is not that a function that ought to be for an officer and not a member of the Board?—Yes, they have inspectors all over the country.

2862 You would give them, I take it, an adequate staff?—They do not belong to the Railway Board, do they?

2863. (*Sir Henry Burt.*) The Government inspectors, you mean?—Yes.

2864. They belong to the Railway Board?—The Inspector used to be consulting engineer and inspector as well. You want them.

2865. (*Chairman.*) You want inspectors?—Yes.

2866. They need not be merely inspectors concerned with Ways and Works, you would make them also people who would be competent to deal with traffic questions and development questions and so forth?—Yes, personally I have always liked them to be consulting engineers and inspectors, but for some reason there was some row about it, and they decided to take away the power of the consulting engineers. We got local assistance under the old system. What do you think, Sir Henry? A good many think that; I do not know what my Board thinks.

2867. You do not know that the Indian Companies could raise money in London?—No, I do not, but I do not know that the English Companies can.

2868. Assume that we are going to get back to normal conditions, do you think that Indian Railway Boards would have a good prospect of raising money in England?—For State Railways, you mean?

2869. No, Boards of Indian Companies?—I think the general impression of the Home Boards is that they could not.

2870. Do you think a competent Railway Board, being able to charge the whole interest of the Government with the Government guarantee behind them, would be able to raise money freely in England?—The Indian Railway Board to make the lines with State lines or——

2871. The National Railway Board controlling any lines of a company operating any lines of the State, and having vested in them the whole of the property which is now in the Government—do you think they could raise money?—I should think so. (*Sir Donald Robertson.*) It is very difficult to say, times are abnormal. When you return to more normal times I do not see why you should not. If the money market changes you might, but I do not think anybody could pronounce an opinion on the point.

2872. Would you be inclined to put the formal guarantee of the Government of India behind the Railway Board? The Railway Board, so to speak, would give a mortgage of its property?—Yes.

2873. Would you be inclined to put the guarantee of the Government of India behind?—Instead of before?

2874. I mean in addition. Is it necessary?—Yes, the guarantee is the Secretary of State, is it not?

2875. It remains to be seen how far it is removed to India?—I think those terms might be got.

2876. The guarantee at present is by the Secretary of State as representing India and not England, so that it does not matter whether you call it the Secretary of State or the Government of India. Would you desire to have that in addition, do you think?—I think so. (*Colonel Constable.*) Before the war the Secretary of State could get all the money he wanted for State lines in England.

2877. He got it very slowly?—I think he was afraid; he could have got more if he wanted it.

2878. If he had given more liberal terms?—I do not know that the terms were bad. He thought he was involved in too much responsibility to increase the debt.

2879. You think it was timidity?—I think he could have got more money.

2880. What about the entire separation of the railway budget from the budget of the country as a whole?—That depends. Everbody would like that, but there has been a great objection to it.

2881. That is Governmental objection?—Yes.

2282. That is practically the unanimous view of the Boards?—I think so. (*Sir Donald Robertson.*) It has not only impeded work, it is very expensive. (*Colonel Constable.*) That was about the budget. (*Sir Donald Robertson.*) It is mixed up with the working of the budget system. We are having changes on the 31st March.

2883. You want that system got rid of altogether?—Yes.

2884. And a system under which the Railway Company does what a prudent commercial Company would do. It would say: "We have had a good "year; we will keep the extra profits," and so forth, and would plan development years ahead, as any great manufacturing business would. That is your view?—Yes. (*Colonel Constable.*) The railways would finance themselves, not the Government of India raise loans, and if there was a famine on or that sort of thing—at present the Government take any surplus.

2885. That you want to stop?—Yes.

2886. Your Board would have to say to the Government "6 per cent. or some other figure on "your advance is a fair charge; the rest we retain." That is your view? (*Sir Donald Robertson.*) Certainly.

2887. In that case, I take it you would get rid of the control of the Finance Minister altogether?—(*Colonel Constable.*) I should think so.

2888. (*Chairman.*) There would be presumably a Finance Member of the Railway Board?—Yes.

2889. You would get rid of the Finance Minister for India altogether?—We thought in normal times that the Indian Railways were so sound, and could pay such good dividends; that they could raise their own money, and that it should not be raised and placed with the general revenues of India and disposed of as they thought proper. What can be done in the future I do not know.

2890. You say that the control of the Government over rates and fares has been capricious?—You asked us in the Terms of Reference to say something about it; I do not think there is much to complain of.

2891. You talk of the Conference rules doing something; that is the Government action, is it not?—That is the Railway Conference I was talking of.

2892. That is not a question of Government control?—I think a rule like that is subject to Government approval.

2893. Have you agreed that a three-fourth resolution binds the minority?—Yes, but only for interchange of traffic.

2894. Not for rates?—No. Two or three railways can settle amongst themselves, and it has to be confirmed by the Boards, but in the other matter, *i.e.*, intercharge of traffic, the Boards do not interfere at all. At present the Government has absolute control of rates and fares, and it has been a very good thing too.

2895. I must have understood you wrongly, because I do not understand that the Government has?—Control of maxima rates and fares. Some are asking that the maxima rates and fares should be raised.

2896. That is another story?—That is what I mean. If they wish to work on some other policy than that of a commercial nature, Government could make the maxima rates and fares low and reduce the net return so as to get a very small dividend.

2897. You mean they could reduce the maxima?—Yes; it was open to them at any time to alter the rates and fares.

2898. So far in seventy years' experience they have never done it?—No; but some of us think if you were to have too much Indian influence out there they might be able to exert sufficient pressure to reduce rates and fares for the general good of the country. Then the railways would be in a bad way.

2899. How are you going to stop that? What do you propose?—I think it is an advantage to have some Boards at home who would resist that pressure.

2900. They can only object; they cannot stop it because your contract is that the Secretary of State may do it?—Yes.

2901. You can only say that it is very unfair and very unwise; you cannot say, "You shall not"?—That is why we think that the Companies should not be bought out and turned into State lines now.

2902. Now they make protests which may be futile?—No, nor that they make protests which might have some effect. They may say, "You will "not get more capital if you treat us like that."

2203. You have only reserved for them the power of protest?—That is all they can do at present.

2904. (*Sir Arthur Anderson.*) Do I understand you to say that the Boards are contemplating asking for the maxima to be raised?—Yes.

2905. Do you think it might be an awkward precedent if it were to be acted on and taken advantage of for lowering it again later on?—Even below the present. You know all over the world rates and fares have been increased. Wages have gone up everywhere. Why should the Indian railways be the exception?

2906. I am merely putting that these present conditions have been in force for many years without being altered. If they are altered in one direction that may facilitate their being altered again in the reverse direction?—We should not object to that.

2907. (*Sir Henry Burt.*) It is a question of the cost of working?—Yes, but if you have no money coming from this side and no Boards here there might be political pressure put on that side, never mind whether the railway pays or not. People in this country say you ought to travel on trams free and all sorts of things of that kind. They may hold those ideas by and by, and the more boards you have on this side with a little interest in it the better it would be, I think.

2908. (*Chairman.*) I will not go into the question of rates and classification. We have tried to keep ourselves to general considerations here in England, and we shall deal with the other subjects

in India, so that I will leave it now. You say you do not know why this Committee is sitting. You will not blame us for that. It is sitting.—Every Company here will say the Boards ought to be here, and all the people in India who want to get on the Boards and all the Indians will say they ought to be out there.

2909. We have to form an opinion between the two. You suggest that if Indians want to have Indian railways they had better subscribe the money and make them?—Yes.

2910. Does that mean that you would suggest there should be a new Indian trunk line?—May I refer to a letter which has come to hand this morning?

2911. Yes.—I believe it has been held up in the India Office. But this morning I got a letter telling us that the question of forming Companies in India affiliated to the main lines has been considered by the Government of India, and they say that they are going to bring it before this Committee, and that we are to write out to our agents to get their views to present to the Committee. That reached me this morning, although it might have been sent months before. That is no fault on the Companies' part. I should like that to be placed on the notes as one reason why we should not be blamed for these delays. I think the proposal that is made is a good one but it will take a lot of time to consider it. We shall have to wait for the other Companies to discuss it. We shall probably have to alter our Articles of Association and have shareholders' meetings. The Board, of course, have not seen the letter yet, as I only received it this morning, but I think personally it is a good proposal, namely, that Indian rupee capital shall be raised through the agency of a Company domiciled in India but affiliated to an Indian guaranteed Railway Company domiciled in London; that they shall share in every way in the dividends earned by the main line Company, but that they shall be paid in rupees. They will escape English income tax and the old Company will get its dividend in sterling.

2912. I do not think I quite follow this.—Have you not seen this letter, Sir?

2913. No.—May I read it to you?

2914. You have put the point before us. We are rather running over our time. Let me see if I understand. Suppose an extension of the Bombay and Baroda is required from A to B, a capital of, say, half a million in rupees will be wanted?—What is said here is: "The formation of an affiliated Indian "domiciled Company with a local directorate com-"posed largely of Indian gentlemen of standing, "the affiliated Company to bear the same name as "the London Company." It is not only to make extensions and branch lines, but it is to provide money for the main line Company.

(*Sir Arthur Anderson.*) It is with a view to getting out of English income tax.

2915. (*Chairman.*) I have not seen that letter—It says: "All capital raised by the Indian Company "will be raised in agreement with the London Com-"pany's Board and under the sanction either of the "Government of India or of the Secretary of State. "All rupee share capital so raised shall rank in all "respects with the sterling capital of the London "Company both in respect to guarantee and in "the distribution of profits earned by the combined "undertaking. The sole difference between the "sterling capital of the London Company and the "rupee capital of the Indian Company would be that "dividends in respect to the latter would be payable "in rupees only and in India. Investors outside "India would not be debarred from subscribing to "or from owning shares." Provision is to be made for the Company to be under the control of the London Board in all matters affecting the policy and working of the combined undertaking. The agent in India of the London Company is to be *ex officio* Chairman of the Indian Company. The chief work of the Indian Company is to be the examination of promising projects for the extension and improvement of the main system and of devising means for financing such.

2916. In other words the Indian Company is to raise capital and hand it over to the English Company to do what it thinks proper with it?—Yes.

2917. (*Mr. Hiley.*) Where does that suggestion come from?—It is a Railway Board proposal. The letter says: "As the Railway Committee "are shortly proceeding to India it would also "be desirable in order to save time if your "Company could simultaneously either instruct "your agent in India as to the views which they "desire to put before the Committee on the subject "or, if preferred, communicate direct with the "Railway Board in the matter." I very much doubt whether you will get the views of the Board in time, because it will take a lot of time to think it out. Personally I think it is a good proposal.

2918. (*Chairman.*) I take it you would be entirely satisfied if somebody provides you with capital and leaves you the control of it. There is no reason why you should object?—No, none of us do. If you can raise capital in India by all means raise it, or raise a portion of it.

2919. Turn the proposal the other way round. Would you personally be prepared to raise capital and hand it over to people to deal with so that you had no control over it whatever?—(*Sir Ronald Robertson.*) In the scheme it is mentioned that the rupee Company will have the privilege of suggesting schemes and ways in which the property can be developed.

2920. (*Mr. Hiley.*) But no control?—No control. (*Colonel Constable.*) It says, "The chief work of the "Indian Company to be the examination of promising "projects for the extension and improvement of the "main system, and for devising means for financing "such."

2921. (*Chairman.*) That is quite a different proprosal from what you have in your memorandum, that if Indians wish to make and work railways they can carry out that policy immediately by subscribing the money?—That is another way.

2922. That is that Indians should manage their own capital?—I hope the Committee will be able to get them to do so.

2923. (*Mr. Hiley.*) In competition with existing railways?—Yes, why not?

2924. (*Chairman.*) In competition?—Yes. The control would be just the same over them as it would be for us.

2925. Competition consists in two Companies with routes from A to B struggling for the traffic?—But you are not to be allowed to make a second line from A to B until you have heard the views of the other Company and the matter has been well considered.

2926. I thought you desired to do that?—No. If there is difficulty in raising enough money in England by all means raise some in India, but have the same control over it as you have over it here.

2927. You used the word "competition." That is why I raised the point?—I thought you meant competition in raising capital.

2928. Do you favour this capital being raised in India for other Companies in preference to capital being raised to assist the Companies at present in existence. There is only a limited amount of capital that can be raised in India?—I do not know.

2929. You can presume that?—The Board said at the end of their memorandum that they considered that if Indians chose to subscribe the money out there, they could make any lines they liked; but, of course, they would be under the same control as the Com-

pany lines here. The control would not be different. But this morning another proposal comes in which my Board have not seen yet. Personally, I say I think it is a good idea.

2930. When you say Indians can make any lines they like, that means to say any lines that the Government allows them to make?—Yes.

2931. Do you think it is desirable to make new main lines?—The Bombay and Baroda has just had a proposal for a new line up near Delhi towards Bombay.

2932. Do you think it desirable that that should be a separate independent Company?—I do not know.

2933. If you have not an opinion I do not mind?—The Great Indian Peninsula will say they would like to make it and the Bombay, Baroda and Central India will say the same. The Government will go into it, and they have the decision in their hands.

2934. If you were the Government of India you might hesitate whether you would give it to the Great Indian Peninsula or the Bombay and Baroda?—Yes.

2935. Would you be inclined to give it to quite a new separate Company?—I would let them have a shot at it. They have to stand the same examination as either of the other Companies who want to make this shorter route. The proposal will all be examined, and it will be seen how much it affects the other lines; and it will be arranged that they cannot divert all the traffic.

2936. You do not see any objection in itself to adding to the already considerable number of separate undertakings?—I think, on the contrary, that some of the administrations might be doubled up. I think they are too small.

2937. Then you do not want to get new ones?—There may be places in India where they want new lines and no Company has offered to make them yet.

2938. Would you reach them by an extension of an existing Company or the creation of a new Company for the purpose?—I think it ought to be by an extension of an existing Company, if it could be managed more cheaply.

2939. I think most railwaymen would agree with that answer?—I think this last proposal is a good one.

2940. I have not seen it. Is it a covering letter of a Railway Board despatch?—(*Sir Donald Robertson.*) No; it has just come from the Secretary of State.

(*Chairman.*) Is the whole thing one letter from the Secretary of State, or does it cover a Railway Board despatch?

2941. (*Sir Henry Burt.*) I believe it covers a report from the Railway Board and a despatch?—(*Colonel Constable.*) The Secretary of State says he has received a suggestion from the Government of India for raising rupee capital, and so on.

2942. (*Chairman.*) What is the date of it?—Yesterday.

2943. What is the date of the despatch to which it refers?—They take care not to tell us that.

2944. (*Sir Henry Burt.*) It was received in March last as a matter of fact?—I am asked this morning to put it before the Committee and tell my Board what I think of it. The letter says that an outline is attached, "The suggestion will be brought "to the notice of the Railway Committee, before "whom your Company will later have the oppor- "tunity of expressing their opinions on them."

(*Chairman.*) I have not had a copy of it.

(*Sir Arthur Anderson.*) I have a copy of it.

2945. (*Chairman.*) None of the gentlemen who have given us evidence in the past few days could have seen it, because the letter was not received until this morning?—If I do not bore you, may I make one remark with reference to this. Sir William Bissett, who was a very good financier and the Chairman of the Southern Mahratta and Bombay and Baroda some years ago suggested a scheme something like this for the branch lines, but he proposed that the capital should be raised in this way—that the ordinary capital should be chiefly held by the main lines, and he was going to use the provident fund and the Company's reserves for that purpose. The other share capital was to be participating preference capital out there. The Government did not like it, and it is dead now, because the Bombay and Baroda and the Madras and Southern Mahratta have made all their provident fund assets over to the Government, and they cannot use them. For reasons I have told you before, I do not think the Madras and Southern Mahratta can pledge their reserves. (*Sir Donald Robertson*) I should like to congratulate the Committee on the appearance of this letter, which will much facilitate your work in India. Had it been published before it would have rendered the assembly of this Committee largely unnecessary.

2946. It is only one scheme?—It is a very important scheme.

(*Chairman.*) Thank you both very much for your evidence.

The witnesses withdrew.

MR. ROBERT MILLER, called and examined.

See Written Statement No. 10, Vol. IV.

2947. (*Chairman.*) You are appearing on this occasion in one of your capacities as the Chairman of the Bengal-Dooars Railway Company?—Yes.

2948. You are also Managing Director of the Bengal-Nagpur Railway Company, are you not?—No, I am the Chairman of that Company also.

2949. Have you any other railway affiliations?—Yes. I am an ordinary Director of the Burma Railways Company.

2950. You have been in India all your life?—I went to India in 1869.

2951. As a merchant in Calcutta?—First to Madras, and I shifted to Calcutta in 1871.

2952. What is the name of your firm?—Hoare, Miller and Company, London.

2953. You are speaking to-day on behalf of the Bengal Dooars Company?—Yes.

2954. The only clause of the terms of reference in which the Directors of that railway would appear to be interested is Clause 1—that is, the method of organisation and policy; State ownership and operation; Company domiciled in England, Company domiciled in India, or a mixed Company, partly Indian and partly English?—Quite so.

2955. With regard to the Bengal-Dooars Company, you are mainly concerned with jute, are you not?—Tea mostly, and jute and passengers.

2956. You have sent in a précis of the contracts, and statistics and a statement of the capital expenditure. We will not deal with those now You are purely an independent Company?—Absolutely.

2957. And you can pay any dividend you can earn?—Yes. There is a certain limitation imposed upon us. If we earn beyond a certain amount in gross receipts, then the Government of India have the power of coming in in connection with special rates and fares and charges which we may make to our customers. They will say "You have made

"more than a certain interest gross on your capital, "therefore you must now come down," or, "We "may ask you to come down in the rates and "fares you charge to the public." But that contingency has not yet arisen.

2958. Is that specially so expressed in the contract?—Yes.

2959. The ordinary contract is in the form of fixing maxima and minima?—They have fixed maxima and minima for us; but they say, "If you "make more than certain gross earnings, and if you "also work up to the maxima, we may interpose and "say, 'You must reduce your maxima'" But, as the contingency has not arisen, it is practically a dead letter.

2960. In the other Companies there is apparently a power to reduce the maxima and to increase the minima at the sole pleasure of the Secretary of State?—I believe so.

2961. In your case it is coupled with a condition?—Quite so. I think I am accurate in saying that.

2962. (*Sir Henry Burt.*) I think yours is the only contract drawn in those terms?—I believe it is. I may tell you that the Railway is a peculiar one. It was created, you may say, under the influence of certain owners of tea gardens in the Dooars. Those tea gardens were very inaccessible. The rivers are subject to flood—in fact, they are subject to disappearance altogether; the roads were in an alluvial soil, and were very bad. The tea owners were obliged to carry their tea by cart under difficult circumstances, or by means of dug-outs—boats—lashed together and liable to be lost. As they said, the land up there was beautifully situated for tea, and the tea gardens were susceptible to great extension. They said, "We cannot put up with "this; we had better make a railway"; and after considerable difficulty in those times—because the policy of the Government in the matter of building railways and assisting railways has been somewhat of a vacillating character, and not always the same—a railway was built.

2963. Your railway is practically thirty years old?—Yes.

2964. What dividend do you pay now?—8 per cent. We gave a bonus last year. The issue capital of the Company is 928,000*l.*, just short of a million.

2965. That is the total capital?—That is the total capital of the two lines For some reason or other there are two contracts—one for the original line, and then when we wanted to extend we got another contract on other terms. I do not quite know why.

2966. The Bengal and North Western has 14, so that I do not think that you have very many?—928,000*l.* is our total capital, but of that sum capital owes to revenue 168,000*l.*; so that instead of putting our money away towards depreciation, we have put it into the railway.

2967. You have put it into the road?—Yes.

2968. So that now the revenue can afford to meet extra maintenance?—We have no debts.

2969. That was only by the way. You were telling us about your difficulty in getting land for the original construction and for rights of access?—There again I shall have to quote ancient history. At the time Sir Charles Elliott was Governor. I do not know whether he knew that part of the district or not, but at any rate he said in emphatic terms that not a yard of land should be given to the railway beyond what was necessary to lay the rails and build the platforms; that he would not allow the land of a single native cultivator to be expropriated more than was absolutely necessary for the purpose of the railway. I know the country fairly well, as I have been there several times; and seeing that a large proportion of it was swamp, where the cultivator went about in a boat and set his rice seed on the surface and let it sink gradually so that it became a rice crop when the land dried, and another large portion of it was jungle, we could not understand what the object of restricting us in the matter of the acquisition of land was.

2970. I suppose the Lieutenant-Governor was not a railway expert?—I knew him personally and I believe he was not a railway expert.

2971. I assume since you have had a Railway Board that kind of thing would not happen?—The Railway Board is not only composed of men of business, but also of acute engineers, who know what a railway is. They would not have stumbled in that way.

2972. Then you say in your précis that the widespread tea-lands in the foothills were isolated from the State Railway, that is the Eastern Bengal?—Yes.

2973. Your view is that the Eastern Bengal should have gone up there, but they did not?—Certainly they might have gone up there.

2974. Apparently it would have been good business to have gone, as has been proved by your success?—Yes, it would have been. At one period of our history a proposal was made that the Eastern Bengal should take us over, but the then manager (I think he was called manager at the time) of the Eastern Bengal demurred to it on the ground that if he took it over he would have to raise the standard of the line very much.

2975. Of your line?—Yes, which is below the standard of the Eastern Bengal. The Eastern Bengal is a very well-constructed line—heavy ballast, heavier rails, and all that sort of thing. It has to carry very much heavier loads than we have to carry. I cannot remember what the weight of our rail is at the moment, but compared with the Eastern Bengal it is a light rail.

(*Chairman.*) Can you give us an answer, to go on the note, Sir Henry, to this question? Is there more than one standard of construction of railways in India? Are there recognised A, B, C standards?

(*Sir Henry Burt.*) Yes, I think you could say so. You would not necessarily make the branch lines up to the standard of the main lines.

(*Chairman.*) There is a recognised specification, so to speak?

(*Sir Henry Burt.*) I am not sure whether there is an actual specification.

(*Sir Arthur Anderson.*) No, not exactly.

(*Sir Henry Burt.*) The Chairman was referring to a definite specification.

(*Sir Arthur Anderson.*) There is no actual specification.

(*Chairman.*) Are all the State lines made up to standard A, or up to the same standard?

(*Sir Henry Burt.*) Speaking generally, yes.

(*Mr. Hiley.*) All the broad-gauge lines would be built to one standard.

(*Sir Henry Burt.*) All the main lines. Yes.

2976. (*Chairman.*) Is your line a broad gauge or a narrow gauge?—Metre gauge.

2977. What is the Eastern Bengal?—There is also a metre-gauge railway where we join it.

2978. (*Sir Henry Burt.*) The portion which connects with the Dooars line?—As I was saying, the General Manager of the Eastern Bengal Railway demurred to taking over this branch on the ground that if he did so he would have to raise the standard of the Dooars Railway up to his standard, that he would have to heavily ballast it, increase the weight of the rails, and do all manner of things which, for the purpose for which the Bengal-Dooars Railway was constructed, would be quite unnecessary, because the traffic was tea, unbaled jute and passengers.

2979. (*Chairman*) Not heavy loaded stuff?—Bulky, but not weighty; and in order to do that

such capital expenditure would have to be incurred as, in his estimation, would not remunerate him.

2980. That seems to be a very good reason?—It is a good reason, with a big defect in it, because he did not remember that the line is good enough for its purpose, and that by low capitalisation and low working expenses traffic bred traffic, and that it fed his main line, for which we get no kind of return whatever.

2981. From the point of view of the Manager, it was a good answer, because he did not wish to take it over on its present basis?—I take the liberty of saying that it was an exceedingly narrow-minded reply.

2982. Then you say there is a strong objection to State management in the constant changing of of the superior staff?—I do not say constant, but "very frequent."

2983. Is that in any way essential?—How do you mean?

2984. In the case of a Civil Servant in England, he certainly does not change very frequently. The thing does not seem to have any necessary connection with the fact that the railways belong to the State?—It happens.

2985. If that system continued it would be an argument against State Railways?—Yes.

2986. Do you see any reason why the system, being bad, should not be altered?—I have never been in the Government service; I have never been a Government official; and I am not competent to answer that question. Out of my own inner conscience I think there may be very grave reasons against it. I look back on the Bengal-Nagpur Railway, with which I have been familiar for thirty-three years; the personnel of that line is practically the same to-day that it was thirty years ago. The customers of the line, the traders, merchants and manufacturers, and the adjoining railways, are familiar with that railway, because they have practically the same people to deal with and the same policy. The same atmosphere has existed in that railway from the start up to the present time.

2987. You keep your staff?—Yes.

2988. How do you do it? Do you pay them higher salaries?—Not at all. We will not pay our men more than our neighbours pay theirs. We cannot bribe a man away.

(*Chairman.*) How do you do it? Is the reason because they like to stop with you?

2989. (*Mr. Hiley.*) Is it because of a pension fund?—Oh dear, no.

2990. (*Chairman.*) There is no special advantage; it is a matter of personality?—We have got a very good *esprit de corps*—a very sound *esprit de corps*. People like coming to us, and they do not like leaving us.

2991. That I understand from you does not happen—but it surely could happen, on the State Railways?—Without mentioning any names, on the Eastern Bengal State Railway there was a certain Manager who greatly pleased his customers in Calcutta. It is a jute line and a tea line; it is not what you call a mineral line. His practice was this. I know it, because I was backwards and forwards to Calcutta during his régime. I found that the jute merchants and the tea merchants when they had a dispute with him settled it by interview mostly. It was not a case of long correspondence. In the course of the alteration of the Managers throughout the State Railway system, the premier post fell vacant, and this man happened to be first on the list. Therefore, being the first on the list, he had to go to the premier post. I do not know why I say "therefore." At all events, the Bengal Chamber of Commerce, the National Chamber of Commerce, and the different bodies said: "Please allow this gentleman to stay here." "No, being premier officer, he "must go to the premier post," and another man came in.

2992. You do not know whether he wanted to go?—I did not ask him.

2993. Anyway, he was moved, as a matter of fact?—Yes, greatly to what I may call the disgruntlement of the Calcutta people.

2994. Presumably he got a higher salary?—I do not know.

2995. You think continuity of policy in a railway is of real importance?—It is of real importance.

2996. (*Sir Henry Burt.*) The point that you are making now was taken up very strongly in Mr. Robertson's report?—I believe it was. I met Mr. Robertson in Calcutta at the time, and we had a great deal of conversation about that. Supposing you are the head of a great organisation like a commercial undertaking, would it not be a very important factor in your mind to keep your staff in good discipline and known to you? That is the idea in our line.

2997. (*Chairman.*) Apart from the Bengal-Nagpur, do you think a Company organisation tends to do that more than a State organisation?—I think so. I have had very little, in fact no practical opportunity of knowing what other Railway Companies do. I have always paid attention to our own.

2998. Coming back to the broad policy question, have you anything to say on the removal of Company management to India?—I do not think I can give a broad comprehensive answer to that I think in some cases it may be advantageous.

2999. Let us take a concrete example. You know Calcutta?—Yes.

3000. All the capital of the Bengal Dooars Company is English capital, is it not?—Yes.

3001. Supposing, for the sake of argument, somebody made a satisfactory offer and bought up your shares. Supposing Indian capitalists made an offer that you think it would be worth while for your shareholders to accept, what would happen?—I think anyone who did that might be buying a pig in a poke, because he might buy the control of the shares easily enough in London by offering an adequate price, but when he took his business in hand in Calcutta he would then have to deal with the tea-planters and the tea agents who are the customers of the line, and they might say, "We are extremely well satisfied with "the way the Board at home treated us." The Board at home treat their agents in this way; they get the best agent they can find, and they give him what we may call plenary powers. Speaking as the Chairman of the Bengal Dooars, we recognise that any man may make a mistake, but our present man has not made any mistakes. He is in constant conference with us; we give him full powers; and we told him when he was home the other day, "Look here, make "as few mistakes as you can. Do not make any if "you can possibly help it; keep us well informed; "ask our advice, but never tell your customers 'I "'must refer home to my Board'; if you do that "you are wrecked. You are to all intents and "purposes so far as you and your customers are "concerned 'the Board.' All we ask you to do is to "tell us what you are doing or what you are "proposing to do, and why you are doing it."

3002. Supposing the capital was transferred and the agent remained, would you be able to form a Board in Calcutta to manage the railway?—I think the people who own the gardens up there, who are the principal customers of the line, would form a Board of their own.

3003. They would all be English, of course?—They might be, unless some Indian capitalist or Indian speculator bought the shares.

3004. You think they could form a Board. Would your agent have any difficulty in carrying that Board with him?—It depends on the Board.

3005. I want your experience of Calcutta?—I think he would get a very good Board in Calcutta for that particular railway.

3006. Carry it a stage further. What would you say supposing it was proposed to make a Calcutta Board for the East Indian Railway?—That is a totally different proposition. I do not think it is a feasible proposition. I was many years resident in Calcutta. I was a Port Commissioner; I was a Director of the Bank of Bengal; at one time President of the Chamber of Commerce, and I entered into those duties in my own interests—the Port Commission because I was the consignee of a line of steamers; I was on the Bank of Bengal because I wished to learn the movements of money; and I was, very much against my will, President of the Chamber of Commerce, but this was all in the direct path of my daily business. But to take the position of a Director of a great undertaking like the East Indian Railway, it would not have paid either myself or the railway. I should have had to get the permission of my partners at home, which they certainly would not have given me. They would have said: "We sent you out to manage our "business, not the business of India." I do not believe it is practical to get men who have at one and the same time the ability and the leisure.

3007. How much time are you assuming a Director would give to the East Indian Railway Company's affairs?—It depends on what he was asked to do. There has been a consultative committee in Calcutta for many years. One of my partners, who is now dead, was on the consultative committee, and I asked him what he thought of it, and he said: "It was interesting but ineffective."

3008. Supposing the Board acted in the manner that the Board of an English railway company acts, and that the members gave the equivalent of one day a month to the work, would you have hesitated to give that amount of time or would your partners have refused to let you accept the position?—It would have been taking the position under false pretences. I should have occupied a false position.

3009. Do not say that, because many respectable people in England do it.—I only know intimately one Director of an English railway, and he is kept pretty busy.

3010. Of course there are a few, but I think you may take it that the average Director, who may be really a very useful man to his Company, does not give more than one day a month to the work?—I think self-interest must answer the question. Suppose I am a resident in Calcutta and in active business as a senior partner of a firm in Calcutta; suppose I am asked to go on the Board of the East Indian Railway; I say to myself, "I am not a railway "man; I am not familiar with the engineering or "the very intricate and very important traffic "questions which arise every day, and which a "traffic manager has to try, probably with a wet "towel round his head, to solve and solve with im-"partiality. I am not familiar with such problems, "but there is the temptation that, being a merchant "in commodities, wheat, linseed and that sort of "thing, I might be able to use influence to get the "lowest possible freight imposed in getting my stuff "from Delhi to Calcutta." That would put me into a double position and men would dislike it.

3011. You are not going to tell me you would go on the Board from that point of view. Do you think it might be a temptation?—I certainly think it would be—a temptation that all upright men would resist; but then the best men have other things to do.

3012. Does it come to this, then, that if the management of, say, a great Company like the East Indian is to be transferred to India, it must be transferred to State management?—No, not necessarily.

3013. I gather that is the opinion of the Indian Directors as far as we have gathered it from them?—I think so, a partner having been on that Consultative Committee for some years.

3014. That is the East Indian Consultative Committee?—Yes; I think that function could be perfectly well performed by the Bengal Chamber of Commerce or by the National Chamber of Commerce.

3015. Did your partner imply that he was no use?—Not exactly, his function was chiefly to listen.

3016. Sir David Barbour took another view. I think he would have said that your partner disparaged his value. Clearly they had no functions, but their advice is valuable.—I do not think they were consulted very much. They were told what had happened rather than what was going to happen.

3017. Even that is a useful function sometimes.—He did not think he was made as much use of as he might have been.

3018. That is very clear to you?—Yes.

3019. Have you any views with regard to the constitution of the existing Railway Board in India?—Yes. Frankly, I am somewhat disappointed in the Railway Board. I do not believe it was the fault of the Railway Board, but I was disappointed because I hoped that the Railway Board as constituted would act as a guardian, a watch-dog, a protector, a policeman, on behalf of the great railway asset, would stand as a buffer between the great railway asset and the financial departments. I hoped that it would.

3020. Your feeling is that the buffer has got pushed in?—I think so. The financial department, being after all the essential department of any Government, was a bit too strong.

3021. Would you be inclined to support the suggestion that the railway organisation shall administer and manage its own finance?—Yes, I should very much prefer that.

3022. You would then say to the Finance Minister, "You have invested so much capital, we "will give you such and such a return on it. How we "earn the interest that we owe you is our buisness "and not yours." That is your attitude?—That is a strong way of putting it, but it comes to that.

3023. We may just as well say what we do mean. Have you any views about how the Railway Board should be constituted?—Yes.

3024. Clearly it would have to be given a stronger position?—There would have to be a Railway Minister entitled to sit in the Executive Council of the Viceroy.

3025. Would you force him to sit there for all purposes?—That is a matter of detail. Yes.

3026. If you do, of two things, one, it seems to me: say whether you think I am right. If he is going to be a Minister, he has got to be a man of affairs; he has got to concern himself with land revenue, War Office business, and every other business that comes before the Government of India?—Is that so?

3027. Is not that so if he is a Minister?—Is that so?

3028. As I understand, the Executive Council is a Cabinet, and our Cabinet discusses Home Office business one day and Colonial Office business the next, and so on.—I speak with great diffidence on such a subject as that, but it was in my mind that some question of that sort arose quite recently in connection with Mesopotamia. I think the then Finance Minister was roundly accused of all the crimes connected with the Mesopotamian disaster, and I think his reply was somewhat thus: "I was consulted on the finance of the matter. I "was not consulted about the military arrange-"ments, or whether this thing ought to be done or "not. When I was consulted about the construc-

" tion of a railway they tried to put it on me that " the railway would pay, and I did not believe it " would, and that is the reason why I objected to " it. I objected to it within the limits of my own " authority."

3029. I have seen despatches from the Government of India, and they are signed by all members of the Executive Council, so that there is a collective responsibility?—Yes, I suppose a very strong Minister for Railways would say: " I " will sign a minority despatch," or something of that kind.

3030. The real point is which do you want—a man of business, not necessarily a railway man, or do you want a Minister who is a real railway man, and who confines his attention to the Railways and takes no responsibility for general government?—Would he be strong enough to stand up to the Finance Minister? Therefore I want the Railway Minister to be a man of business, a man of affairs, a man who is capable of and who actually realises how vital it is to a country to possess a sound railway system and who can balance his view in connection with finance. Up to now the railways have subsisted on the scrapings of credit. I want a Railway Budget.

3031. If it is his own job.—Yes. Would he be strong enough?

3032. That is a question of personality, is it not?—Yes.

3033. He could say to a Finance Minister, " So long as you get your twenty millions a year " interest on your debt, that is all you have got to " do with it "?—That would be a very good way of putting it, I think.

3034. The Finance Minister has nothing to do with how he earns it?—Who is to give him the money, the Finance Minister?

3035. That would assume he had his own budget, an independent budget entirely.—I would sooner myself see a Minister for Railways with full power to speak for himself in Council.

3036. I think every witness has said he would have that, but whether he should take part in the Council proceedings only as representing the railways is another matter.—I think he would be in an inferior position unless he was a full colleague of the other members of the Viceroy's Council. Otherwise I think he would be looked upon as second class.

2037. You do not think you could do that by giving him a definite position?—I do not think so. My opinion is not worth much on the point.

2038. Have you any special view about the possibility of having a duplicate Board in England and in India, or a conjoint Board, or anything of that kind?—The suggestion is new to me.

2039. Did you ever know that sort of thing anywhere?—No, the suggestion is new to me. Would the collective London Board have control?

3040. I do not know. I am asking you whether you can see any way of either dividing authority with definite barriers between the two, or on the other hand sharing it?—I really do not see any way better than the existing way. If you have a Company domiciled in London with a London Board, and an agent and an establishment in India working thoroughly in harmony, the two together with constant access to and conference with such bodies as the Port Commissioners, Chambers of Commerce, Banks, and so on, ought to do good work.

3041. That is giving the Indian public no formal voice in the management of their own railways?—It is open to that objection.

3042. Is that a practical policy to continue?—I am of opinion it must be amplified.

3043. And how are we to get something that will satisfy them?—You do not see your way to share it with an Indian half of the Company, so to speak, and gradually to transfer. How, then, is it to be shared?—I do see an opening for a half-way house.

3044. If the Indian people say: " We must be allowed to share "; you go further, and say: " You must take it all." Is that what it comes to?—That is taking a pessimistic view. I take a more hopeful view. I think that would be sheer disaster for this country, and for India too. I do not think they are capable of doing it. They might be capable after many years of tuition, learning, and bitter experience. I do not take such a pessimistic view. There may, after all, be a half-way house. The half-way house would have to be in the nature of a Railway Committee sitting in India to deal with a distinct sphere of duty. For instance, a Railway Committee sitting in Calcutta might deal with the Eastern Bengal State Railway, a good portion of the East Indian Railway, and practically the whole, I think, of the Bengal-Nagpur Railway. But to make a Committee of that nature dealing with all the East Indian Railway, which runs into I do not know how many different countries, would, I think, be an impossibility.

3045. You would at least, I presume, in the first instance allow this Committee to consist of nominated members?—Yes.

3046. What functions would you give them?—Consultative, but not executive.

3047. Sir Walter Lawrence suggested a system to us this morning, and Sir Donald Robertson agreed with it, under which, along the line of a Company, there would be a certain number of representative Indians whose names would be put forward by the local Collector and the District Superintendent, probably jointly, and they would form a body that the agent would meet occasionally and discuss matters with. At the same time, they would be on the spot in their own local centres.—That is much what was wandering about in my own mind, a local committee to deal with a certain sphere of territory, which would be composed of men representing certain districts within that sphere, but without executive authority.

3048. I think his view was that their position as local intermediaries between public opinion and railway organisation would be almost more important than their membership of a committee that met at intervals. Would you differ from that?—I think that has some foundation of a good scheme.

3049. And his idea was that they would be gentlemen of position; that they would be given a nominal salary; that they would be given a pass on the railway; and that they would be given some decoration to prove their official position. That seems to you a satisfactory kind of scheme?—I think it is the foundation of one.

3050. And that clearly can be applied equally to a State as to a Company system?—Yes. After all, it is a scheme I have often thought of. I have never discussed it, because there is so much difference of opinion; but I have always had it at the back of my head that having regard to the progress of India, this country cannot go on

developing India so far as telegraph and steamer services are concerned, and then expect the people to remain in the same condition that they were in fifty years ago. It is impossible. I do honestly think that there must be some point of contact between the people who live in the country and the railways by which they are served. But I do not believe in a Local Board of Directors. I believe that is too big a job. You will not find the right people to occupy that position. They would be too fond of interfering with the Agent, and there would be all sorts of corruption in various shapes and forms; but a consultative committee would be useful to connect with public opinion.

3051. So far as it is a meeting of a committee it is in line with what has been done in a good many countries—Germany, for instance—with conspicuous success; but so far as I know the novelty of Sir Walter Lawrence's suggestion is the localisation of it, and recognising the local gentlemen in the local towns as the natural medium of communication between the organisation and the public.—I have no practical knowledge at all of South India, but I cannot conceive of a little parliament, so to speak, that would equally and effectively represent the south part of India and the Bengal part of India. I think you would have to divide India into spheres of influence.

3052. It would really have to be in connection with the railway organisation, would it not?—Quite.

3053. It would have to be railway geography, not political geography?—Yes. I think there might be readjustments if it is possible under existing contracts, of the Railways themselves. I think in all probability the breaking up or the transfer of the East Indian Railway might offer an opportunity for that being done. I never could see why there should be an Oudh and Rohilkund State Railway and an East Indian State Railway. The one is a feeder to the other; the one is a branch line into a main line.

3054. You would throw them into the Eastern Bengal; you would throw them together?—The Eastern Bengal has peculiarities of its own. It is devoted to a particular sort of traffic. It runs through a country of rivers. It is more or less of a special undertaking.

3055. (*Sir Arthur Anderson.*) A suggestion has been put forward which arose chiefly because of the difficulties that are likely to be experienced in raising capital in this country for Indian Railways, and offering means whereby it could be secured in India. It had its idea in the continuation of the Company management in India. Take for instance the East Indian Railway, London. You have the East Indian Railway with a domicile in Calcutta and a local Board there; and the terms applying to the Calcutta Company would be precisely similar to those applying to the London Company—guarantees and all that. You would have a local Board in Calcutta with the Agent as its Chairman, who would be subservient to the home Board; but the idea is that the home Board would transfer part of its powers, administrative or otherwise, to the local Calcutta Board. Money for the extension of the railway would be raised by the local Board under the sanction of the Government of India and the Secretary of State, and in concurrence with the Home Board. The net earnings of the Company as a whole, including its extensions, would be divided between the rupee capital and the sterling capital in proportion to the amounts held by each. That roughly is the idea.—It seems to be introducing a fifth wheel to the coach.

3056. The Indian capital that could be raised there could be raised at a lesser rate than in London, as it would not be liable to English income tax?—Why not.

3057. Because the Company would have an Indian domicile?—I do not know how, except by special legislation *ad hoc*, the two companies, the East Indian Railway Company, Ltd., London, and the East Indian Railway Company, Ltd., Calcutta, are going to avoid that.

3058. It could not avoid it if a shareholder had an English domicile, but the Indian shareholder would not be liable. I may say the point was referred to the legal advisers of the Government of India and was very carefully considered by them, and they gave it as their opinion that it was not liable to the two income taxes?—I do not believe it is practicable.

3059. (*Chairman.*) Is there anything else you would like to say?—It is rather outside the scope of my note, but the fact is, this morning I had to make the annual speech at the General Meeting of the Bengal Nagpur Railway, and, if you take the trouble to read that speech in the *Times* to-morrow morning, you will see that I endeavoured to show, with the full concurrence of my colleagues, what a very fine scope there is in India for private enterprise, for the development of the Indian railways by means of branch railways. I think the point was put pretty clearly in that speech. The existing terms, 3½ per cent. guarantee or 5 per cent. rebate, are hopeless; they have gone by the board altogether. In the case of the Bengal Nagpur Railway there is an enormous field for development in directions which would appeal to people on the spot—traders, mining people, manufacturers, Indians, the Tatas—great local undertakings which are growing. Thanks to Tata and thanks to some very enterprising men in India (Sir Thomas Holland has put this into the heads of people) there is great scope for assistance from the Indians and from Indian money in connection with branch railways. Heaps of opportunities occur and those opportunities ought to be taken advantage of at the present time. You would get Indian money comparatively easily, and you would get help from Indian Directors comparatively easily, the parent line having control in the matter, saying, "You may do that, "and you may do that." A very successful development could be made in the direction of branch railways. The formation of a Branch Line Company or a series of them seems to me to be a step towards a half-way house. Each of the series might have a geographical area appropriated to it. Give the branch line suitable and generous terms, attract Indian capital, attract Indians to the service, gradually create a class of Indians capable of management, distract the young men from the legal profession, which is gravely overdone, and from Government service, which is equally overdone, and thus gradually breed up a class of Indians trained to the railway profession.

3060. Just let us understand how you would work it. You would form a separate Company?—Yes.

3061. That Company would raise its own capital?—Yes.

3062. With a guarantee from the Government?—No; no direct guarantee from the Government—only a guarantee from the Government of India derived through the parent line. For instance, I have in my mind a certain branch 100 miles in length that would cost, say, so much. The local traffic would be very considerable, not sufficient by itself to justify the construction of the line as a separate undertaking, but, having regard to the fact that that line of, say, 100 miles in length would give a lead on the main line of 300 or 400 miles perhaps, the main line could therefore afford to give back to the branch a portion of what it was earning. It could afford to be generous because unless the branch were made the main line would not get the traffic at all.

3063. I suppose there would be a guarantee under which the Government agreed to pay their share of the 5 per cent. or 6 per cent., or whatever is necessary to get the money?—Yes.

3064. Who would build the railway?—The parent line would build for the branch.

3065. It would build it as a contractor on behalf of the branch?—Yes, at actual cost, and work it on behalf of the branch, and manage all the traffic and all the accounts. There would be no separate establishment created for that purpose. The main line would work it for the branch line, and would get for its portion the additional traffic which the branch line would bring in.

3066. (*Sir Arthur Anderson.*) That is the branch line system?—Yes, it is an amplification of the branch line system, the amplification being not in the nature of the 3½ per cent. guarantee.

3067. It is the rebate system?—I suggest very much better terms.

3068. (*Chairman.*) In that case you would have a local Board, who would have nothing to do except to see that their line was properly looked after?—Precisely.

3069. And the Directors would get to know the routine of company business?—It has been hammered out until one got tired of writing about it.

3070. Why did not it get done before the war?—We were not allowed to do it.

3071. Who was not allowed?—We could not do it.

3072. Why?—I do not know why; it was not encouraged.

3073. (*Sir Arthur Anderson.*) I do not understand that. A number of companies have been floated on almost exactly the same terms.—It was always done with difficulty.

3074. (*Chairman.*) It was not very rapid?—It was done with difficulty.

3075. (*Sir Arthur Anderson.*) The only difficulty that has arisen was whether the existing guarantees were sufficient?—That was a very great difficulty even before the war.

3076. (*Chairman.*) We will assume, for the sake of argument, that the value of money has gone up 2 per cent. The old guarantee was 3½ per cent.—That is not nearly enough.

3077. You would say that 5½ per cent. was not enough; you would want something a little more generous?—Yes.

3078. And it is worth while to do it?—Certainly.

3079. You believe that it would pay for the development of India to throw out several sprats to catch a whale; that is what it comes to?—I got badly sat upon here at the India Office some years ago, when I was being examined on this very point. I do not remember who was in the Chair.

3080. Was that the Mackay Committee?—Yes, I think it was Sir James Mackay's Committee. I rather think he agreed with me, but I remember Sir Lionel Abraham's comment. It is worth while throwing out something more than a sprat overboard to catch that, because you are not only feeding the main line, but you are feeding every earning department in India. You are feeding stamps, you are feeding telegraphs; you are feeding trade in every direction; you are feeding banking. If you take the railway by itself it is good enough, but when you add to the railway the enormous increase in the development of the country, there can be no doubt about the desirability of it.

3081. You have left out the land revenue?—An article was written some little time ago and published in the "Railway Gazette," showing the growth of railways from 1881 to 1919. There was shown in a little table the mileage of railways in 1881 and the mileage in 1919. As far as I remember the mileage increased nearly four times.

3082. What was the increase in the passenger and goods traffic?—I forget now what the increase was, but I think it was about five or six times. Then with regard to coal as far as I can remember the tonnage of coal carried by the railways in 1881 was something short of 1,000,000 tons. In 1919, I think it was 283,000,000 tons. The increase has been something enormous.

3083. Your view is that it would have been even greater had more encouragement been given to the development of railways?—If the Government of India had been bolder and more able to afford funds, the railway mileage instead of being what it is now would have been twice as large with a corresponding increase in the development of the country. I do not think you ought to measure the advantage merely by the revenue return from a particular railway.

3084. At any rate when your railways are earning a handsome percentage, and further railways are wanted there seems to be a good opening for making them?—Yes, but as long as your State Finance and your Railway Finance are tied up together I do not see how you are going to get out of it.

(*Chairman.*) Thank you very much for your evidence.

The witness withdrew.

(Adjourned until to-morrow at 11 a.m.)

SIXTH DAY.

Friday, 19th November, 1920.

PRESENT:

MR. W. M. ACWORTH (*Chairman*).

SIR HENRY BURT, K.C.I.E., C.B.E.
MR. E. H. HILEY, C.B.E.
MR. JAMES TUKE.

MR. WILLIAM GAULD (*Assistant Secretary*).

MAJOR A. D. G. SHELLEY, R.E., and MR. T. J. BENNETT, C.I.E., M.P., called and examined.

3085. (*Chairman.*) Major Shelley, you are, we know, Chairman of the Bombay, Baroda, and Central India Railway Company?—Yes.

3086. Will you tell us your previous experience?—I commenced railway life in India in 1888.

3087–8. On the Indian Staff Corps?—No, in the Royal Engineers. From 1888 to 1895 I was in the Madras Secretariat as Deputy-Consulting Engineer, acting-Consulting Engineer, Under-Secretary to the Government, and for a short time Secretary to the Government in the railway branch. I then took over the agency of the South Indian Railway Company for eleven years, and from there I went to the Bombay, Baroda and Central India Railway Company for eight years as Agent, and I have been for six years a Director of the Company, during the last four of which I have been Chairman.

3089. How long is it since you ceased active service?—In India?

3090. Yes.—I came home in 1914, the year of the war.

3091. You have not been in India since?—No.

3092. Mr. Bennett, I think we know you were in Bombay?—(*Mr. Bennett.*) I was in Bombay for 18 years and for the greater part of that time as the editor of the "Times of India."

3093. With which you are still associated?—Yes.

3094. You are a Member of Parliament?—Yes.

3095. When did you leave India?—In 1901, but I have been there about half-a-dozen times since.

3096. You are a Director of the railway?—I have been for 3 years on the Bombay, Baroda and Central India.

3097. On the first page of your statement that is before me, you have summarised, I think very fairly, the points that are made in favour of a change of system, and we have it before us.

3098. I need not ask you about that, because I think we have the point fully before us. Then you go on to say that, supposing the Board was transferred from being a London Board to being an Indian Board, the same method of control as at present exists would remain?—(*Major Shelley*) Yes, in the main.

3099. Which is, of course, a very close control by the Government of India?—Yes.

3100. You have not contemplated that that control might be altered?—No.

3101. If it was not altered it would not be altered, that is clear, but have you anything to say as to whether it should be altered, supposing, which I do not understand you to advocate, the Boards were transferred to India. Would you suggest that it should be altered?—No, I do not think so. See Written Statement No. 11, Vol. IV.

3102. (*Sir Henry Burt.*) That would involve an alteration of contracts, would it not?—Yes.

3103. Very largely because the control comes under the terms of the contract?—(*Chairman.*) It is part of the terms of the contract, but still, one must contemplate always that in some way, either by effluxion of time or otherwise, the contract might have to be altered were it only by the fact that the English Company with which it was concluded might disappear, if the capital were transferred to India.

3104. (*Sir Henry Burt.*) Ultimately. On expiration of the contract.

3105. (*Chairman.*) Yes, or of course it is possible to conceive that the Secretary of State might say to the present people: "You have a "contract for 30 years, or whatever the period "be, you are of course entitled to everything "that we have contracted for, we will offer you "something which we think is better worth your "while having, if you like to take it." You always might be in that position?—Yes.

3106. Presumably if the terms were sufficiently good you would say, yes?—I presume we should.

3107. There is a price at which we would all sell our own house, that is what it comes to. Then you point out which we have also had before us from many other witnesses, the conditions under which the English-owned Companies—the guaranteed Companies—work. Your last words on that are that these restrictions limit the development to such works as the Government find money for. That is what it comes to?—Yes.

3108. Have you anything to say on that. Does the Government find enough money?—No, the Government at the present time cannot find nearly enough money.

3109. Let us assume that the present time is abnormal. Was the Government finding enough money for the 10 years before the war or was development being delayed?—I think on the whole the Government was providing sufficient money for the wants of the open lines.

3110. Do you know how much was being spent on extensions by the main lines taking 7 years before the war?—I have not the figures by me. Do you mean extensions of the railway system?

3111. Extensions as distinct from improvements on open lines?—I have not those figures here.

3112. I think you will find it averages less rather than more than 2,000,000*l.* a year. Does

that seem to you sufficient for the development of India?—On all Indian Railways?

3113. Yes?—No.

3114. That was the amount spent on new lines 2,000,000 a year?

3115. (*Sir Henry Burt.*) I think for a considerable number of years past there have been no extensions in the strict sense of the term to the Bombay Baroda and Central India, apart that is from the feeder lines?—Very small, very trifling.

3116. (*Chairman.*) Is that satisfactory?—No, we are desirous of extending the system in several directions.

3117. You are blocked for want of money?—Yes.

3118. That means want of money owing to whatever causes?—Yes.

3119. Suppose the Bombay, Baroda and Central India continued as a Company, do you suggest that adequate sums for extension could be provided assuming the present emergency conditions are past?—I had not intended to offer myself for examination upon matters of finance. The question has been only before us practically since yesterday morning.

3120. Would you care to say anything on that point, Mr. Bennett?—(*Mr. Bennett.*) Do you mean specifically on this scheme that has just been put before us?

3121. No, the reference to us is to suggest whether various changes that are indicated might be made. Then we are asked specially to advise as to methods of raising capital. I ask you assuming the existing Company system to continue, can you suggest any way in which adequate capital could be raised?—We should look naturally to the Government of India for extensions to help in financing extensions to the main line. The ideal I have had in mind has always been that the building up and development of a feeder system should be properly the work of rupee capital and that every encouragement should be given to Indian capitalists to provide money for that particular work. With regard to this scheme that has just been before us I can only give my individual view of the matter, which has not been before the Board. It seems to me that this scheme, the rupee Company scheme, contemplates an invasion, I do not use the word in an invidious sense, of the existing administration which might not be to our advantage. It seems to me that if Indian capital were directed towards the provision of new lines, feeder lines many of them, and others more important lines, Indian finance would be associated with railway development in a manner which might not be very beneficial. But my view *prima facie* of this scheme for associating rupee Companies with the development and management of the existing main lines is that it might lead to great confusion and we must look to the Government of India to help us to provide so far as they can such capital as is necessary for the extension and development of the main line.

3122. We may fairly say that if before the war they really only found it possible to produce something—I think it is under—at any rate, call it 2,000,000*l.* a year for the extension of new lines they have failed?—Yes.

3123. Can you suggest anything in its place?—The Mackay Committee recommended, I think, an expenditure of something like 20,000,000*l.*

3124. 12½ million?—With additions in India which would bring it nearer to 20,000,000.

3125. (*Mr. Hiley.*) I do not think they went so far as that?—12½ million in this country.

3126. (*Chairman.*) I think they said 10,000,000*l.* in this country. The Government never lived up even to the Mackay Committee's recommendation?—No.

3127. Practically four-fifths or something of that kind of what they did get was absorbed in the necessary improvements here and there on the main line of the existing systems?—Yes.

3128. What I am upon is extensions.—Yes.

3129. You agree that they are wanted?—We look primarily to the Government of India to provide that capital, whether or not by economies in other directions they can find the money; for instance, I hope it is not irrelevant to say so, but we are confronted with at all events the possibility of a very large increase in military expenditure.

3130. The Mackay Committee said thirteen years ago that you wanted to extend from 35,000 to 100,000 miles. You do not suggest that can be done out of economies in revenue?—No; it is something towards it; it is one of many means.

3131. Imagine a surplus of 5 million.—Yes.

3132. It is a large imagination?—It is.

3133. Where is the rest?—Further, I should look for the further co-operation of capital in this country by avoiding such changes in the administration of India as would create a want of confidence in English capitalists. I should be very careful to preserve the confidence of the English investor in Indian Railways.

3134. There was no question of want of confidence in the English investor when the Mackay Committee met. That had not been raised?—No.

3135. They said they thought 10 million pounds was as much as you could get out of this country in a year?—Yes.

3136. Is that going to be adequate?—Well, scarcely!

3137. We have seen that 10 million pounds is wanted at least for mere improvements on the existing roads?—Yes.

3138. How are we to get it? Confidence did not do it?—By an improvement in the financial condition of India. The revenues are steadily developing; it is true that the expenditure is developing too, but I should not altogether shut out the hope that the revenues of India may be so developed that more generous budgeting may be made for the Railways.

3139. But that is revenue?—No, for capital expenditure.

3140. How are you going to raise the capital—that is what I want you to tell me? The investor did not come forward. What do you suggest to induce him to come forward?—He is coming forward in India in a way that we never expected, as in Government loans, for instance.

3141. You are talking of the Indian investor. Stick to the Englishman first?—I am looking at both sides.

3142. Can you give me any method by which the English investor can be encouraged to come forward much more readily?—Show him a good return for his money. I cannot say anything better than that.

3143. What does it mean in practice?—It means a generous percentage in these days, of course.

3144. What does it mean, a higher guarantee or a bigger share in the profits, or what?—I cannot make any suggestion.

3145. Now let us turn to India. You say there is Indian capital to an extent one never thought of?—Yes.

3146. How are you to get it?—By offering a good return by showing that there is a good return to the rupee investors.

3147. I gather you are representing your Board in that? You say that the English investor will not care to put his money in under Indian control?—I am afraid he will not. That information reaches me from various quarters; of course, I do not think I ought to read any letters that have reached me on the subject; that would be an indirect way of getting evidence which you would rather avoid.

3148. That is the view of your Board?—Yes.

3149. I am not disputing it for a moment. Do you think that the Indian investor is not more likely to put his money into Indian enterprises than into a London company?—Yes, in such enterprises as this. I am contemplating that the Indian investor should break new ground comparatively, that is, that he should put his money in large new enterprises.

3150. Such as?—For instance, there is the Tapti Valley Railway, a rupee undertaking with a capital of 1,500,000*l.*, which has paid 9 per cent. the last two or three years. There is a temptation to the Indian investor; he has made a line there which is more than a feeder line. We do not want to give him a small subordinate position, it is really a trunk line.

3151. Would you suggest that Indian capital should be devoted to building entirely new trunk lines, separate Companies?—Largely—"entirely" is a hard word; I should say, as far as possible.

3152. Take a specific instance. You have three main lines coming into Bombay at present. Would you desire to put in a fourth main line with Indian capital to compete for business with the existing lines?—That is a problem I have not contemplated.

3153. I want you to help us as to how we are to get Indian capital interested in Indian development.—If you can find projects equivalent to the Tapti line, which has been a very successful line.

3154. Of two things, one, either it is to be a new main line, in which case it must lead to Calcutta or Madras or Bombay, practically?—Yes.

3155. In that case it must compete with the existing lines. That is one alternative?—Yes.

3156. That, you say, you have not contemplated?—If you could show me a line which would develop new traffic and open up new country to the exporting——

3157. Wait a moment, that is one kind of line, and I do not think you desire that for Bombay. It does not appeal to you very much as a proposition?—No; it has not been pressed upon me, at all events.

3158. I think we may assume that the Boards of the three English Companies would not welcome it. The alternative seems to be confined to small local lines, feeders, in some shape, large and small feeders of the existing Companies?—To answer that question one should have a map and the programme before one and point out which are the areas which might be best developed by important lines; lines with full gauge, for instance, I am not thinking of 2 ft. 6 in. lines.

3159. If they are full gauge, if not allowed to reach Bombay, Madras, or Calcutta, in effect, they are feeders, however big they are. They are dependencies of one of the lines that does?—I should not say that they are not allowed to, but "if held they are not necessary."

3160. If they do not, let us put it in that way, then they remain dependencies?—With autonomy of their own, I take it.

3161. But still a second-class system?—One need not call them second-class.

3162. But they would be. Is that an attractive prospect for the hypothetical Indian investing public?—Yes, if there is 8 per cent. in it.

3163. Do not you think there is a certain amount of sentiment in these things?—No one is more open to recognising Indian sentiment than I am. Sentiment rules in many more things than we are willing to admit, but I do not think that there is much sentiment in railway development. I look out for that element if I can, but at this moment I cannot recognise it.

3164. You would agree that the hard business attitude of "What will it pay?" is more likely to be found in the City of London than in India, would you not?—I do not know if you know the Bunnia. I think Sir Henry Burt will tell you something about him.

3165. I do not suppose that you expect to get 7 per cent. money from the Bunnia?—No.

3166. He is not going to advance money at 7 per cent.?—There are some Indian investors who are very glad to get what they get out of the Tapti Valley.

3167. Will not that class of person—the rich land-owner and the Rajah—have a sentiment in their investment?—I do not know; Scindia is a large investor in various undertakings, I think simply as a man of business. I do not see the element of sentiment in his investments. However, I would not shut my eyes to that.

3168. Now let me turn to another point. On page 3 you say with regard to (*b*), which is the question of raising the capital, that first of all the agent makes his suggestion for the expenditure of capital; secondly, that proposal comes back to the Board to be considered?—Yes.

3169. Thirdly, the Board send back the considered proposals with their decision to the agent?—Yes.

3170. Fourthly, the agent approaches the Railway Board?—Yes.

3171. Fifthly, the Railway Board, after considering it, puts it into the programme?—Yes.

3172. Sixthly, the programme comes home for the Secretary of State to consider?—Yes.

3173. Seventhly, the English Board of Directors and the Secretary of State negotiate terms?—Yes.

3174. Eighthly, it goes out to India with an authority to execute it provided that the money is forthcoming when it is all settled?—Yes.

3175. That is the process?—I think that is it.

3176. That is a fair description of the process?—I think so.

3177. It is not a rapid one; it cannot be a rapid one?—No.

3178. How long do you think it takes? Major Shelley, you can tell us from practical experience, I think?—(*Major Shelley.*) Is this with reference to new lines?

3179. Capital expenditure?—The whole of that programme is not followed in every case.

3180. What do you cut out?—For instance, it depends on the amount of capital expenditure involved in the work.

3181. I am assuming that it is something substantial. What is your limit of expenditure without permission?—The agent has generally had power to spend up to Rs. 50,000, but the present incumbent, as a personal sanction, has increased powers up to Rs. 100,000.

3182. Rupees?—Without even consulting the Board. Yes.

3183. And what are the Board's powers?—The Board has power to sanction capital expenditure up to Rs. 100,000.

3184. The Board can spend, we will call it 10,000*l.*, which does not go far in railways. Suppose it is 20,000*l.*, is my description of the process right?—No, not quite. The estimate would be prepared in India and submitted by the agent to the Home Board. Their approval being obtained, he would submit it to the Government of India, and unless it exceeded a large sum the Government of India would sanction it without reference to the Secretary of State.

3185. What is the sum the Railway Board in India can sanction?

(*Sir Henry Burt.*) A large sum, but I am not certain as to the amount. No reference would be required to the Secretary of State if the amount had come in to the programme.

(*Chairman.*) This is getting an item on to the programme?

(*Chairman.*) You can tell us, Sir Henry, what is the figure that the Board can approve?

(*Sir Henry Burt.*) The programme would be compiled from information already in the possession of the Railway Board. I think I am right in saying that the Railway Board would arrange by telegram or in correspondence with the Secretary of State provisional sanction to a total figure, and having got the Secretary of State's sanction to work to a provisional figure, they would then deal direct with the agent in working up to that total. There would be no further reference to the Secretary of State as regards details.

(*Chairman.*) Would not the contract be settled in London between the London Board and the Secretary of State, if there was any question of new terms?

(*Sir Henry Burt.*) Yes, for say a new line, or a big extension then it might.

(*Chairman.*) That is what I was thinking of. I was not supposing that it was necessary to do that for a trifle, but if it is an expenditure of even one crore of rupees on an extension, that is what happens?

(*Sir Henry Burt.*) Yes, but there has not been expenditure like that for extensions, involving new terms, for some years.

3186. (*Chairman.*) How long would the process take if it had all to be gone through?—It is rather difficult to say, but I have known a line practically got through within a few months, the Agra Bayana.

3187. (*Sir Henry Burt.*) What was the expenditure involved in that case roughly? What is the length of it at any rate?—About 50 miles.

(*Sir Henry Burt.*) About Rs. 46 lakhs.

3188. (*Chairman.*) It does in some cases take quite a long time.—Sometimes it is a very lengthy process especially if there are conflicting interests.

3189. If you will forgive me, I will not ask you because we have had it from other witnesses (unless you specially desire to say anything about them), about one or two of these questions here, for example the question whether the Indian Boards are likely to be in closer touch. I would like to ask you this. I see you say that Boards composed of gentlemen in a Presidency Town would not know the up country conditions?—Yes.

3190. Is there any reason why a representative from Delhi or Cawnpore should not be on the Board of the East Indian?—It means long railway travelling, and it would be difficult to get a Cawnpore gentleman to leave his business for 2 days to attend a Board Meeting.

3191. It happens constantly in England.—England is a small place.

3192. If a man comes up from Edinburgh for a Board Meeting it does mean two nights in the train.—You are speaking of an English Director?

3193. Yes?—He is a more or less leisured man in a way. He has not to keep his nose down to business as the Indian merchant has to.

3194. It might be more difficult to arrange, but still there is no necessity that a Director of a Railway in Bombay should be resident in Bombay if you could get one from up country?—I doubt if you could get one.

3195. (*Sir Henry Burt.*) I think it is only right to say this, I am sure a leading person in a sufficiently high position to take up a directorship would, if he were up country, look upon it as a very serious matter to have to travel down to Bombay or Calcutta from Cawnpore say in the hot weather.—Yes, that is a point I want to emphasise. You must remember that hot weather travelling would have to be faced.

3196. It is dangerous to health?—Yes. An elderly gentleman would hesitate to undertake a 2 or 3 days' journey in the heat.

3197. (*Chairman.*) Does that affect the Indian as much as the Englishman?—Perhaps not as much, but they do feel it. (*Mr. Bennett.*) Some of them feel the heat more than we do.

(*Sir Henry Burt.*) It is dangerous to health, you cannot get away from that. In the cold weather it is all right, except for the interruption to business.

3198. (*Chairman.*) You spoke of visits to India made from time to time by members of the English Boards.—(*Major Shelley.*) Yes.

3199. Have any of your Board been in India lately?—Sir Henry Burt was there last year, and will be there again this year.

3200. I did not know that Sir Henry was one of your Directors.—I shall probably be going next year or the year after.

3201. Has it been a regular practice of your Company that somebody goes out?—Not every year but frequently; the late Sir William Bissett was out twice, and Sir Charles Olivant went out twice, I think when I was agent for the railway.

3202. Sir Charles Olivant has to do with the Bombay Tramways, I think?—He had; I do not know what is his connection with the Tramway Co. now.

3203. There has been a suggestion made to us that the directors should officially go, say two directors should be formally authorised by the Board to go, to take with them the powers of the full Board and to stay in India for a month or two

and travel about the line with the power of the Board in their hands. What should you say to that?—I hardly think that is necessary now the cable is working again between England and India without any delay. Orders can be issued very promptly. I think, however, it is desirable that a director should frequently go out to India and get to know exactly the local conditions obtaining from time to time.

3204. Do not you think that personal contact is of real importance?—That would ensure personal contact.

3205. I mean personal contact with a body that could do things there and then.—My experience as agent was that the main delay in disposing of projects did not result from reference to England, but references in India.

3206. I am not thinking of the delay, I am thinking of the point of personal contact. We hear a great deal here of deputations to Ministers. —Yes.

3207. If a deputation goes to a Minister and gets a sympathetic answer, "Yes, I entirely "sympathise with you, you will see my difficulties "are so-and-so, but I will do my best to remove "them, and let you know in a week what progress "I have made"; that deputation comes away very pleased. Is not the same thing true in India?—I do not think there is the same number of instances in India as there are in England in that direction.

3208. There cannot be the instances because there is not the opportunity, but do you not think that they would welcome the opportunity?—I am doubtful; they might in some cases, but I would not like to generalise upon it. Further, I think it would be difficult to get English directors to give up 2 or 3 months in the year to the work. (*Mr. Bennett.*) Do you mean stating grievances or making representations?

3209. (*Chairman.*) We shall all agree that this world is a somewhat imperfect place, and it is possible that on an Indian railway there are things that could be made better if you got together and talked about them. We need not call them grievances, they might never reach grievances if they were dealt with. What do you say to that, Mr. Bennett, do you sympathise with it?—(*Mr. Bennett.*) You remember Lord Palmerston's definition of a deputation. He called it a noun of multitude which signifies many but not much. I do not know whether the deputation would follow that description.

3210. (*Chairman.*) I almost hesitate to ask you, Major Shelley, about your description of the work of the Board in England because it seems to me so wonderful. Do they really read technical newspapers and make abstracts for the benefit of the staff in India?—(*Major Shelley.*) I personally read the technical papers, and I have reason to believe that the technical members of the Board do the same. Several papers of this nature are always available for perusal in the Board's offices.

3211. And make abstracts for the benefit of the people in India?—I do not think there is any such claim in the Board's printed evidence, but the Staff in India are supplied with technical publications.—(*Mr. Bennett.*) The Indian newspapers record and comment upon railway matters and policy very fully, and I think most of us do follow those discussions in the Indian papers. Personally, I do, and I have no reason to suppose that my colleagues do not.

3212. That I fully believe. Then I think you make, if I may say so, a very real point. Local Governments as representing local opinion do in all probability ask the companies to do what the companies cannot do and blame them for not doing it?—Yes.

3213. Is not the moral of that that you want to get into contact with them and let them see that you are not to blame?—I think that the agents have very free and frequent access to the Governor. I am sure they do; I know they do.

3214. To the Governor?—Yes, and the members of the Government; almost daily contact more or less informal.

3215. Do you think that is sufficient?—I think so.

3216. Does not your own statement that they blame you for not doing what you cannot do rather prove that the contact is not sufficient?—They might do it officially; personally, they know things are otherwise.

3217. What would you say to a system which has been suggested and supported by one or two directors of local persons of importance and representative position along with the railway being given an official connection, being paid a small fee and given a pass over the line, given a special decoration to prove their connection and being invited to act as intermediaries between the public and the Company, and meeting, we will say, only three or four times a year in the Presidency Town with the Agent in the chair as a committee, but all the time having that recognised position?—Major Shelley can speak on that as a practical question. I can see advantages in it, but I can see possible inconveniences.

3218. What do you say to that, Major Shelley?—(*Major Shelley.*) My own personal view is that the closer the contact maintained between the Agent in India and the community served by the railway the better, provided that his freedom of action is not hampered in any way thereby; I mean that his executive functions in controlling the railway are not hampered in consequence.

3219. I take it that you would give these people no executive functions but a position as officially recognised advisers and intermediaries? —I see no objection to that.

3220. Do you think it would have a good effect?—Possibly it might.

3221. There would be, I imagine, considerable emulation to become one of these?—Yes.

3222. You would have a dozen friends scattered over the line?—Yes.

3223. That would be a distinct advantage?—As a matter of fact, when I was in Bombay I had a native friend who did keep me advised of many little points quietly.

3224. He was only a private friend as it were?—Yes; except that he was occasionally given free passes.

3225. You think that would be a good system?—I think it would.

3226. One knows that passes are, as a rule, valued far beyond their intrinsic value in cash; it is a curious experience that I suppose we all have. You would not surely say that the delay in reference to London in railway matters is no more than the delay of a private firm?—Except where questions are affected by contract obligations I think there is no more delay.

3227. If a firm in Bombay have English partners, I imagine what would happen is that

they would send home a scheme of what they proposed to do to the English partners and say: "Wire reply," and the English firm would reply: "Yours of such and such a date—right, "go ahead." Would not that be practically the thing—it would be settled within a day of the letter reaching London?—Yes, that is very often done in management by a London Board.

3228. Could you imagine that done by the Secretary of State?—Not by the Secretary of State possibly. I have not much experience, of course, of the Secretary of State's dealings, but, so far as the London Boards are concerned, many matters are dealt with as promptly as in your illustration.

3229. No doubt; but, as you mention, the railway's powers of doing things without the Secretary of State are very limited?—Nine-tenths of the references from India would certainly not require any reference to the Secretary of State.

3230. But the one-tenth are the important ones?—Yes.

3231. And they take a long time?—Sometimes.—(*Mr. Bennett.*) You have dealt with some important wages questions by cable promptly?

3232. (*Chairman.*) Yes, I hope so.—Recently. It was circularised to the directors, that is how sanction was given, by circular.

3233. Will you tell us what this refers to on page 8: "If local governments would shoulder "part of the financial obligations as is done in "Assam, this would be a great step in advance"?—(*Major Shelley.*) As a matter of fact that is a reference which was formulated at a meeting of the representatives of Indian railways which it was intended should be submitted by most of the railway companies to this committee.

(*Sir Henry Burt.*) I think I can explain that. In the feeder line terms one of the alternative conditions is a 3 per cent. contract guaranteed instead of a rebate. The Government of India, I think, said that if a local government considered 3 per cent. was not sufficient to attract capital in the province owing to it being undeveloped and so on, the local government might guarantee from their own resources and own responsibility an additional, I forget what the figure was, but I think it was ½ or ¾ per cent.

3234. (*Chairman.*) The local government increased the subsidy in effect?—That is practically what happened in Madras also.

3235. Then you quote another thing, and perhaps we shall have to come to Sir Henry for that: "The acceptance of the general policy of "the Madras Government towards District Board "railways would also be of great help"?—That was, I take it, very much the same. I have served in Madras.

(*Chairman.*) Can you tell us what that refers to, Sir Henry?

3236. (*Sir Henry Burt.*) No, I am not certain.—It refers to very much the same thing.

(*Sir Henry Burt.*) I think that is very likely.

3237. (*Chairman.*) We must try and get hold of it in some shape. Whoever put it in no doubt could tell us.—(*Mr. Bennett.*) I think that refers to a guarantee given by the Madras Government towards the district boards.

3238. The district board made its own line with Government help.—Yes. (*Major Shelley.*) The district boards levy a special land cess for railway development. When the accumulated cess, supplemented by the profits from opened sections, amount to a sufficient sum, further railway extensions are put in hand.

3239. On that money did the Government give a certain guarantee of interest.—I do not know if this is the case.

3240. That is the policy that has been adopted to a considerable extent in Ireland. Then you welcome any augmentation of opportunities for the agent being kept in closer touch with local interests?—Yes.

3241. You would not be hostile to the theory we have been discussing of local representatives. You say in your view that the maintenance of the Company and the State railways alongside is desirable.—Yes.

3242. I do not think I have followed this. You say this on page 9. "The removal of Com-"pany direction would involve Government in "the heavy expense of a very large and ever "increasing department of State to perform the "duties now discharged by the Home Boards." As I understand the system, the Railway Board is over them all. The Railway Board directly instructs the agent on a State line, but between the agent on a Company line and the Railway Board there comes in the Board of Directors.—Yes.

3243. It would seem to me, I am not arguing whether it is desirable in other respects, if you took out the Company and the Government Board dealt directly with all the agents, you would simplify rather than complicate the machinery.—The projects have to be examined and looked into by the Companies Boards in London with the assistance of their consulting engineer.

(*Sir Henry Burt.*) I think the Chairman is referring to general work.

3244. (*Chairman.*) I understand it that if there is a project on the State railway there are only two people concerned, the Railway Board and the local people. If it is a project on a company railway there are three people concerned. Cutting out the middle person, it seems to me, would simplify rather than complicate.—That is as regards large projects for extension only, which is a very small part of the Company's work.

3245. Why not other projects?—A great many of these projects have to be studied in consultation with the engineers we employ in England.

3246. Suppose you cut them out?—Somebody else would have to do the work.

3247. Does not the Railway Board check everything you and your engineers do?—I have never been on the Railway Board, but I have very grave doubts on that point.

3248. Is it not their business to do so.—I think they only exercise a general control and trust the Companies very largely with all the detail work.

3249. Put it in this way. Do you think that the business of the State Railway, the North-Western, occupies more of the work of the Railway Board than the business of a company of the same magnitude?—I think so.

3250. We had better get evidence on that in India, I think. Then you raise objections, as everybody does, to the transfer of officers from one State railway to another.—Yes.

3251. And frequent absences. Are the absences larger with the State Railway servants than with the Companies' servants?—Very much.

3252. Why is that?—I think I am correct in saying that one year on the Eastern Bengal Railway there were four changes in the agency.

3253. Is one of the State Railway officers entitled to a larger percentage of leave?—No, I think the leave rules are practically the same.

3254. Why is the State agent more often absent than the Company agent?—Possibly he gets transferred to another State Railway, and so is absent from his substantive appointment.

3255. It is then a question of transfer?—Yes.

3256. I understand you say that he is not away from his job altogether for a larger time, but he may shift his job?—He is on another job.

3257. Quite so, but you do not suggest that he is more out of India than if he were a Company's agent?—No.

3258. Your view we have heard of very often; I will take it as accepted. You would like, whatever be the system, what you call permanent distribution of the staff. Half a man's value is local knowledge and associations. That you agree, I take it?—I do not quite follow you.

3259. You consider that the fact that a man knows his ground is of great importance?—Very great importance.

3260. You give a quotation from the National Chamber of Commerce. Can you give the date of that quotation?—(*Mr. Hiley.*) It is one of the replies to the circular sent round by the Railway Board asking for criticisms or suggestions regarding railway administration.

3261. (*Chairman.*) Is it a year or two old?—(*Mr. Bennett.*) Two years old.

3262. What is the National Chamber of Commerce. Is it a European body?—No, purely a native body.

3263. But the Chamber of Commerce for the whole of India?—No, it is mainly Bengal. (*Major Shelley.*) It is Calcutta.

3264. (*Chairman.*) It is Calcutta, and two years old. Then on page 10 you say that any change in the Company's system would tend to diminish public interest in Indian undertakings, and be a retrograde step. We know that the directors of the various Indian Railways are to a very large extent the same men. There are a good many men who are directors of several companies, but there are not a large number of separate directors. Is not that very much the same with the shareholders?—(*Mr. Bennett.*) I am not able to say.

3265. What should you say? Should not you say it is so?—(*Major Shelley.*) I think there is a good deal of that.

3266. My impression is that whether you speak of directors or shareholders they are practically all people who have Indian affiliations?—So far as our individual shareholders are concerned a large amount of the stock is held by the large Insurance Companies.

3267. That is true, I should have remembered that, but among the private shareholders they are very largely persons of Indian connection in some shape or form.—There are a great many, of course, but there are a great many who have never been to India.

3268. I mean who have some connection in some way. A director may have a cousin or that kind of thing. Would you say that there was a large number of the investing public at large that took any interest in Indian Railways at present?—That is a difficult question to answer.

3269. We are all accustomed to look at the financial intelligence in the newspapers, and you would agree with me, would you not, that you see something about Argentine Railways every day? Before the war you saw a good deal, and you still see a good deal about what the railways are doing in New York. Do you ever see, or do you often see, any reference to Indian Railways?—No, not very often.

3270. It is what the Stock Exchange call a very dead market?—A limited market.

3271. You say so far as this railway is concerned there has been no hesitation in the promotion of competent Indians. Do you lay stress on the fact, as far as this railway is concerned, of there not being any bar to the employment and promotion of Indians?—No, we want the best men.

3272. There is no bar from the fact that a man is an Indian if he is competent?—No, but have not been very successful, I must say. I appointed comparatively recently 3 Indian engineers, 2 of them have gone.

3273. (*Mr. Hiley.*) Mechanical or Civil Engineers?—Civil Engineers.

3274. (*Chairman.*) They failed?—We are not prejudiced against the employment of Indians. As a matter of fact one of the best Traffic Officers we ever had was an Indian gentleman, but it is very seldom that we get a really good Indian officer.

3275. You really are quite pleased to get them?—Yes, provided they are good men.

3276. Do you think you go further in that direction than the other Companies?—No, the East Indian with which I am connected appoints many Indian officers.

3277. Well, we have dealt with the method of bringing local bodies closer together, and that local bodies should be given a freer hand to raise development funds for their lines, but you have not told us how you would do it?—No. The finance part of the question has not as yet been fully considered by my Board; but we are prepared to give evidence upon that matter later on.

3278. You will know then what the other Companies have said, and if you care to give us any suggestions as to the way in which capital should be raised in England, we should welcome it. You can send it as a memorandum to India?—Yes.

(*Sir Henry Burt.*) I would suggest that you should send it to your Agent in India.

(*Chairman.*) Anyone who can help us by suggesting a method which has not yet been tried will be doing a public service.

3279. (*Sir Henry Burt.*) The Companies will be placed in a difficulty in connection with this reference, which has come from the India Office at the eleventh hour, and which only reached them yesterday. I would like to ask you one question. The question has arisen with some other witnesses as to the necessity of having on the London Boards so many Directors with expert knowledge of railway affairs. Would you like to express any views on that point?—I think it is very desirable that some of the Directors should be possessed of practical working knowledge of the business they control. I believe that on several English railways there are such Directors.

(*Sir Henry Burt.*) The question has arisen, and it has been pointed out that the London

Boards of Indian Railways are singular in having so many railway experts as Directors.

3280. (*Chairman.*) I think they certainly carry it further.—On the London and South Western, the London and North Western, the Great Northern, the London Brighton, the Midland, and the London Electric Railways I believe there is one Director at least who has practical railway experience.

3281. I happen to be a Director of the London Electric. Who are you referring to there?—Lord Ashfield.

(*Chairman.*) Yes, but he is Chairman and Managing-Director of the whole concern. That is quite a separate case.

3282. (*Sir Henry Burt.*) I suggest to you—you will correct me if you think I am wrong—that the necessity for having so many Directors on the London Boards of Indian Railway Companies with railway administrative knowledge is due firstly to the complexity of the Indian contracts, and secondly to the close control which is exercised by the Government of India, involving constant references of a highly technical nature. Do you think that is correct or not?—I think that is correct.

3283. (*Chairman.*) Supposing your Agent, who is a technical person, was sitting by your side instead of being 5,000 miles off, would the need for technical Directors be equally great?—Not quite so great, perhaps, but I think the want would be felt if you had not technical knowledge. An Agent as a rule has precise knowledge of only one department of railway working.

3284. He has to know something about engineering, has he not, if he is to be a proper head?—Not necessarily: Auditors for instance have been Agents of Railways before now, and they have been successful.

3285. (*Mr. Hiley.*) They would be picked because they were capable men of affairs?—Yes, undoubtedly—men of brains.

3286. Therefore they were considered competent to control a railway, otherwise they would not be selected?—That is so.

3287. There are two points you do not refer to at all in your memorandum on which I should like to ask you some questions. The first is in regard to No. 2 of our terms of reference: "To "examine the functions and status and constitution of the Railway Board, and the system "of control exercised by the Government of "India over the railway administration"; and the second in connection with No. 4 of our terms of reference: "To report whether the "present system of control by Government of "rates and fares and the machinery for deciding "disputes between railways and traders are satisfactory." First of all, with regard to the Railway Board, have you any remarks to make in regard to their working with you?—I have always had my own ideas as regards the Railway Board. Would you like me to express them?

3288. If you please.—They are purely personal views.

3289. We will take them as your personal views.—I have always thought that railways ought to be controlled by small local boards situated at convenient centres, such as Madras, Bombay, Calcutta, &c. These Boards should finally dispose of all the comparatively small matters of railway management, and the relations with the local public, so as to filter off from the main Railway Board in Simla a large number of small detail questions which they now have to settle.

3290. Of course, they would be subordinate to the main Board?—Yes.

3291. But they would act independently on small matters, I suppose?—Yes. They would have power to dispose of all small matters. For instance, as an agent, I had a reference from the Railway Board sending a complaint from a passenger who had lost his box at Delhi, and asking me to try to trace it. It is rather the function of a subordinate than of a supreme Board to deal with such small matters.

3292. You have experienced the same difficulty which most of the other witnesses have voiced to us, that is, the lack of local touch with a Railway Board situated at Delhi?—My suggestion gets over that.

3293. Do you feel that the gap that was caused by the removal of the consulting engineers, who, of course, were more than actual technical engineers, as they kept in touch with the general working of the railways, has never been satisfactorily filled?—Yes.

3294. (*Sir Henry Burt.*) Your proposal is really a revival of that system, more or less?—Yes, except that it ensures continuity of policy which was not obtained under the one-man control of a Consulting Engineer.

3295. (*Mr. Hiley.*) You suggest that local representatives of the Railway Board should be located in the Districts—it does not matter whether they are engineers or not as long as they are capable railwaymen and are closely in touch with the Railway agents?—The Local Board should consist of Government technical officers who should be in touch with the public and the local Government.

3296. Do you think this scheme would obviate a great deal of correspondence that at present takes place between the Companies and the Railway Board, and that in that way things will be more quickly dealt with?—Yes.

3297. Have you any other suggestion to make with regard to the functions and the working of the Railway Board?—One hears in India that they are too much under the control of the Secretariat Department, and that they do not have sufficient independence.

3298. Has your Board any views as to how that independence could be secured?—No, we have not considered that. I am only giving you my personal views.

3299. Have you any opinion yourself as to how that independence could be secured?—No. I do not know that it would be much improvement on the present system if the Chairman of the Railway Board was a member of the Viceroy's Council. You have to remember that a member of the Viceroy's Council would then be Chairman of the Railway Board.

3300. A suggestion has been made that he should have the entree to the Council and deal as an equal with the other members on purely railway matters, but not be burdened with the general administration of India. Does that appeal to you?—Yes, provided that he is not too directly under Government influence. If he were a member of Government I am afraid the railway administration would be altogether too much under Government.

3301. You would desire him to be as free from Government control as possible?—Yes.

3302. But at the same time he should be able to voice matters of railway administration as an equal in the Council ?—Yes.

3303. (*Sir Henry Burt.*) You think he should be more than a titular head ?—Yes.

3304. (*Mr. Hiley*). He should be really chief in his own department ?—Yes.

3305. Have you anything to say in regard to the fourth reference: "To report whether the present system of control by Government of rates and fares and the machinery for deciding disputes between Railways and traders are satisfactory" ?—No. On the whole, I think the present procedure works fairly well.

3306. You have nothing to say on that ?—No.

3307. (*Chairman.*) I have been looking up, Mr. Bennett, the Mackay Committee's recommendation as to the amount of new capital to be obtained. What they say is, they think it would not be imprudent for the Secretary of State to contemplate raising in London in normal years 9 millions, making with the 5 millions usually obtainable in India a total provision of 14 millions for all capital purposes, of which all but about 1,500,000*l.* would be available for capital outlay on Railways. Those 1,500,000*l.* were taken off mainly for irrigation, so that they contemplated in India and in England together obtaining 12½ millions per annum for railway development?—(*Mr. Bennett.*) Yes.

3308. (*Mr Hiley.*) That money is worth only half its value now ?—Yes.

(*Chairman.*) Thank you very much for your evidence.

(The witnesses withdrew.)

Sir Felix Schuster called and examined.

3309. (*Chairman.*) We are very much obliged to you, Sir Felix, for coming to help us. The members of the Mackay Committee have been very good; two of them have been before us; you are the third; Lord Inchcape is coming in a day or two, and as we all know, Sir Lionel Abrahams is dead; so that we have had all possible assistance from that Committee. You have read the notice containing the conditions under which evidence is being taken here?—Yes.

3310. We all know that, in addition to being on the Mackay Committee, you have been for years Chairman of the Union Bank, and that you were the financial member on the Council of the Secretary of State?—That is so.

3311. I do not know whether you have refreshed your memory of the Mackay Report?—I am afraid I have not.

3312. Let me remind you what it says. You said, after using your own experience and taking evidence from Lord Rothschild and other people, that you thought you could get 9,000,000*l.* a year out of London and 5,000,000*l.* out of India for capital purposes for India. That meant 14,000,000*l.*, and of that 14,000,000*l.* you had to take off 1,500,000*l.* for other than railway purposes, which meant that you thought the Government would be able to see its way to provide 12,500,000*l.*, partly by its own direct loans and partly through the Companies?—Yes, I remember that.

3313. In the first place, nowadays 12,500,000*l.* will only do the work that 5,000,000*l.* or 6,000,000*l.* would have done when the Mackay Report was written?—I think we all felt that we could have done with a great deal more than 12,500,000*l.* in those days, but we had to measure the amount according to the state of the money markets, which even then was not so very favourable. The Committee had to consider what amount it should fix as a reasonable figure which they thought could be obtained, and I believe we have done so.

(*Chairman.*) Speaking without the book, I think that something near that figure was raised. My impression was that it was about 11,000,000*l.* a year.

(*Sir Henry Burt.*) I think in only one year the 12,000,000*l.* figure was reached.

(*Mr. Hiley.*) It averages about 10,000,000*l.*

3314. (*Chairman.*) I have no doubt Mr. Hiley is right. Call it 10,000,000*l.* Out of that certainly less than 2,000,000*l.* per annum were available for extensions; the rest was used, though it was not nearly sufficient for additions on open lines?—If my memory serves me aright, my impression was—and the experience gained subsequently confirms that view—that we thought the money had better be spent on improvements of existing lines for the time being, until they got into proper working order, than on extending the railway system.

3315. I think you and I know that a railway never gets into proper working order in the sense of not wanting more capital spent on open lines?—That is so.

3316. The Committee said that the country could do very well with 100,000 miles of railway. Obviously, it would never get that mileage if only 2,000,000*l.* a year is available; that is clear?—But that was not the intention, that only 2,000,000*l.* was to be available.

3317. The subsequent history shows that the additions to open lines have year after year swallowed almost the whole 10,000,000*l.* up?—Yes.

3318. The question has developed since that Report was written. What can you suggest now? We can hardly talk about approaching the London market now except at a rate that it would be difficult to imagine the Government of India paying; but, assuming things to have settled down, what can be done to get a much larger supply of capital?—That is a question which is extraordinarily difficult to answer. I myself should not be afraid of going to the London markets for the amounts we mentioned then, or even for somewhat larger amounts.

3319. To-day?—Yes, to-day. You have to make your minds up to give a suitable rate, but I think you would get the money.

3320. Would you alter your figure of 9,000,000*l.*?—Why name a figure at all?

3321. Look at the position. Supposing the figure was 10,000,000*l.*, the Government before the war were using up 8,000,000*l.* merely on open lines?—Yes.

3322. 16,000,000*l.* at least would be wanted to do the same work to-day?—Yes, but will that 8,000,000*l.* or 16,000,000*l.* on open lines have to

continue? We thought by spending a good deal on open lines that might come to an end.

3323. There are many millions of arrears to catch up on things that were kept back during the war. I will not mention a figure, but we have had a pretty stiff figure given us?—It must be a question for the experts to decide what is the more essential for the general service of the country.

3324. I think you may assume that unless you can raise very much more than 9,000,000*l.* a year somewhere, there is not one penny for extensions and never will be?—Considering the amount of new capital that has been issued at home lately, I do not think we need be too nervous about the future. I think you will get a considerable amount here.

3325. You think we could get a considerable amount?—I do, on suitable terms. Of course, a great deal depends upon other questions which have been raised in the Terms of Reference. If you depend on the London money market I think the constitution of your railways will have to be of such a kind that it appeals to the London money market.

3326. Will you please go on with that point? What is the constitution that you think would appeal to the London money market?—Alternatives are given in the Terms of Reference: "(*a*) Direct State management; (*b*) Management "through a Company domiciled in England and "with a Board sitting in London; (*c*) Manage- "ment through a Company domiciled in India "and with a Board sitting in India; and (*d*) "Management through a combination of (*b*) and "(*c*)." I may at once say I would rule out (*a*) altogether—direct State management.

3327. Would you go so far as to take away from the State the lines which it is already managing?—I would.

3328. The Company Directors are against you. They all say, or certainly most of them say, "Leave us as we are; we each show a shining "example of efficiency to the other." Now the question I ask you is whether you would leave the lines which are at present under State management under that management, and you say No? —That is so. What lines are under direct State management at the present moment? Are there a great many of them?

(*Chairman.*) There are three. The North-Western is the biggest system in mileage of all the railways.

(*Sir Henry Burt.*) Over 5,000 miles.

3329. (*Chairman.*) The two others are much smaller.—I am afraid I could not give you an opinion about that; it is comparatively small.

3330. Anyway, you are very definitely a Company man?—Yes, definitely, for a great many reasons which I had better not give. Of the alternatives suggested, under all the circumstances, (*d*) a combination of management, with perhaps a local Board in India, associated with the Board in London, appeals to me most.

3331. How are you to apportion or to combine the powers of the two Boards?—The central power should be here. I would look on the Board in India as what we call in banks local directors, people who have not perhaps the full authority of the Board, but who can represent to the Board the local views on the needs of the district which they serve. Of course, the management is out there, and those views could be represented through the management.

3332. If you tell us a little more as to the extent to which English banks delegate power to their Local Boards I think it would be useful. Mr. Tuke no doubt knows all about it, but I do not think the rest of us know much about the inside of bank management?—The constitution is rather loose, but technically they have no power at all. The Board does not delegate any of its powers officially to them.

3333. Are you speaking about your own bank, or is that the general practice?—I can only speak from my own experience.

3334. So far as you know it is the usual practice that the Local Boards technically have no powers, but——?—But at the same time they act as representatives of the Board, and they are a closer link between the locality and the Board than is given by the ordinary manager. Perhaps you will allow me to say I favour this view as a concession to local feeling, which I know exists in India, and I think some account ought to be taken of that feeling. Residents in a particular district may have complaints or suggestions which they wish to put before the Board, and if there are local directors on the spot perhaps those views are more likely to be listened to.

3335. Let me see if I have got in my mind how it works. A local manager, has, we will say, power to give an overdraft up to 20,000*l.* in a particular case. We will suppose that he wants to give 25,000*l.*, and he says to the local directors: "You agree?" They say: "Yes, we "will bear you out," and he does it. Is that the sort of thing that would happen?—I do not think the cases are exactly parallel. I am referring in banks, not particularly with regard to one single transaction. A man wants an overdraft and we must say Yes or No, but that would go through the ordinary channels. But supposing there is a merchant or manufacturer who wishes to extend his premises, and he will give his schemes confidentially to one of the local directors and ask for advice, and they represent those views, then the matter is considered in the initial stages. I think that is where the local directors come in—the personal touch between the customers and the bank.

3336. This is what I was trying to get at as a general principle. The agent's powers are limited on a document which says: "You may "do this, that, and the other"?—Yes.

3337. Would the agent, with the backing of his local directors, be safe in going beyond his technical limit in reasonable cases?—Not more so than without them. They are not part of the executive at all; they are advisory.

3338. So that it really comes to this, that the important thing is the local touch?—Yes.

3339. It is rather that than making the exercise of emergency powers easier?—Yes.

(*Mr. Tuke.*) What Sir Felix says exactly tallies with the general practice. The local Boards, as a rule, have no power at all; they simply act as Sir Felix says. They are merely consultative, and they are there for the purpose of keeping in closer touch with the various surroundings of the district. In fact, as Sir Felix says, I do not think the local Boards have any more power in any case than the local manager has himself. I think that is the general practice.

(*Chairman.*) Thank you very much for that precedent. It is always useful to get as many precedents as we can in different directions. Your preference, then, you say, is for (*d*),

although I do not know whether you would call it (*d*). Do you call that a combination of Indian and English? It hardly goes far enough to call it a combination. It is really a supplementary addition to (*b*).

(*Mr. Hiley.*) Is it not (*d*) exactly?

3340. (*Chairman.*) I was asking whether Sir Felix thought the local people had sufficient power to be regarded as a combination?—"Management through a combination of (*b*) and "(*c*)" goes too far.

3341. That is what I thought you would say. You are not prepared to go further than you have suggested?—No.

3342. Sir Henry Burt asks me: What would you say to a proposal that the London Board confines itself to finance, and everything else is done locally?—That would not appeal to me. Finance and general policy are so closely interwoven that there must be one authority.

3343. Now let us come back to money. What do you think should be done to enable India to raise money more freely? I cannot help being impressed with the fact that Canada raised before the war enormous sums of money for railways largely that did not pay, and India raised very small sums of money for railways that did pay. Argentina had no difficulty in getting money?—When you refer to Canada, of course, you had one great railway in Canada which paid extremely well after a period, and you have nothing corresponding to that in India.

3344. Is it your feeling that an important reason why India has had difficulty in raising money is that the Government has not treated the shareholders sufficiently liberally?—Yes. The terms were not sufficiently liberal to induce subscribers to come in freely.

3345. Do you remember the case of the termination of the Contract with the Great Indian Peninsula?—Yes, I do.

3346. In that case we have been told that after litigation it was established that the interpretation of the Secretary of State was in strict law correct?—It was correct.

3347. But it was quite contrary to what the shareholders had commonly understood?—That is so.

3348. Did that give a shock to investment in Indian railways?—Unquestionably.

3349. In your view, has that been a short-sighted policy, in that it saved small sums of money at the time, but that it had the result of driving away larger sums of money thereafter?—That is my view.

3350. Do you still think (you said so in the Mackay Committee Report) that it would be wise to raise more money by allowing the Companies to issue further share capital with the right of participation in surplus profits?—That is my view.

3351. That would be, so to speak, a plum for them; that would be something that would please them?—That would be an attraction to them.

3352. It is good business?—Yes.

3353. The Government, for example, has to deal with the termination of the G.I.P. Contract in 1925. If the shareholders are in a dissatisfied frame of mind they will claim their money, and the Indian Government will have to find it?—Yes.

3354. If the shareholders are in a good humour and feel that they have been well treated and that they are offered good terms they will leave their money with the Indian Government?—They will.

3355. And the Indian Government will then not have to find money to pay them off, but can use it for new developments?—That is so.

3356. That is worth paying a price for?—It is.

3357. You have said you would raise some capital by means of shares?—I do not know that you would raise very much money by shares without some Government guarantee.

3358. I was assuming that the present conditions of a minimum guarantee prevailed; with a full share of the profits?—Certainly.

3359. Do you see much difference between raising it by Company debentures guaranteed by the Government, and raising it as a direct Government loan? You said in the Mackay Report that in this way you had two strings to your bow?—My present view is that I would rather raise it through the Companies.

3360. Because that does not, so to speak, establish a scale of interest for Government?—My reason goes perhaps beyond the immediate railway question, I am thinking of the credit of India generally, and I do think it is better to keep what is looked upon as Government debt as low as possible, in order to use that string in case of need for other Government purposes, and confine your railway borrowing through the Railway Boards. Perhaps I might be allowed to say that the public do not sufficiently recognise, in my opinion, how extraordinarily prosperous the financial condition of India was certainly until the war, and even now is. They know there is a certain amount of public debt, but they do not know that it is represented by public works and railways. I think myself it is better for the credit of India that the Government loans should be on their own for ordinary Government purposes, and railway loans through the railways.

3361. If the Government of India had been a private Company appealing for capital you would have put a little more about the progress of the Company on the prospectus, would not you?—Yes, unquestionably. The public are not aware of the really extraordinarily prosperous condition of India.

3362. Do you care to express any opinion as to what London money would say to investments in Indian concerns, whether in Indian Companies or Indian Government loans, but in rupees issued in India?—The London public would have nothing to say to them at all; they would give them the cold shoulder at present.

3363. Even a Government rupee loan?—Yes.

3364. Is that purely a question of exchange, or is it a question of credit?—It is a question of exchange.

3365. It is too dangerous?—It is too dangerous. They do not know where they are. Look at the fluctuations that have occurred in the rupee in the last couple of years.

3366. If you had invested with the rupee at 2*s*. 9*d*. and you now find it is 1*s*. 7*d*., it would be a rather serious position?—Of course, it would have been very nice to have had large investments in rupees during the war, but the public does not want uncertainty. You always have to pay more for your money if there is any uncertainty.

3367. I do not suppose you care to express an opinion as to what Indian capital will do to-day?—No; I could not express an opinion on that.

3368. You would not care to say anything about that?—No, I could not. Things have changed so much.

3369. Things have obviously changed very rapidly?—Very much indeed. I could not give an opinion on that. When I was here we tried in various ways to sound people, and we tried to see if we could not raise money in India locally, but the result of our inquiries has not always been encouraging.

3370. If you had been told when you were sitting on the Mackay Committee that Bombay had raised in a few weeks 9 crores, you would have been surprised, would you not? The Bombay port improvement authority have raised 9 crores within a few weeks at 6½ per cent., free of Indian income tax?—Of course, that is a very good rate. Yes, I should have been surprised—that is surprising.

3371. That is quite a considerable sum?—It is. Of course, during the war there have been times of inflation. I do not know whether in the future you would be able to reckon upon equally large supplies.

3372. We shall have to get evidence on that in India. Is there anything else you would like to say to us? Your Report did discuss the Railway Board. Do you wish to say anything about that?—No, I do not think so. My opinion on that must be very stale.

3373. (*Mr. Tuke.*) Your feeling is that money could be raised in London at the present time, or in normal times, for the Indian Railways?—It is, given a fair inducement and stable political conditions.

3374. It would have to be a condition that money had got easier and that the political position was secure?—Of course, we get on to delicate ground here. The public knows that there are great constitutional changes pending in India at present. They cannot quite estimate what the outcome of those changes is going to be, and until they do know perhaps there might be a little reticence in finding the money. I think that has to be taken into consideration.

3375. Would you say that at the present time an investment of money in Indian Railways was not popular in the London market?—There has been no opportunity of testing it lately, has there?

3376. Except the prices to which Indian Railway securities have fallen.—I attach no value to quotations. I judge from enquiries that come to one from time to time about the security, or whether exchange will affect the security of investments, that the public are following those developments with a certain amount of interest. They know that the administration of India is not going to be exactly as it was before, and they want to see how it works.

3377. Then the suggestion has been made that one possible plan would be to issue shares with a certain amount guaranteed by the Government, the balance to depend upon the profits from time to time of the Company. In view of the increased value of money, would you raise the percentage at present guaranteed by the Government?—Yes, certainly that would have to be done.

3378. On account of the guarantee I fancy that those shares would remain trustee securities; would the profit-earning provision take them out of that class?—I am afraid I cannot answer that.

3379. That is an important question?—Are they not trustee securities now?

3380. If they are guaranteed by the Government they count as trustee securities.—Then they remain such. The additional interest would not affect their position.

3381. I am not quite clear upon that point.—Perhaps you had better take a Stock Exchange opinion upon it.

3382. If that is the effect, it would take away a considerable number of investors who are authorised to place money in trustee securities?—Yes.

3383. (*Chairman.*) Instead of increasing the minimum guarantee, would an alternative method be to give them a larger share of the profits over the minimum?—I think you will have to increase a minimum such as 2½ per cent. or 3 per cent., because these are rates much below those which the British Government does give now. I think you would have to give a reasonable amount of guarantee, so that if the investor in a bad year only gets the minimum he still gets something, in order that trustees may put their money into it. You have other trustee securities competing with you. If you can get 6½ per cent. out of a trustee security, a 3 per cent. guarantee would not be of any good, but a 4½ per cent. or 5 per cent. might, with an appeal to the speculative element. I think the speculative element carries the day.

3384. It is very much the same idea as the American Convertible Bond, is it not?—Yes, very much the same idea.

3385. Sir David Barbour told us yesterday that, under the present temporary contract with the East Indian Railway, if his Company earns an extra million for the State, they get 10,000*l.* of it. Does that seem to you good business from both sides?—I should have thought it was not worth mentioning; you had better leave it out altogether.

(*Chairman.*) Thank you very much for your evidence.

(The witness withdrew.)

Adjourned for a short time.

MR. W. O. GRAZEBROOK, called and examined.

3386. (*Chairman.*) They have given you the notice about the conditions upon which we are taking evidence?—Yes.

3387. It is very good of you to have come at short notice, but we felt that we ought to have evidence from your firm if we could. You are Gillanders, Arbuthnot & Company.—I prepared a short note of my qualifications to speak about Railways in India.

3388. It comes to us in this way. We have had Sir Henry Procter, and he told us about the branch lines that he had been responsible for at the Bombay end, and he said that in partnership with your firm he had also constructed one or

two branch lines on your side.—Yes, I have given the particulars there. Two of them were floated jointly.

3389. I see that you have only just returned from India and are now a partner at home.—Yes, that is so.

3390. You were a member of the East Indian Railway Local Consulting Committee for 3 years and also a member of the Eastern Bengal Railway Local Consulting Committe since its formation?—Yes.

3391. Sir David Barbour told us something about the East Indian Committee. He told us there were 5 of you.—Yes.

3392. Partly Indian and partly English?—Yes, there were 2 Indians.

3393. And 3 English. That is how he put it?—Yes.

3394. You have no formal powers.—We are only a consulting Committee, we have no Executive powers at all.

3395. You sit together with the agent?—The agent and his secretary and usually the traffic manager attend these meetings.

3396. Attend at fixed meetings—how often?—Until recently the East Indian Railway Consulting Committee was only called together occasionally at infrequent intervals, but at the beginning of last year we suggested to the agent that it would be more useful to us, and possibly more useful to him, if we met every month, and since early in last year that Committee has met every month and I think that the agent would admit that he has found the Consulting Committee of some use to him.

3397. Are you all Calcutta or were you all Calcutta?—Yes, we were all Calcutta.

3398. You had not any people from Cawnpore or Lucknow or further up?—No, it would be difficult for them to attend meetings.

3399. I was going to ask you about that. Do you think you could persuade people to do that?—Yes, I think you could. They might not be very regular, but I think they would attend, especially if there was something important about their own district.

3400. Sir Walter Lawrence made a suggestion of a larger body who were not merely to meet as a Committee, but who individually would represent important points or districts on the line, who would be distinguished as definitely appointed and would be given a pass and would carry a decoration, they would be mostly native gentlemen in that case, and who would all over the line be recognised as people in a responsible position. Their business would be not merely to meet at intervals formally in a Committee with the agent, but also to be intermediaries between public opinion and the company. How does that recommend itself to you?—Except as regards the decoration that is the practice now. The two Indians who are on the East Indian Committee frequently bring up matters to which their attention has been called by their fellow-countrymen.

3401. (*Sir Henry Burt.*) Do they get passes now?—Yes.

3402. (*Mr. Hiley.*) I suppose they get information from native sources which would not be open to the Englishmen?—That may be so.

3403. And would be the first to hear of native grievances?—Certainly.

3404. (*Chairman.*) You think that is really a useful system and works well. Do you think the Agent would support that statement?—I think that the present system certainly is proving useful now that the Committee meets regularly and carries on its business regularly from one month to another. I think it certainly is useful.

3405. What have you done about that?—You keep your file of Minutes of the previous meetings and if anything has been deferred or you want to know more about it, you make a note and ask about it.

3406. (*Sir Henry Burt.*) There is a record of the meeting?—Yes.

3407. (*Mr. Hiley.*) Do you prepare an Agenda?—Yes; there is an Agenda sent round a few days before and Minutes of the meeting are circulated directly after.

3408. (*Chairman.*) Do you think that could be extended further with a Board still sitting in England?—Yes.

3409. Would it be possible to give them any power or would it be desirable as well as possible?—I do not think myself it would be desirable.

3410. That I think pretty nearly everybody has told us, that whatever be the form of a Local Committee, it must be merely Advisory?—Yes.

3411. You do not think it would be possible to give them powers within limits and beyond that to go back to the Board?—I should not myself give them any powers at all. I think you may take it for certain that any legitimate grievance that is represented to the Agent by these Consulting Committees is promptly dealt with

3412. (*Sir Henry Burt.*) Does the Eastern Bengal Consulting Committee work on the same lines?—Not precisely on the same lines. In the first place, it meets once a quarter. It has only lately been appointed and it is a new institution. The members of the Eastern Bengal Consulting Committee are appointed, some of them by specific interests, one by what is called the Loose Jute Association, and another one is supposed to represent the Calcutta Jute Mills. I was appointed on it in connection with Branch Railways and general business.

3413. You have sat then on both Committees?—Yes.

3414. (*Chairman.*) I notice that you have been Vice-President of the Bengal Chamber of Commerce, and also President of the Bank of Bengal. That seems rather to carry out what other witnesses have told us, that there are not enough good men to go round if business is to be transferred to India.—That is quite true. As regards the suggestion to move the Board entirely to India, I have made a few notes which perhaps I might read.

3415. Yes?—I am opposed to removing the domicile of the Railway Companies such as the East Indian Railway Company to India because you could not get in India suitable personnel to form a Board; there is no supply of retired officials with railway experience such as is available in London. You would have to form your Board from the members of mercantile firms. Heads of mercantile firms in India are busy men, and directorship of a Railway Company could only be one of many activities. Directors would not be able to give anything like the same time and consideration to the business of the railway as could a Board in London, nor would they have the experience of railway administration necessary for the purpose. They would thus be too ready to confirm the action

of the executive staff. There is also another and a growing objection to Boards being situated in India, that is, they would be subject to great local and political pressure. This would especially be the case in respect of directors of Indian nationality.

3416. You do not, in other words, think that your successful Committee could be the nucleus of a real managing Board?—No. I think they fulfil very useful functions as they are. Enlarge them a little if you like, but always remember that a very large Committee is an unwieldy body.

3417. It is not so much a question of size, I think, as of power?—I should not give them any executive power.

3418. That, in other words, seems to bring us to this. As you may observe, our reference says: "The Committee will take note of the decision "to remove the management of the East Indian "Railway to India which was arrived at." If that be so, does that, in your judgment, mean if that is carried out the East Indian must pass over to direct State management?—I had not thought of it in that way. I had imagined that what had been intended when the East Indian Railway contract was renewed was, that the railways should become domiciled in India and have its executive Board in India, not pass to State management.

3419. I thought your point was that you could not get a competent Board in India?—You could not, that is my argument for leaving the Board in London.

3420. Assume, for the sake of argument, that we do not attempt to convert the Secretary of State or that we do not succeed, then I think your position does mean State management, does it not? The Secretary of State says management in India. You say management by a Board in India is not possible. That means management by the Government in India, does it not?—Yes, I suppose it does, but when the Secretary of State proposed this he was not prepared to admit, nor do I suppose he is now, that management by an executive Board in India is impossible or would not be efficient.

3421. You and I may both disagree with the Secretary of State, he may be wrong, but assume he has decided and that we are bound, and that the management does go to India, under those circumstances I gather you think direct State management is the best?—No, I think I would rather make an attempt at the other than have direct State management of the East Indian.

3422. You would make an attempt at a local Board?—Yes, rather than have State management.

3423. In other words, you distinctly are against State management?—Decidedly.

3424. (*Mr. Hiley.*) That is the worst alternative of the three?—Yes, I think that is the worst alternative of the three.

3425. (*Chairman.*) Have you sufficient knowledge both of the actual management as you have seen it on the State Eastern Bengal and on the Company East Indian Company to draw a comparison?—Yes, I think I have. I have lived in Calcutta for many years and I have travelled on both railways.

3426. I take it that you have been a shipper, which is more important perhaps?—Yes, I should certainly say that the management on the East Indian is decidedly better than the management on the Eastern Bengal Railway.

3427. In what respect?—In particular that the East Indian has its regular officials who grow up on the line. The Eastern Bengal Railway is for ever changing its managers; we have done better in that respect lately: we have had Mr. E. A. S. Bell, who was there some considerable time—that, I think, was partly due to protests from the Chamber of Commerce.

3428. That was when they shifted a manager, an agent we know about?—They were always shifting their managers.

3429. Do you think that is a necessary evil of the State system?—It seems to be necessary in all Government service. Whether it is necessary or not, it seems to be the practice.

3430. Suppose you could break that practice down, the two are on a par as far as that is concerned?—Yes.

3431. In what other point do you think that the East Indian is better?—They are more generally alive.

3432. In the matter of facilities or in the matter of varying rates to suit developments?—In the matter of facilities.

3433. They give you better facilities?—Yes.

3434. The Eastern Bengal, I suppose, is a very important line for heavy jute traffic?—Extremely important. Almost the whole jute traffic of Calcutta comes over it, that is to say, what comes by rail.

3435. Is that traffic adequately dealt with?—From time to time it is, and from time to time it is not. It depends so largely on the manager for the time being.

3436. You think it is a question of management, not a question of shortage of facilities for want of money?—Yes, I think it is largely a question of management.

3437. We know that the East Indian has been crying for more money to improve its facilities for years past. Do you think they have done all they could with the facilities that they have?—Generally, I should say that they have.

3438. Do you think there is any difference in what I may call accessibility to public complaint?—No, I do not think so.

3439. It is a charge often made against State management generally. You were a big shipper and in an influential position and could make yourself heard. What do you think about the ordinary customer? Would there be more complaints on the Eastern Bengal?—I should not have said so, but I am a little diffident in expressing any decided opinion about it.

3440-4. It rather tends to come to this, does it not: managers frequently changed, the natural result of that, less efficient management?—Yes.

3445. Prevent the constant change of manager and you may get as efficient management as on the East Indian where you never have the constant change? That might be the answer?—I think that might be so if you could extend it to all the officials or pretty well all the officials.

3446. Have you any special knowledge of the Railway Board?—I have had dealings with them for a good many years.

3447. Have you any views?—Yes, I think that the present system of working the Railway Board is not good. The Railway Board has not sufficient status. The President in my opinion should be a member of the Executive Council of the Government of India. The Board is entirely at the mercy of the Finance Department, and it

would not be so if the railways were a watertight compartment, about which I would like to say something later on, nor so much so if the status of the Railway Board were improved.

3448. You consider in the first place that the Railway Board ought to have a more dignified status?—Certainly. It is a very important department in the development of India.

3449. You thing that the President of the Railway Board ought to be a member of the Executive Council?—That seems to me the best way to improve their status.

3450. Would the President in your opinion best be a skilled man of the world who was trusted as an Administrator, or an expert railwayman?—The ideal in my opinion would be to get a man who was as you say a skilled man of the world.

3451. You would not mind even if he did not know railways in detail?—No, I should not. I do not think that would be any hindrance to him.

3452. Then in that case you make him a member of the Executive Council and you take up a considerable portion of his time with the general affairs of the Government of the country?—I had not thought of that point of view. My idea in suggesting that he should be a member of the Executive Council was to improve the status of the Railway Board.

3453. Quite so, but you appreciate that if you make him a full member you make him unable to give his whole time to his own department?—Yes, that I suppose is so.

3454. On the other hand, if you do not you suffer the corresponding disadvantage, that though you may say he is a member of the Executive Council, when railway matters come on it always leaves him somewhat of an outsider, and he is not quite in the same position as the other people who are full time members?—Yes, that would be so.

3455. Your inclination is to make him a full member?—Yes; the idea of doing so being to improve the status of the Railway Board, but if you can get to that in some other way, very well.

3456. Now come to the watertight compartment.—The Railway Board should, in my opinion, be a watertight compartment and the profits thereof should be devoted to capital expenditure on further railway development.

3457. You cannot develop fast enough on the mere surplus revenue?—No; but at present, railway profits are used for anything.

3458. What would you do? Would you say to the Secretary of State: "You have put in "200 million pounds, we will give you 6 per cent. "and you may go away and leave us alone"?—That sort of idea was in my mind.

3459. How is the Railway Board to get its new capital? Is it to raise it on its own credit, or is it to be raised with a guarantee of the Government of India behind it?—I think it would have to be raised with the guarantee of the Government of India behind it.

3460. Then the Government of India clearly must control the raising?—Yes.

3461. They must, in fairness. You must admit this means that they must settle the terms and settle whether the Government of India can afford to take the responsibility at any moment for a given amount?—Yes, that follows.

3462. You do not think you could rely on doing it cutting the railway undertaking sheer adrift and raising your new capital on the responsibility of the Railway Board?—I do not think you could. This is more a matter for the Government to speak about than myself. I think in that case you would have the danger of there being two Richmonds in the field; that is to say, Government loans and Railway loans.

3463. That is one point and there would be less security?—Yes, if you only had the security of the Railways there would be less security.

3464. With regard to the raising of capital have you anything special to say about the raising of capital in England?—At the present moment, as we all know, it is practically impossible.

3465. Let us assume that we have got into smooth waters again.—The time will come when it will be possible to raise money in England again, I should say.

3466. Assuming the thing to become much more Indian and much less English, I will put it that way, do you think then English capital would be freely put in?—You mean if India becomes much more of a Home Rule country. Is that what you mean?

3467. Not only India as a political entity, but Indian Railways especially.—I do not quite understand the question.

3468. Let us take it in this way, assume that the East Indian Railway management is transferred to Calcutta and it is run by a Local Board, and the Railway Board puts out a prospectus asking for a loan of 5,000,000*l.* which it says it proposes to spend on development on the East Indian Railway. What would be the attitude of the investing public in England?—I should say that they would not be disposed to support it.

3469. You think the fact that it was local would be a great difficulty?—I think the removal of the Board from London to India would be almost a bar against continuing to raise money in London.

3470. Even though it was raised by the Railway Board of India with a property valued at some hundreds of millions earning a substantial rate of interest.—If you put it exactly on a par with the Government of India Loans then there would not be.

3471. You require that it would have to have the security of the Government behind it to do anything in London?—Yes.

3472. What about raising the money in India. Suppose your Indian Board of Directors are appealing for rupee capital on a prospectus of the East Indian Railway proper.—They would not be able to raise all the money they want.

3473. What do you think they could raise?—It is a very difficult question to answer. There was a loan in Bombay, I saw the other day, and they got a little over 9 crores, which I should say was very good indeed.

3474. I take it that surprised you?—It did; the amount of it did surprise me.

3475. If Bombay can raise 9, what can Calcutta do?—Not so much. I do not think so in a case like that.

3476. If it had been a Calcutta development loan apart from a railway—there is more money in Calcutta, is there not?—There is more money in Calcutta, but in Bombay the money is very largely in the hands of Indian traders. That makes a difference.

3477. In Calcutta it is very largely in the hands of the old English firms.—Yes.

3478. When people go home do they intend to take their money with them, to transfer their investments to home investments?—To some extent, and recently with the high Exchange they have been more inclined to.

3479. The 2/9 rupee upset everything, I suppose?—Yes. Before the rise of the rupee, when it was fixed at 1/4, a great many people left money in India.

3480. You do not think that they would be tempted to invest it under Indian control, even though they left it there. Is that your view?—I should doubt that.

3481. You think a good deal of native money can be get, but not enough.—Not enough.

3482. What do you think would be the position? One knows that there are some very rich landowners in Bengal who could put large sums of money in.—But they do not.

3483. Do you think what we may call patriotism would encourage them to support a thing like that, a great development of Indian local management?—I doubt if it would in Bengal. It has done so in Bombay.

3484. You think with regard to the 9 crores a great deal of it was patriotism?—I think so.

3485. Do you not think you would get the same thing in Bengal?—Not from the Zemindars.

3486. Not even from the prominent ones?—No. Perhaps I may mention an instance. Two of our railways, the Sara and the Mymensingh, run through Zemindaris owned by rich Zemindars, but they did not take up any shares.

3487. Did you try to get them in?—Yes, I sent men specially to see them.

3488 And they did not do so?—No.

3489. That is the general case. Now tell us about your own branch lines, the Sara.—The Sara and the Mymensingh were floated jointly with Messrs. Killick, Nixon and Co.

3490. He told us about the Sara Serajganj. Is there any thing special to say about the others? Are they successful?—The Mymensingh promises to be very successful, and the others are now doing well.

3491. You have got 270 laks altogether?—In those railways in that comparatively short time, 2 years.

3492. I did not follow that from your statement. You mean from April of 1918?—No, from early 1913 to May 1915. Since 1915 the war has prevented flotations.

3493. In the two years before the war you got 2¾ crores?—Yes.

3494. That was rather a boom period all over India for these branch railways?—Yes.

3495. Have they turned out well?—We had great trouble with the Sara Railway over the terms of the contract with the Railway Board, but now it is doing well, and the Mymensingh Railway has done well from the start. These Railways always take a little time before the Indian gets to use them.

3496. You have something better than your minimum guarantee out of them already?—We have not divided anything above the minimum guarantee. We have on the Mymensingh. That was only 3½ per cent. We are making 5, and I hope this year we shall do better.

3497. On the whole they have developed quite as fast as you can have hoped. May I put it in that way?—Yes.

3498. Have you any criticism or suggestions to offer on the question of rebate terms or guarantee terms?—Do you mean as to the merits of the contract?

3499. Yes, or as to a better system or any modification of the existing system?—No, I think the rebate and the guarantee terms work quite reasonably well. You can choose whichever you like.

3500. Of course we are not arguing, but the guarantee terms would have to be revised if you had to start again. A 3½ per cent. guarantee would have to be translated into 5½ per cent. or something of that kind?—I find it difficult to say what terms, but 3½ is quite out of the question.

3501. If the war had not come, would the boom have gone on or was it dying out?—Yes; I think it would have continued very fairly well for a time.

3502. In other words, there really is a reasonably remunerative field for enterprise of this kind?—Yes.

3503. There seems no reason why, if financial terms were revised, you could not go ahead again?—No; India has recently had an industrial boom, but that, I think, has died away.

3504. So we are told.—And one would suppose that the public will be more inclined to return to more sober investment.

3505. Your firms are managing agents of all these little lines?—Yes.

3506-7. Practically, the Board does not do very much. The Board is a more or less official Board, in cases where there are managing agents, I understand?—Yes. The Board meets once a month and discusses anything that is of interest.

3508. We want to know the real picture, not the nominal one?—In India you probably know that the system of managing agency is in force. This is something unknown in this country, but in the Indian conditions it works well.

3509. One thing, of course, it does: it ensures continuity, because, though you go home, you have talked it over very fully with your partner, who is taking your place before you go?—Yes.

3510. And it is really Gillanders Arbuthnot & Co. all the time. The individual may change, but the firm does not as regards policy?—No, that is so.

3511. These lines are all worked by somebody?—Yes; we work the Darjeeling Railway and the Darjeeling Himalayan Extension. There is a general manager under our orders and the orders of the Board of Directors. That is a very old Company, floated in 1881, and now there is an extension of it as well.

3512-3. I have known the Darjeeling Himalayan for a long while, except in the flesh.—We are agents for the Darjeeling Himalayan Railway Company.

3514. But you have a manager?—There is a general manager and we manage the line, under the orders of the Board of Directors.

3515. The others are worked by Main Line Companies?—Yes. The Darjeeling Extension is worked by the Darjeeling Railway.

3516. Then as managing agents in other cases where a main line Company or a State Railway works, do you have to buy stores?—We do during construction, but not after that is finished.

3517. You clearly do not have anything to do with the working; you do not interfere in that?—No. It is provided in our contract that we are not to "interfere" in the working; but I might say, as regards the working, that we keep a man to keep a watch on traffic, &c. He travels frequently over the line, and keeps his eye on traffic development and gives us reports. To that extent we interfere, but the responsibility for management is with the State Railway which works it.

3518. In the same way, I suppose, he might represent that he wanted rates altered?—He does frequently.

3519. He cannot alter them himself?—No, he can only report to us.

3520. One can quite see that, under the peculiar conditions of India, where practically the main line could not raise the capital, it was highly desirable that these lines should be made. You rendered a real public service in making them. We will all agree about that. Suppose the main line had been able to raise the capital, would it have been better that you should do it or that the main line should do it, and have no complication of outside Companies?—I do not think that the main line could have raised it.

3521. I quite agree, but assume that the main line could.—If they could do everything that we do there would be no occasion for the branch lines.

3522. First of all, you were able to raise the capital. That was a great service, we agree; but besides that you watch that they develop your line?—Yes.

3523. Clearly if it was their line they would themselves watch that they developed it?—Presumably.

3524. I want to know, is there any special advantage, apart from the raising of capital that could not be raised otherwise, in the existence of these separate Companies?—No, but in these Branch Line Companies we have a large number of Indian shareholders; we tap, I think, a field which is not tapped by other investments. In that way I think they do useful service.

3525. Imagine once more the East Indian Railway with an Indian Board and that advantage would be gone?—Assuming that the Indians would subscribe equally freely.

3526. Would they not?—I should doubt it.

3527. Do you really get local capital in these cases on the line?—Yes.

3528. You do not think you would get that for a big Company?—I doubt whether they would get it. We sent men with prospectuses round the district when the Mymensingh was being floated and when the Sara was being floated, but particularly the Mymensingh, and we got quite a large amount of local capital.

3529. You do not think the East Indian Board could have done it?—They would not have done it.

3530. Even though an Indian Board?—I do not think so.

3531. That is a strong point?—I do not think they would have done it.

3532. Have you any idea what proportion you got in that way?—I could not tell you that without reference.

3533. You have a rough idea—half, or a quarter or three-quarters?—No, it may be a quarter.

3534. Of course, that is substantial. In this case that represented 31 lakhs?—Yes, I should think that is not excessive over all those lines.

3535. That is obviously a considerable advantage for the Branch Company?—Yes, in favour of the Branch Company as against doing away with it altogether.

3536. That would apply even though the parent Company could raise the money?—I think it would.

3537-40. The Board of a Railway being domiciled in London you think is no bar to raising money in India?—I do not think it is any bar.

3541. Do you suggest that the East Indian Railway Board remaining in London could float a rupee issue?—Yes.

3542. On their own?—You mean they might want the help of a firm in Calcutta?

3543. I do not know, that is what I want you to tell me. Do you think if Gillanders Arbuthnot put out a rupee loan of a couple of crores for the East Indian Railway in Calcutta it would be a success?—I could not speak as to that at the present moment.

3544. If they had done it in 1914?—Yes, I think it would have been.

3545. Nobody has suggested that to us, I think?—I think that a suitable firm would find it easier to raise money than the East Indian Railway by itself.

3546. I quite follow that. You say that the Railway Board is apt to be too stingy?—Yes; I dare say Sir Henry Proctor would tell you the same thing.

3547. What does that mean. Does that mean drove too hard a bargain in making a contract?—Yes, not so much in the terms of the contract as in the flotation commission that they are prepared to sanction, or possibly in the rate of interest. The rate of interest would be more a matter for the Finance Department.

3548-9. That is a matter the public settle for them?—Yes; the market settles it.

3550. Have you any objection to saying what the terms are. Is it public?—I do not mind telling you, but I would rather you did not publish it.

3551. The commission is a long way from being net?—Yes.

3552. You are allowed to treat it as part of the capital?—Yes, it is paid out of capital.

3553. You say that you pay underwriting, printing and flotation expenses?—We pay for all that.

3554. All that comes out of the commission?—Yes.

3555. You say that it would be wiser to make it more liberal?—They were often trying to get it down below the figure I mentioned, but we declined to consider anything less.

3556. You get no money out of that commission to let a big man have a discount?—On taking up the shares?

3557. Yes?—No, except in what may be paid for underwriting.

3558. (*Sir Henry Burt.*) With reference to No. 4 of the Terms of Reference, "To report "whether the present system of control by Govern- "ment of rates and fares and the machinery for "deciding disputes between railways and traders "are satisfactory." Have you anything to say on that point as regards your branch lines? Do you think that the Railway Board treat you fairly and satisfactorily from your point of view?—In the matter of rates, yes, I think so. We have had trouble sometimes with the Company that is managing the line—for instance, the North-Western; we have had trouble about their starving our Hoshiarpur Doab Railway. The North-Western Railway is the State Railway which works the Hoshiarpur line. We have had trouble with them for starving the traffic by not giving enough trains. We have had great trouble over that in particular.

3559. (*Mr. Hiley.*) You say that if the Board of a Railway was located in India you doubt whether they would get Indian capital. I think that is what you said. Take the East Indian, if their Board was domiciled in India you expressed doubt as to whether they would get Indian capital?—They would get Indian capital, but not nearly enough. You cannot raise in India enough for the requirements in India. I think that is admitted anyway, whatever you do.

3560. I thought you said they would not get Indian capital?—They would get some, but not enough.

3561. (*Chairman.*) Thank you very much

(The witness withdrew.)

SIR HENRY KIMBER and MR. A. MUIRHEAD, called and examined.

3562. (*Chairman.*) Sir Henry, you are, as we know, Chairman of the South Indian Railway Company?—I am.

3563. I think you have also various financial connections in London?—Yes, as Chairman or Director or Trustee of several large commercial undertakings.

3564. I think you used to be a Director of the South Western Bank, did not you?—Not the South Western, but the Capital and Counties Bank, now amalgamated with Lloyd's. I have been for over 30 years, and still am, a Director of that Bank.

3565. We shall be very pleased to hear any statement you desire to make to the Committee?—My own immediate connection with the Indian railway system commenced with the Indian Tramways Company, Limited, a company unguaranteed, projected in 1862 on a plan invited by Government to construct tramways as feeders to railways. Its first line was opened in 1865, Arkonam, on the Madras Railway, to Conjeeveram. Sir Macdonald Stephenson, C.E., pioneer of Indian railways, asked my co-operation. As a financial operation it was not successful. At my instance, application was made to the Government for improved conditions, and in 1867 the Government agreed temporarily to guarantee 3 per cent. on its capital of 100,000*l.* from 1st January 1868, and invited us to undertake the Carnatic Railway in 1869, which absorbed the Indian Tramways Company, which was wound up, and its capital represented by 60,000*l.* stock of the Carnatic Company guaranteed. The Carnatic was afterwards amalgamated with the already partly constructed Great Southern of India Railway in the same Presidency by Act of Parliament passed in 1874 called "The South Indian Railway Act, 1874," and the three undertakings became the South Indian Railway Company. I cannot claim Indian residential experience, but have considerable capital invested in India; have been in India many times, and have travelled some thousands of miles there. I have many business and personal connections there. I am chairman of, and a large shareholder in, two important tramway undertakings in India, not guaranteed, but both successful. One the Calcutta Tramways Company, and the other the Karachi Tramways (East Indian Tramways Company), in which I am a large shareholder, I think the largest. That also is a successful undertaking in another respect, it being worked on a new principle, the motor rail principle, invented by our engineer, Mr. J. D. Abbott, a nephew of mine. I also became acquainted with the irrigation schemes of the Government in Madras and Orissa and their Executives. I and my co-directors negotiated, and in 1878 concluded a contract with the French Government for the construction with French capital of the Pondichéri Railway, a short line (7·85 miles) in the flourishing French Colony of Pondichéri, from the town of Pondichéri on the coast to the River Gingi, where the line connects with the South Indian Railway, by which it is worked successfully as a branch under our direction and management. Our concession was for 99 years, which expires in 1978. In our other great Colonial Dependencies I have had much to do with railways, both State-owned and otherwise. Outside of India I was largely interested as a shareholder and director in the New Zealand (Wellington and Manawatu) Railway, which was ultimately sold to the Government. In 1883, deputed by an eminent body of merchants, bankers and others in London and Paris, I went to Australia and negotiated a contract with the Queensland Government for the construction of an Australian Trans-Continental Railway, 1,200 miles, on the land grant system. The contract was concluded and actually signed by myself and by the Governor of Queensland in the name of the Queen. My principals were to find all the capital, but the project was never carried out, not because of any default on the part of my principals, but by the Colonial Government then in office going out of power on political issues. The succeeding Government cancelled, not the contract we had made, but the Act of their Legislature under which it had been authorised. I was also interested in the projection of railways in the Union of South Africa, and am a considerable investor in Rhodesian railways and in other undertakings of South Africa, in one of which I am a large investor and chairman. I have sons and their families settlers and land owners there. In North Africa I am well acquainted with the Egyptian railways and the works on the Assouan Dam, in the finance of which I took part and subscribed to. In America I crossed the United States and Canada in their trans-continental railways, sleeping twice on the Rockies. In the course of my discussions with Colonial Ministers, I may mention as relevant to one of the subjects referred to your Committee, that, in the opinion of Ministers and others, ownership and management of railways by Governments led to very great political difficulties. Special pressure was put upon Ministers by individuals and voters seeking for situations or places, and for sanction to branch railways unremunerative in themselves, and only serving private interests. As regards foreign railways, I was chairman of the Royal Swedish Railway and a director of the Turin and Savona Railway through the Alps, both with London capital and headquarters. In England, my experience of railways and their finance has been considerable. During 28 years as a Member of the House of Commons, it became often my duty to preside over Committees on private Bills of railways and other companies in which financial and other questions arose. As regards my connection with other Indian railways, I happened professionally to have the conduct through Parliament of one of the first Indian Railway Bills that was passed. I refer to the Scinde, Punjab and Delhi Railway. In the same year I think the East India Railway had a Bill before Parliament.

3566. Do you remember the year?—It must be 50 years ago.

3567. I think it was more than that?—I think it was in one of the 60's.

3568. It was one of the 50's, I should think?—I am speaking only from memory, but can supply you with all those details.

3569. Do not trouble if you have not got them handy.

P.S.—(*Note by Sir Henry Kimber.*) The Scinde Railway Company's Amalgamation Act was in 1869. *Inter alia*, it amalgamated the Scinde Railway, the Indus Steam Flotilla, the Punjab Railway and the Delhi Railway. The Scinde Railway Company was incorporated by a previous Act of 1855.

3570. (*Chairman.*) Sir Henry Burt, who knows a great deal about these things, says that all the Indian companies have Acts of Parliament.

3571. (*Sir Henry Burt.*) The earliest ones?

(*Sir Henry Kimber.*) Yes.

3572. (*Chairman.*) Why did they get an Act of Parliament? What special powers did they need that they could not have got as an ordinary

limited company?—I am not quite sure at this distance of time, but I think it was to authorise or confirm guarantees or special contracts.

3573. Was that done by a Private Bill?—Yes. I think Sir James Cosmo Melville was then the standing counsel for the India Office as he had been also for the East India Company.

3574. You think the reason was that Parliamentary authority had to be obtained for the Secretary of State to give guarantee?—Yes, or to confirm contracts which gave guarantees. I think there was a doubt at the time whether it was within the powers of the then Government of India as a sort of Colonial dependency to give guarantees.

3575. I am afraid we are getting wrong in our history. It was not the Secretary of State at all; it was John Company. We are going back before the Mutiny. It was the East India Company that must have given the guarantee. It must have authorised the Board of Control to do so?—You may be right.

3576. The Mutiny was in 1857, was it not?—Yes. I had forgotten the dates. But it was thoroughly well agreed between the Government and the legal and Parliamentary authorities that all the Acts were necessary, and I may remind you that all such Private Bills contain in their preamble a statement that these objects "cannot be effected without the authority of Parliament."

(*P.S. by Sir Henry Kimber.*) The East India Company transferred its rights and liabilities to the Secretary of State by an Act passed in 1859.

I understand that the most pressing and important of the four subjects referred to your Committee is that of future capital requirements, or, as defined in your reference "to consider "arrangements for the financing of railways in "India and the feasibility of the utilisation of "private enterprise and capital for the construction "of new lines." As an old banker familiar with such matters, I take great interest in the subject, and the extreme pressure of the very limited time you can allow us to prepare a "synopsis" as you desire, confines me now to a conversational statement on this subject, leaving the other three subjects for subsequent addition and transmission to India if time permits. My opinions as to providing money are these: First, money required on revenue account for maintenance and upkeep; and, secondly, money required for railway extensions and improvements. The first I consider the companies can settle themselves if allowed to. The second is a very different thing. Consider the facts as to both. Indian railways, as a whole, are now in themselves self-supporting and profit-producing institutions. They do not need, as formerly, the assistance of the State, which was originally necessary to bring them into existence and to nurture them until their self-maintenance and income-making power was proved. They can now run alone and maintain and upkeep themselves out of their own earnings. It should no longer be necessary to encumber Government accounts and budgets with their annual, or, rather, their daily, current incomings and outgoings. The maintenance and upkeep could be managed by the existing directors and their executives, and paid for entirely out of the railways' own earnings. One of the difficulties of the present situation arises from this system of book-keeping in India. All the earnings of the railways are received by the Government and treated as Government revenue and inserted in the National Budget. Secondly, as to the raising of new capital for capital purposes of railways, that is, for extensions and improvements. The existing railways of India, as a whole or as individuals, being now assets of proved value worth much more than they cost, or stand at, producing large annual income, and therefore, either as a whole or as separate undertakings, could be made ample security for any further capital required, even without any guarantee by Government either of dividend or of capital. The guarantee of India could be added if found expedient at the time. If a statement of the security and its value and product were laid before the centres of finance in Great Britain and in India, it would, in my opinion, be sure to meet with acceptance, of course "upon terms" according to the rates ruling the money market at the time of borrowing. The number of the stockholders and bondholders now in Britain can easily be obtained by enquiry. They may be reckoned by tens of thousands. Government, as Government, has no capital of its own, and if for State reasons they wish to subscribe capital for railway undertakings, they have to get the money from other sources. If they already hold in the Treasury any shares or stocks or bonds obtained by redemption of capital out of the earnings of the railways, or other profits, they have a security of value in hand which must far exceed any probable further requirements for extensions for some time to come. Such an operation could probably be carried out by the companies themselves, if allowed to do so, in London, where their directors' well-known names and their bankers by consortium would be able and very willing to assist. I have myself tentatively discussed this matter with my own bank colleagues, and I find a general concurrence with my opinion. The difficulty I before alluded to, viz., of the Government Budget embodying all our earnings in gross are treated as income of the State. No provision is made for repairs and renewals delayed by circumstances such as the war. No reserve is made, such as is always made in every commercial company of any kind, for outlay that ought to have been incurred for upkeep in a particular year, and which you are unable to carry out *de anno* in *annum* for insuperable reasons. How is it dealt with in Government accounts? The surplus of earnings in the year over actual expenditure, without deducting or making any allowance for postponed renewals and other upkeep, is divided between the Company and the Government in proportion to their respective shares and interests in the capital of the undertaking. The Government presumably use up their share in their general Indian expenditure. The consequences are shown by the present situation. Millions of arrears of upkeep are overdue. No money has been set aside, but the postponed upkeep, being a liability of the undertaking, comes on to the subsequent years, when the war or other cause has passed away, and is deducted from the future years' earnings to which it did not properly belong. Down would go the dividends of the Companies, and the undertaking is discredited. But in a commercial company it is provided for in this way: it would be put in as a liability, *i.e.*, a debt for expenditure that has got to be incurred, and a reserve would be made for it out of the earnings reserved before division of profits, and held in suspense in order that the works that were due and ought to have been done, but could not be executed for reasons temporarily beyond control, should be done. But what do we find here? The sum that ought to have been set aside and kept at the bankers, either of the Company or of the Government, has not been kept at all, but has been divided as if it were net profits between the Company and the Government. That is altogether wrong. My Company endeavour to mitigate the possible

catastrophe by not dividing all our share as dividend, but reserving to a special reserve account of our own against the otherwise inevitable future reduction of dividend and discredit of the undertaking.

3577. I think you need not endeavour to convince the Committee on that point. We have had the point before us, and we have held up our hands in horror, and will do so again if you like, but we are quite satisfied that it is utterly wrong finance. Two different companies have told us:—"We agree that it is bad, but we only own one-"twentieth of the line, and it is no good our "maintaining one-twentieth of the rails if the "Government will not maintain the other nineteen-"twentieths." It is entirely bad finance. I take it you would agree that it is the result of a copy of the English method of presenting Budget accounts as mere cash statements instead of balance sheets. That is what it all comes back to?—The National Budget must be so, that is a different thing.

3578. Is, anyway? — And that might be improved, but I need not pursue that point.

3579. I think not?—Then may I say a few words in regard to the redemption, in effect the extinction, of capital by terminable annuities? The principle of converting debt into terminable annuities was, I think, originated by Gladstone during my time in Parliament, repeated afterwards by Goschen, for the reduction of the National Debt. It is quite legitimate and a good plan for any nation to adopt as regards its National Debt, but it is quite otherwise if you apply it to writing off a valuable asset. It is writing off so much from the value of your property in your own ledger as if it were a loss, or was worth less than its cost or its value. The East Indian Railway plan might be a very good one so far as it enables the chairman of the Company to say, as Colonel Gardiner did three years ago, that they had paid off 16,500,000*l.* by annuities. To 16,500,000*l.*, in order to get a fair idea of what a financial success the undertaking had been, should properly be added the Government share of surplus profits of 30,000,000*l.*, making a total of 46,500,000*l.* of Government profits from the undertaking during the period 1879 to 1917. Instead of paying off capital you might keep it in existence as good bonds or stock certificates, which, in that sense, would be money or a power for raising new money.

3580. I think you may take it that the Committee pretty much agree with you there. What these companies have done is, although they have not enough capital available, they take 500,000*l.* to write down the existing capital, which is obviously worth more than its book value?—Yes.

3581. It seems a pity to do that if you want new money?—Yes.

3582. (*Chairman.*) I think you agree with me, Mr. Tuke?—(*Mr. Tuke.*) Yes, I agree.

3583. (*Chairman.*) As far as we are concerned, you have made your case there?—With regard to the raising of new money, I received last night a letter from the India Office containing a certain proposal.—(*Sir Henry Burt.*) The Chairman has not seen it.

3584. (*Chairman.*) I hope the India Office will manage in the course of a little while to let me have a copy of it?—May I hand you my copy? (*Handing copy to the Chairman.*) It is a scheme apparently recommended by some gentlemen in India to the Indian Government, but it does not give us any names so that we may judge of their financial ability, but I have no doubt it is a serious proposition.

3585. It comes from the Government of India. The Government of India apparently take the responsibility?—That is what I am in doubt about. You will see that they merely forward it.

3586. It begins:—"I am directed by the "Secretary of State to inform you that he has "received from the Government of India a "suggestion," and then he goes on to explain the suggestion?—A suggestion from someone outside.

3587. It does not say so. I think the Government of India must be taken to be responsible for making the suggestion themselves.—(*Mr. Hiley.*) We have only just heard of it.

3588. (*Chairman.*) We heard of it yesterday. Some day we shall get a copy of it.—Shall I read it to you?

3589. Just give us your comments on it, because we know what the effect of it is. The effect of it is that the money may be raised through the agency of a company domiciled in India but affiliated to one of the existing guaranteed Companies. That is the essence of the story?—It does not help us from the point of view of where and how the money is to be raised. Consider the effect of having capital raised in India in rupees by a company affiliated to a company in England already on a sterling basis. How are you going to arrange the exchange? Is it to be fixed or dependent on the rates of the day? Exchanges are a sort of thing you can never coin into an exact and always stable figure. It depends upon the action of all sorts of causes and individuals. A new business has arisen since the war arising out of these exchange difficulties. If the capital raised is in rupees, it is not likely to be marketable in Britain or other European or American countries. Or is it to be exchangeable for sterling capital, and if so on what terms? The statement before us is too obscure at present. However, it is only a suggestion, not a proposition, and it will be worth considering when it is developed or converted into a proposition, and my company will be happy to examine and consider it. We are replying to the India Office by separate letter, of which a copy shall be sent to your Committee. My own opinion is that any plan for providing future capital for all the railways of India in one Finance would be preferable to separate plans for each undertaking. It would at least avoid competition against one another in the same money markets. I think, too, it would be more feasible. There is one point I should like to refer to which the Government of India will have to face if they want to carry through the removal from London to India of the direction of these companies. What does that involve? The exclusion of the representatives of the actual subscribers in this country of all the capital raised here, tens of thousands in number. The shareholders of the companies have not been consulted by the Government in connection with the present scheme, or with regard to their representation. It has not, perhaps, been considered necessary up to this point, but I hope it will be considered necessary by-and-by. The shareholders will want to know how they are to voice their views if the management and direction of the companies is moved from England to Calcutta or elsewhere in India. How are these thousands of part owners of the railways and their shares and bonds to make their voices heard? Are they not to have accounts rendered to them, with opportunity to criticise, and to have them examined by their own auditors in this country? And to have power to interrogate their future representatives on the Boards of Directors and their auditors? The question of the audit system is a very serious one indeed. The duties of auditors have been defined by Act of Parliament in this country, and the audits of companies' accounts which are made in England

and the making of auditors responsible to the meetings of the shareholders and to the law, is an institution that the subscribers of English capital will not forego. A shareholder, even of a couple of thousands of pounds, is not likely to leave a stone unturned in order to have a voice in some effective way, otherwise he will do all he can to take his money out. This would discredit Indian railways in these markets.

3590. Do you think the ordinary shareholder would object if he were offered handsome terms to surrender his property?—Everybody is always willing to sell on good terms.

3591. Supposing you and I had a stock—I do not care what it is—and it is standing in the market to-day at 70; if we were offered 85, we should be very much inclined to look at it, unless there was something exceptional against it?—No doubt.

3592. Therefore there need not be any hardship on an English shareholder?—If they are paid off on terms they are willing to accept.

3593. You agree there?—Yes, but is that the present question, and where is the money to come from to pay them? What is wanted is new money. Who is the man or the men who will offer the shareholders such terms? And find the new money as well?

3594. Take the Bombay Baroda Railway, nineteen-twentieths of the capital belongs to the State already. With regard to the remaining one-twentieth, if you gave it a 20 per cent. bonus it would only increase it 1 per cent. more, would it not? It would not be a big sum.—No, that may be, but where is the money to come from? You are leaving outside the question which is the groundwork of the position: where are you going to get the *future* capital required?

3595. Let me put it to you in this way. Supposing you have got 1,000,000*l.* of guaranteed stock, and it is standing at 100, let us call it. If I offer you 1,100,000*l.* in debentures, you would probably take it, if the interest was right?—Most likely.

3596. There is your capital. You have not had to raise any fresh money.—But that applies only to the existing asset. Anybody will pay its value on terms. It is already marketable. America would step in and buy on terms—they are doing it now. I do not know whether you have time to watch the money markets from day to day; very few people have.

3597. The Americans are not buying Indian rails, are they?—I have no doubt they are. They are buying thousands of British securities of all kinds. But the point is this. The question of what a man will part with his present interest for has nothing to do with the necessity which is upon his country or company of raising hundreds of millions of fresh money for the future. What market is he to come to? Is the man who has been bought out and has no longer any interest in the concern likely to find sufficient money or is the new man expected to find it?

3598. I am going to ask you a question about that. If I had an Indian investment and the Government came along and gave me a handsome bonus, the next time the Government asked me to lend them more money I should be inclined to say "Yes, I will, because you may give me another handsome bonus some day."—He might, but might is only a word of possibility, not certainty, or even probability. He would certainly say, "What "security or terms are you going to give for the "further advances than that which we have got?" I grant that the markets of the world are open to all. Anybody can go anywhere and try and sell his stuff, and the Indian Government can go where it pleases; but what is it proposed to offer and on what security and terms when the management and the supervision of the men who have hitherto done the work has gone? What will it do if it has to admit the fact that things are under a different régime, and not under the direction of their fellow countrymen?

3599. The Government have raised a great deal of capital for employment on the State railway, which is managed in India?—Yes, by Government officers, mostly British.

3600. There has also been raised a great deal of money for the Company railways, which are managed to some extent in London. Has it been easier to raise money to be spent on the East Indian Company's Railway than to raise money to be spent on the North-Western State Railway?—I should like to know what the position is.

3601. Has that been the experience of the past?—I cannot say without knowing the cases that have happened in the past.

3602. We know the Government has raised large sums of money to be spent on the State Railway.—I suppose they have, and probably or partly from British subscribers or houses.

3603. And that is managed in India?—Yes, by Englishmen and Scotchmen.

3604. Has it had any difficulty in raising that capital?—I think not, but it is for the Government to say. I have no knowledge or particulars of how they raised that money, except that I suppose it must have been by borrowing.

3605. You know quite well. You have seen it done for many years past. Has it had any more difficulty in raising money in that way than in raising it through East Indian Railway debentures?—I think it has. They cannot get the money at the present.

3606. That is not fair. Before the war had they any difficulty? Had they any more difficulty in the one case than in the other?—What they did in that way before the war was a very limited matter, and an easier one.

3607. Quite so, I agree, we all agree that the figure is small.—When they want to do it on a larger scale, or on a national scale—and that is what I infer the Government want now to do—we shall be very pleased to help them to do it.

3608. I think we all agree that this Committee is set a very hard task?—It is.

3609. They ask us to tell the Government how to find more capital when there is less than ever to be got?—No; there is plenty to be got.

3610. At a price?—At a price, yes.

3611. You cannot put out Bank of England stock under 6 per cent?—No, that is true. You must pay a reasonable price; money has a market price which varies from day to day, according to the time for which it is wanted and the terms and security offered. (*Mr. Muirhead.*) With regard to the last question that you mentioned, Sir, I should like to say that the money raised in India is on the revenues of India, not on the railways alone.

3612. That is quite true.—I think your question implied that they raised it on the State railways.

3613. They raised it for the State railways?—They raised money and applied it to any railway.

3614. Let us put it in this way. Did the fact that an East Indian debenture was first a charge on the East Indian Railway, and secondly, had the guarantee of the Government of India, make it more acceptable to the investor than the money that was raised by the Government of India straight away?—That I cannot tell you. I would say, ordinarily, that if the revennes of India were

guaranteed, you would get the money sooner than if you had only the guarantee of the railway.

3615. No, you are unfair to yourself. The East Indian debenture guarantee was double—it was first the Company and secondly the Government?—Yes. It all depends upon how it is put.

The State railway money had a Government guarantee only. Was there any real difference in the difficulty of raising it?—I should not think so, but I don't know the fact.

(*Chairman.*) Is that your opinion, Mr. Tuke?—(*Mr. Tuke.*) I would have thought it would have been easier to have raised money by, say, a debenture stock guaranteed by the Government of India than upon a pure and simple Government loan.

(*Chairman.*) What difference would you put it at in money before the war?—(*Mr. Tuke.*) Not very much difference.

(*Chairman.*) But it would have helped a bit?—(*Mr. Tuke.*) I think it would have appealed more to the general public.—(*Sir Henry Burt.*) That is a debenture stock issued by a Railway Company with a guarantee by the Secretary of State?—(*Mr. Tuke.*) Yes. It would be more acceptable to a larger circle.

(*Chairman.*) One witness put it to us that a man liked to feel that his money was going into productive enterprise with an unearned revenue behind it.—(*Mr. Tuke.*) Yes, and they know there is a tangible asset there in the form of a railway.

(*Chairman.*) Thank you very much for your evidence.—(*Sir Henry Kimber.*) Would you like my co-directors and myself to send forward anything further that may occur to us on the other points?

(*Chairman.*) Certainly, if you wish to do so; but we are leaving for India in a few days.

3616. (*Sir Henry Burt.*) If your Company has anything further to say on the other points mentioned in the terms of reference apart from the evidence you have given, perhaps you would send them out to your agent in India, and they can then be communicated to the Committee in India.—Very well.

(The witnesses withdrew.)

Adjourned to Wednesday next, 24th November at 3.30 p.m.

POSTSCRIPT.—Sir Henry Kimber subsequently furnished the following notes to the Committee.

(*Note No.* 1.)

As regards the other three subjects referred to your Committee by the Secretary of State, and upon which you invite our opinions, I have to say:—

That as regards the first subject, which was to "advise as to the policy to be adopted as and when the existing contracts with the several railway companies can be determined," it appears to us, as that period cannot arrive in the case of this Company until, at the earliest, 1945, and that if this Company's contract is then terminated the Company itself will then be no longer in existence, the question proposed as to what should be the then subsequent management of the railway, appears to this Board one which, in its terms, really cannot affect this Company's interests. Have we misunderstood the question?

As regards the next question, which is to advise on the "functions and status and constitution of the Railway Board," we think that, as the Railway Board is simply a department of the Government, it rests with the Government itself to settle their own rules in the same way as they would in any other Department of State, giving to the Companies the right to a voice upon any points which we might desire to suggest by way of improvement, avoidance of friction or other difficulty.

As regards the question of "Rates and Fares," it is obvious that these must be dealt with on the spot, *i.e.*, in India, and be settled by our Railway Executives there, after mutual conference between all the Companies or their agents with the Railway Board. If any alterations are proposed which would exceed the maxima fixed by our respective contracts, any decision must, of course, be subject to the approval of the Government.

(The following is a copy of my Board's reply to the letter from the India Office above referred to.)

Letter No. 1583, *dated* 18*th December* 1920, *to the India Office.*

I have to acknowledge receipt of Mr. Stantiall's letter No. P.W. 4951/20, dated 17th November 1920, enclosing a suggestion "from the Government of India for raising (through the agency of a "Company domiciled in India but affiliated to an Indian Guaranteed Railway Company domiciled in "London) rupee capital to be utilised in the extension and improvement of the latter, that is the "London Company's system in India," and enclosing a memorandum or outline of six main details of the suggestion.

My Board have considered the matter.

My suggestion, shortly stated, is that a separate Indian Company be formed with a rupee capital affiliated to and working with each of the London Companies, the local directorates of the Indian Companies to be "composed largely of Indian gentlemen of standing." The reference to the Advisory Committee on the predominant question of finding fresh capital for all the railways seems to us to permit of a larger conception of one Indian company or organisation to grapple with the finding of future capital for extensions and improvements on the whole of the railway requirements of India for all its existing railway undertakings. The latter plan seems to us to be preferable to that of forming a number of small additional companies. It would avoid the competition against one another which might arise from several of the Companies going to the money market at the same time, which would be disconcerting to desiring investors and tend to reduce the price obtainable for our bonds, and a waste of human energy and troublesome in many ways, especially as regards the security which could be offered in the larger case and difficult in the smaller one. In such larger company or organisation the agents of the principal railways, as a part of the directorate of the larger concern, would have the advantage of having different schemes of extensions and improvements compared together as regards urgency or necessity or otherwise.

We have no sort of objection to the raising of rupee capital, or of a company based upon that, and would wish well to it, doing anything we could to help the Government in the matter, but we do not think it will ever become marketable in this country, or exchangeable with our sterling stocks. And the following reflections upon the particular suggestion now under reply cause us to think that for other reasons it will be found to be impracticable.

In the first place, No. 1 of the six details suggests that the proposed Indian Company should have the same name as the existing London Company to which it is to be affiliated. Two companies with exactly the same name and with the same or somewhat different objects, even if with different domiciles, we consider would occasion many practical inconveniences. This difficulty might, however, easily be got over by calling the Indian Company "The [South Indian] Railway Extensions Company."

Nos. 2, 3 and 4 require more definition before any final conclusion can be arrived at, but, in principle, they do not seem objectionable.

As to No. 5. This paragraph seems to contemplate that the Indian Company may have a part of its capital in rupees and part in sterling. Whether that be so or not, the suggestion involves a fixed rate of parity of value as between the rupee and the £ sterling at which the two kinds of capital are to rank for dividend. That rate would have to be continuous and permanent throughout the existence of the Company. But the same para. 5 stipulates that the rupee capital of the Indian Company is to rank "in all respects" with the sterling capital of the London Company in respect to guarantee and in the distribution of profits. Can this be, if, as is also stipulated, the dividends on the Indian Company's rupee capital are to be payable in rupees and the profits of what is called the "combined undertaking" would be subject to exchange on remittances of the share of the sterling capital shareholders? The profits attributable to the sterling capital would probably have to be remitted to London at the exchange rate of the day, which would be either in favour of London or against London, and would involve either a profit or a loss on the amount remitted, according to which way the current rate was quoted on the day of the remittance. The effect would be to differentiate between the dividends, notwithstanding the stipulation in para. 5. This might be serious in amount as, in fact, it has been in recent years. (It would also probably affect the question of Income Tax.) Profits made by exchange on remittances can hardly be considered earnings of the railway, nor could losses be charged as expenses of the railway. The object and the condition seem to be mutually destructive.

As to No. 6, which suggests that the Indian Company should be exempted from the payment of British Income Tax, it appears to us that this point will require much consideration. That tax must inevitably attach to whatever share of profits is payable to British holders either of rupee or sterling capital.

Mr. Stantiall's letter expresses the desire of the Secretary of State for an early expression of our Company's views, "especially on those aspects which relate to the connection between the London "Sterling Company and the Indian Rupee Company, and the consequential modifications required in "our Company's present constitution." This, it appears to us, cannot be undertaken until a more complete definition of the Indian Company's constitution is before us.

For myself, as an old lawyer and legislator, I have grave doubts whether it would not be *ultra vires* for our existing Company to alter its constitution on all the conditions outlined. According to our (English) Joint Stock Company Law, an existing company can only alter its constitution within very limited conditions, and then only with the sanction of special meetings of the shareholders and with the consent of the High Court. But in compliance, as far as possible, with your request, we have stated the above preliminary observations for whatever use they may be, if any, and entirely without prejudice, and with the desire to assist the Government of India in any way in their financial object, and subject to further consideration, if desired, when we can be supplied with a further definition of details.

(*Note No.* 2.)

I beg to add to my evidence before your Committee while at the India Office, London, on 19th November 1920, which has since been printed and forwarded to you in India.

Regarding one of the subjects referred to in my evidence—viz., the method prescribed by Government of keeping the Railway Companies' Cash Accounts in India, and incorporating in its own State Revenue the gross earnings of the several railway undertakings, I send you enclosed a condensed table as regards our South Indian Railway, compiled from our audited accounts received from India for the year ending 31st March 1920.

This table shows, by averages, for each month of the year—in three columns: (1) Our gross earnings received by the Government in India; (2) the expenses we were allowed to draw for current outgoings, including payments for debenture interest; and (3) the balances remaining in the hands of the Government at the end of each month. The totals show: (1) Receipts by Government during the year, Rs. 4,01,49,515; (2) total expenses, Rs. 2,32,00,155; and (3) balance of cash at end of the year, Rs. 1,69,49,360. Some explanatory notes are added at the foot of the table. You will observe that the cash balances in the hands of the Government accumulated at the rate of, roughly, 14 lakhs of rupees monthly, or at parity of exchange Rs. 10 to the £ sterling—(our Company's share of the profits for that year were remitted at the rate of 25 pence to the rupee)—140,000*l.* monthly throughout the year, and in such a case bankers would allow "deposit rate," which is at present 5 per cent., on the whole of the daily balances, less a free balance of probably 5,000*l.*

These balances, and the like balances of the other Indian railway undertakings, are utilised by the Government, who, in effect, act as the Companies' bankers, and the Government doubtless make a very considerable profit by use of them. But a reasonable question is whether the profits which the Government make upon these balances during the year should not be added to the total surplus profits which at the end of the year they divide with the Companies?

The Companies are the actual managers of the undertakings, and if the management of the undertakings' receipts and payments during the year were to be left in the hands of the Companies, their own bankers would make a handsome allowance on the account, which would show the working of the undertakings to be even more profitable than their present showing makes them out to be. Their dividends would be better, and consequently their presentment to the financial world would show a better and more *attractive* security for any further wants of capital.

TABLE compiled from the audited accounts of the South Indian Railway Company, Ltd., showing Cumulative Totals, by averages, of (1) Earnings, (2) Expenses, and (3) Balances at the end of each month, and at the end of the year, and their ultimate division between the Government and the Company, for the year ended 31st March 1920.

Month.	Earnings.	Expenses.	Balances.
	Rs.	Rs.	Rs.
April - - -	34,08,742	17,19,607	16,89,135
May - - - -	68,17,484	34,39,214	33,78,270
June - - -	1,02,26,226	51,58,821	50,67,405
July - - - -	1,36,34,968	68,78,428	67,56,540
August - - -	1,70,43,710	85,98,035	84,45,675
September - - -	2,04,52,452	1,03,17,645	1,01,34,807
October - - -	2,37,35,296	1,24,64,730	1,12,70,566
November - - -	2,70,18,140	1,46,11,815	1,24,06,325
December - - -	3,03,00,984	1,67,58,900	1,35,42,084
January - - -	3,35,83,828	1,89,05,985	1,46,77,843
February - - -	3,68,66,672	2,10,53,070	1,58,13,602
March - - -	4,01,49,515	2,32,00,155	1,69,49,360

Of this balance of Rs. 1,69,49,360, with an adjustment adding Rs. 57,948 thereto, making together Rs. 1,70,07,308, the total divisible profit for the year:—

Rs. 1,57,78,914 was retained by the Government, and

Rs. 12,28,394 has been paid over to the Company, less guaranteed interest on Company's capital of 1,000,000*l.* at 3½ per cent. paid in advance.

	Rs.	Rs.
The Company's share of - - - - - - -		12,28,394
has been dealt with as follows—		
Interest on Company's capital of 1,000,000*l.* at 3½ per cent. paid in advance - - - - -	4,35,813	
Indian Income Tax payable to Government on remainder -	53,462	
		4,89,275
	Rs.	7,39,119
Add surplus profits due to revision of half-years 31st March 1915 to 31st March 1919, as per Accountant-General's views - - - - - - -		17,336
Net amount remitted - - - - - - -	Rs.	7,56,455

This sum of Rs. 7,56,455 was remitted to London at the rate of 25 pence per rupee, and realised 78,797*l.* 8*s.* 2*d.*

Notes in reference to the foregoing table.

1. The "Earnings" ignore revenue uncollected, which at any moment may be said to be 8 lakhs of rupees.

2. The "Expenses" treats the whole of the expenditure as money actually disbursed in the period, which is not the case for salaries and wages, and only partly so as regards stores.

3. "Expenses" include interest on debenture bonds and debenture stock, but not the interest guaranteed by the Secretary of State at 3½ per cent. on the Company's capital of 1,000,000*l*

4. For the compilation of the "Table," one-sixth of each half-year's "Earnings" and "Expenditure," including debenture interest, has been taken as the cumulative monthly figure.

SUMMARY FOR STATE RAILWAYS worked by State as well as State Railways worked by Companies.

Year ending 31st March 1918.

Gross Receipts in Rs.	Working Expenses in Rs.	Net Earnings in Rs.
68,92,13,000	31,35,81,000	37,56,32,000 = 37,563,200*l.* at Rs. 10 to £.

SEVENTH DAY.

Wednesday, 24th November 1920.

PRESENT:

SIR W. M. ACWORTH (*Chairman*).

SIR HENRY BURT, K.C.I.E., C.B.E.
MR. E. H. HILEY, C.B.E.
MR. JAMES TUKE.

MR. WILLIAM GAULD (*Assistant Secretary*).

MAJOR RALPH GLYN, M.P., called and examined.

3617. (*Chairman.*) We are much obliged to you for coming at such very short notice. I do not know that we shall be able to do anything more than to have a talk. You have not a formal proof or anything of that kind that you wish to put in?—No, I am afraid I have not.

3618. I think I may introduce you as a Member of Parliament who travelled through India last winter?—This summer. I came back only last month.

3619. You were there during the hot weather?—Yes. The object I had in going out there was

because some of us felt that the political unrest in India is to a large extent due to the industrial backwardness of the country.

3620. Whom do you mean when you say "some of us"?—Some of us in the House of Commons who have been working on Indian matters. We wanted to find out what were the most urgent needs in India in order to foster industrial development, and by that means get over to some extent the unrest that is due to Indians not getting employment and so forth.

3621. Do you mean the ordinary coolie failing to find a job, or do you mean there not being scope for development in Indian hands?—Yes, I mean not so much the coolies as the educated Indians.

3622. No openings?—No openings. The Indian is trained in a Government technical college, he advances up, and when he comes to go through the shops at Elswick or Barrow, or wherever it may be, the door is closed to him. He cannot get on, but a Britisher can. He then goes back to India and becomes an agitator. I thought it was very necessary to find out the cause of that, and one of the main reasons why we got on to the railway question was that the present backwardness of railway development is the main obstacle to the industrial development of the country.

3623. You are speaking of technically trained men?—Yes.

3624. Do you think that any of them who come home and go through a course at Elswick, at Barrow, or elsewhere, have any idea of remaining in England, or do they go there merely with the idea of eventually going back again to India?—I think in every case it is with the idea of getting thorough proficiency in order to go back to India.

3625. The block is in India, not at home?—The block to a certain extent is at home, because Armstrongs, Vickers, and all the large firms naturally say: "If we have no interest in India "why should we take time and trouble in training "a man who is going to take our secrets out to "India?"

3626. So that first of all it is due to the fact that they do not get the same opportunity of training?—Yes.

3627. And in the second place to some extent when they get back to India they feel that they ought to get higher than they do?—Yes. We want to open the door. I think the first thing I had better say is that when I was in Simla I had the advantage of several interviews with Col. Waghorn, of the Railway Board, and Mr. Bell. I put three questions to them. One was whether the normal railway development of the country could be done by the existing Companies without any outside private enterprise being engaged. What I mean is, if it is going to be confined to the engineers and personnel of the existing Companies, is it possible to overtake the development that must be overtaken? They told me that in some cases they thought the work could be done by outside private enterprise. I then put forward the suggestion that if private enterprise under certain conditions could be encouraged it would mean the quicker development of the country; it would not be inimical to the interests of the railway Companies, because one may suppose that the normal development has been retarded during the war, and it would occupy the full attention of all their personnel. But what one is up against at once is the question of finance. The whole problem is a financial one.

3628. When you say that the whole problem is financial, are you reporting what other people have said or are you expressing your own opinion?—It is my own opinion and it is supported by what they told me. The next question that I asked them was whether it would be possible to make out a list of the various projects which had been put forward to the Government of India for approval by various Companies, concerns, and bodies generally, for the sanction and approval of the Government of India, especially the Railway Board, for the purpose of opening up the country in order of priority.

3629. Do you mean schemes put forward neither by the State railways nor by the existing guaranteed Companies?—It includes all, because I thought if I could get such a list I would see the amount of work there was to be done and what chances there were of the existing Companies, with their personnel and their normal facilities, overtaking it. They gave me a list which I look upon as a most valuable document, because it is the first time these facts have been produced by the Railway Board.

PRIORITY LIST OF LINES PROJECTED BUT NOT UNDER CONSTRUCTION FOR WANT OF FUNDS.

Name of Railway.	Length.	Gauge.	Estimated Cost.	Estimated Return on Capital.	Remarks.
	Miles.	Ft. ins.	Rs.	Per cent.	
Sirhind-Nalagarh -	43·03	5 6	54,80,000	5·8	Papers are in the Press, and hence the figure cannot be verified.
Trichinopoly-Ramnad.	108·24	3 3⅜	54,23,686	4·15	Estimate prepared in 1912. Now under revision.
Agra-Karachi -	569·02 (from Hyderabad to Gungapur).	5 6	6,83,31,169	—	Estimate 1920.
Narowal-Amritsar -	40 (approx.).	5 6	50,00,000 (approx.).	—	No details available.
Ta Hapalai-Namtu	36	3 3⅜	68,03,288	Net profit of 7½ per cent. after paying 5 per cent. interest on capital expenditure.	The Agent, Burma Railways, has been asked to ascertain from the Burma Corporation whether they are willing to finance the project under Branch Line terms. His reply is awaited.

Name of Railway.	Length.	Gauge.	Estimated Cost.	Estimated Return on Capital.	Remarks.
	Miles.	Ft. ins.	Rs.	Per cent.	
Shahdara-Narowal-	48·81	5 6	29,96,000 (including junction arrangements, excluding land and rolling stock).	About 5	Estimate prepared in 1918 at pre-war rates. The estimate is now under revision.
Chittagong-Akyab-	211·08	Metre	3,34,90,930	4·07	Estimate of 1918.
Bombay-Sind connection.	Viramgam to Barmer 216 (approx.).	5 6	3,24,00,000	—	Under survey.
Ishurdi-Rampur-Boalia-Nachaul.	64 (approx.)	5 6	84,00,000	About 4	Estimate of 1913 under revision. It is expected that the line will cost 105 lakhs at present rates.
Raiwind-Lyallpur-Khushab.	144 (approx.)	5 6	1,80,00,000	—	——
Gangapur-Gwalior-Kalpi.	160 (approx.)	5 6	2,40,00,000	—	Under survey.
Hardwar-Karnprayag.	84 (approx.)	2 6	2,00,00,000 (approx.)	$2\frac{1}{2}$	——
Nandurbar-Barwani-Indore-Goona-Sipri-Jhansi.	424 (approx.)	5 6	6,36,00,000	—	Under survey.

3630. (*Mr. Hiley.*) Can you give us the order of priority fixed by the Railway Board?—It is in this order: "Statement of lines under construction for which funds have been or are being provided." That is the first category. The next category is: "List of lines being or to be financed by Indian "States." That is the second category. The last is: "Priority list of lines projected but not under construction for want of funds."

3631. Who fixed the priority there?—I assume the Railway Board.

3632. (*Chairman.*) Just look at your second list. I am wondering whether "State" means extensions of existing State operated lines or whether it means State either through its own direct organisation or through its guaranteed companies?—All those mentioned are the concerns of native States.

3633. Native States?—Yes. For instance, this Hyderabad development and so on.

3634. That, of course, would not come on the funds of the Government of India?—Does not that come on the funds of the Government of India? Is it not a question of operating?

3635. The Hyderabad line is controlled and largely financed and operated by the Nizam. It is the Nizam's State Railway?—But a line which is an extension of an existing Indian line, for instance, the N.G.R., which goes through Hyderabad, presumably would not be financed or operated by the Nizam. That is only a supposition. I should like to say that the third part of that list to my mind is in a way the most important.

3636. (*Sir Henry Burt.*) That is the lines projected for which funds have not been provided at all?—Yes.

3637. (*Chairman.*) Can you summarise them in miles or lakhs or anything of that kind, so that we may have an idea of their importance?—I will give you one or two of the items.

3638. Take the biggest?—There is the Sirhind Nalagarh, 43·03 miles, 5 ft. 6 ins. gauge, estimated cost Rs. 54,80,000, estimated return on capital 5·8 per cent.; the papers are in the Press, and hence the figure cannot be verified. There is the Trichinopoly-Ramnad line, 108·24 miles, metre gauge, estimated cost Rs. 54,23,686, estimated return on capital 4·15 per cent. I asked in each case for the estimated return, because on that depends the possibility of encouraging private capital. The third is the Agra-Karachi line, which is 569·02 miles long, on the 5 ft. 6 ins. gauge. That is a very important line and will cost a very large sum. As a matter of fact, there are, as you know, tenders in for that now from outside.

3639. (*Sir Henry Burt.*) I think Messrs. Bolton Brothers are in for that?—Yes, I believe so.

(*Chairman.*) Is that a proposal made by private capital, when you say that tenders have been made for that from outside?

3640. (*Sir Henry Burt.*) They are putting forward proposals to find the capital to make the line, the line to be worked by the existing Main Line Companies?—Yes.

3641. (*Chairman.*) It is not a tender in the sense of contracting for carrying out the work?—Yes, it includes that.

3642. It is a contract that includes finance?—Yes.

3643. It has not yet been accepted?—I do not know.

3644. It is before the Railway Board?—Yes, and as a matter of fact I think it is very nearly passed.

3645. That is much the biggest, I suppose?—I think that is the biggest.

3646. It is a real trunk line?—Yes I went over these matters as carefully as I possibly could, as I have been interested in railways for some time, and there are all sorts of small things which would

be an improvement. There is one little section, a question of about 50 miles altogether, which will make the whole difference for haulage. It connects three dead ends.

3647. (*Sir Henry Burt.*) That is a question of grade, is it not?—As a matter of fact, that particular one, the Narowal-Amritsar, is a very important one indeed. It is a triangular section which joins up the dead ends. May I say this before we leave the subject? I do think it is of vital importance to realise that in India now there is an immense amount of capital available for investment. There is in the minds of a great many Indians considerable distrust, rightly or wrongly, at handing those funds over to the manipulation of Government pure and simple. On the other hand, all those Indians to whom I spoke—and I spoke to a great many of them—said, "If you will show us "a group of firms whom we all know, whose repu- "tation will not stand being humbugged about by "indifferent agents out here, we will support them "through thick and thin."

3648. Who did they mean by a "group of firms"?—They mentioned big firms of contractors like Sir John Jackson, Sir John Norton Griffiths, Paulings, and all those sort of people. I said, "You "mean you would really back them up on the "strength of their reputation and name," and they said, "Certainly."

3649. They would propose to form an Indian Company with Indian capital and employ an English contractor, just as the North-Western Railway may employ a contractor, give him a job and pay him?—Yes, not in a lump sum, but on a percentage basis in every case. They would pay on a commonly agreed estimate and not a lump sum, because that means that capital goes out of the country and the work may be scamped.

3650. (*Sir Henry Burt.*) Leaving the working of the railways to the existing Companies?—Yes.

3651. This would be only a contract for working?—Yes.

3652. (*Chairman.*) To one of the existing guaranteed Companies?—Yes. They would let them do the operating of the railway.

3653. Let us get a little more to close quarters, because this is very interesting. Where did you meet these Indian people?—I met them in Calcutta and in Bombay, chiefly. I will mention one of them, for instance, in Bombay, Sir L. Samueldas. He has got a great deal of money; he is in touch with a great many other people who have a great deal of money. He is interested in the co-operative development of sugar growing. I went round with him whole areas where the ground is ready, but there is no communication. He wants to find a firm which will put down a metre-gauge railway—not only he himself, but others. He wants to find a firm who will put down that railway, get it done and be done with it, and link it up to the existing railway, which in that case is the Great Indian Peninsula, and then he will be able to develop his sugar.

3654. Is Calcutta as ready to do such things as Bombay?—I am talking now as one who had never studied it from this side when I was in India before. Calcutta is exactly the opposite to Bombay in that the main finances there are British, whereas in Bombay they are Indian. But they are both united in this; they realise that lack of railway communication is holding up development, and Indians and British will put up money for schemes which mean development of their own properties.

3655. Did you get in touch with Agra at all?—I was at Agra.

3656. I am told—no doubt Sir Henry Burt knows it to be a fact—that there are very powerful financial people in Agra?—I know there are.

3657. Did you come across any of them?—I came across some of them there, and also from Cawnpore.

3658. (*Sir Henry Burt.*) In Cawnpore more than in Agra?—Yes. In all that central part there is a large number of influential financial people.

3659. (*Chairman.*) You have been speaking as though, in your view, they would do this as good business?—Yes, but I think I should like to add this—not necessarily good business resulting from the working of the system as making their other property profitable.

3660. (*Sir Henry Burt.*) I want to ask you one question with reference to what you said about Sir L. Samueldas. Do I understand a gentleman like that in Bombay has no confidence in a firm like Killick Nixon, the scheme being dealt with as a branch line?—No, I should say he had complete confidence in them.

3661. Why then should that not be done?—There is no reason in the world except this. They are not at all sure what the future railway policy is going to be in the country, and they feel that if they put down a line themselves until the railway policy is more clearly understood there is always a chance of its being left out in the cold or not properly thought of if they deal for ever with the Company with whom they made the original arrangement, in this case the Great Indian Peninsula.

3662. As regards the working?—Yes.

3663. Are they afraid that the Great Indian Peninsula will be made over to State management?—Nobody knows what will happen. They are very uncertain about it.

3664. If this uncertainty were removed they would have no hesitation in going to a firm like Killick Nixon who have undertaken so many branch lines?—I can see no reason why they should not. I quite agree that Killick Nixon have done most admirable work and are most excellent contractors. It seems to me the work in India has been a little bit retarded because there are not more Killick Nixons. If you are going to have more Killick Nixons, what some of us would like to see particularly would be branches established, or Indian Companies of very large British firms. May I emphasise this point because I think it is the crux of the whole matter? You are aware that owing to the shortsightedness possibly of the Government encouragement has never been given to private interests to go to India. The profits that can be made in South America and several other parts of the world are engrossing the attention of the best of our engineers and contractors. Since I have been back I have spoken to several of them and they say: "We shall certainly not go to India; we "are bothered to death by regulations; we are "harassed by officials; the future of the country is "uncertain and the profits that we shall get are "very doubtful. We prefer to go to South "America." "Very well," I said, "that means "that the Americans or the Japanese will come in. "Somebody will come in because the thing has got "to be developed." They say: "Let anybody go "who likes; we make more profits elsewhere." That is an impossible position. It is a position that we must not take up, and the only place where it can be changed is in Parliament.

3665. (*Chairman.*) I was going to put that question to you?—India does not possess a Parliament of her own, and we are responsible in the House of Commons.

3666. What will be the position of the Secretary of State for India if he is attacked on the ground that he has given an unreasonable commission to people who supply the money, or that he has allowed contractors to make an unreasonable profit? He is liable to be shot at, is he not?—Yes, but I think I can quote the Viceroy in regard to this. When I was staying at Simla the Viceroy was good enough to let me put forward these things in front of him. Sir Thomas Holland, Sir George Barnes and Mr. Hailey and I had about five conferences, and we came to the conclusion that you must have three conditions. The first condition is that a Company formed must be registered in India.

3667. This is the contracting Company, is it?—Yes. It will include, we hope, Indians, British skill, and Indian capital as well as some British, and it will assemble out there for development work generally. It should be registered in India, with any restrictions you like in registration to make it a *bonâ fide* Company. Secondly, it must be rupee and not sterling capital. Thirdly, it should have what we have loosely called the Japanese system of contract, by which I mean it will be understood that an increasing number of Indians are employed in positions of responsibility year by year as long as the efficiency of the work done does not suffer. Such firms as are in association with the group at home shall open up their shops or yards and their works for the instruction of Indians, so that this technical training which the Government has spent lakhs on will not have the dead end which it has got now, but will say, "Here we "are. Here is a yard here and a yard there. "You fellows come home and we finish you off. "We will put you through our shops and send "you back to a job."

3668. There is no more difficulty that I can see in Vickers or Armstrongs doing that just as they run the Esolda works. You mean the same kind of thing as that?—Yes, with Indian and British capital.

3669. You think it would be welcomed if it chose to come in that form; there is no desire to keep it out?—You cannot restrict it.

3670. You would not desire to?—No.

3671. Provided it came in under Indian conditions as rupee capital?—Yes, it must be on a rupee basis, otherwise you get the question of exchange troubling you seriously and you do not get the proper results.

3672. Will you kindly repeat your three points?—Registration in India; rupee capital; and the increasing employment of Indians in positions of responsibility so long as the efficiency of the job does not suffer.

3673. How are you going to secure that?—You mean the increasing employment?

3674. Yes. Would you leave it to an honourable understanding?—I would not lay down any hard and fast rule there.

3675. You cannot make it a sort of percentage?—No. That depends on the Indians themselves.

3676. (*Mr. Hiley.*) What is the Japanese rule? Is that a hard and fast one?—I will tell you why I called it Japanese; Sir Thomas Holland and Sir George Barnes know what I mean by it. When the Japanese first started to build ships on the Clyde there was a stipulation in connection with the ships built in a certain yard that a definite number of Japanese should be employed the first year, and an increasing number the second year. That was on the first ship. They started the second ship with the whole of the people who had been trained on the first. The result was that they now build ships in Japan on account of the knowledge we gave them on the Clyde. That is the secret of the growth of the Japanese shipbuilding programme. We have got to face the fact that as far as I know we have got to let India develop herself by herself for her own good. There is the old school that wants to keep the markets of India for Britain and not let her develop her own markets, and that is what has led to agitation in India. Ghandi says: "I cannot "buy a screw in India of Indian manufacture, on "account of the selfishness of the English." That is the feeling that runs through the whole thing.

3677. (*Chairman.*) Is it your feeling that the agitation that appears in the newspapers is very largely on an economic basis?—I am sure it is. I am convinced of that.

3678. You think you can really seriously tackle it from that end?—I am absolutely certain of it.

3679. You are speaking from contact with the Indians themselves?—Yes, with some of their leaders and agitators. The whole of their programme is: "What have we got? You have "promised us all sorts of things. You are not "developing the country by ourselves for our own "good; everything is going into the pockets of "people in England."

3680. One was always told that the amount of capital in India was very limited, and that it could get so much more profitable investment in purely private enterprise that it would not touch railways. No doubt the capital there is much larger now, but what reason have you to think that Indian capital would go in large volume into concerns that would pay 6, 7 or 8 per cent., or something of that kind?—Simply this. Take the case, for instance, of Assam: in Assam you will not get anything like 6 per cent., I think; but what you will do is that you will make profitable large tracts of tea and all kinds of things which both British and Indians have secured, and which until a railway comes are not profitable. That means that it is to the advantage of persons interested in tea or sugar, or whatever it may be, as part of their original capital expenditure, to get communications. Those people will put money up, but they will never put up money for the Government of India—never in the world—because they say: "It may be used for "another railway which we do not care the "slightest bit about, but we will put up money "for a definite scheme which is going to make our "investments pay."

3681. Forgive me for pressing you, but I have had a good deal of experience of the private person who wants a railway line made in England to serve, say, his collieries. He comes to the House of Commons Committee and says: "This is a "magnificent scheme; I support it with both "hands; it is what is needed in the public inter-"ests." Then he is asked by the cross-examining counsel: "How much are you willing to put into it?" and his reply is: "I have not made up my "mind on that subject; I shall have to consider "that when the time comes." He may get the line or he may not, but he certainly does not put the capital in. Any Parliamentary counsel will tell you that that is common form. Are you sure that you really will get a man who has got a tea plantation, and who hopes to make 20 per cent. out of it, to divert a great deal of money, which he might use in developing tea, into a railway, from which other planters will get as much benefit as he himself?—To a great extent it depends on the exact position of his plantation. He may be able to do his haulage by road transport.

3682. He cannot afford to build a railway for himself?—No.

3683. His subscription of a lakh or whatever it is will not make a railway. Can you rely on enough of them coming together to make the whole railway?—All I can say as regards Assam is that I do know that if we can get that railway down there we can get the money to-morrow.

3684. What length of line is involved?—About 55 miles.

3685. (*Sir Henry Burt.*) That is a feeder of the Eastern Bengal?—Yes.

3686. (*Chairman.*) What is the estimated return on the capital in that particular case? My point is this. Would they put up money supposing in a backward province like Assam the return only came out at 2½ per cent. to begin with?—On the pure railway running?

3687. Yes, that is an important point?—That is exactly the point on which the Railway Board are obstructing—not wilfully, but because they cannot get the finance changed by the Government of India.

3688. What would you suggest in a case like that?—I think you would have to work on branch line terms. You know the ordinary branch line terms?

3689. They are not sufficient?—They are absolutely inadequate. I should like to say this on that point; I asked the Secretary of State if I might mention it. The most important line to be made in India to-day in my humble opinion is the line for the development of the iron and steel all round about Asansol.

3690. (*Sir Henry Burt.*) Those are rather the rival schemes to Tata's, are they not?—It will help Tata too. I think we must not take a narrow view.

3691. There are competitors in the field now, are there not?—I can show you the exact place; I have it on this map. (*Exhibiting map.*) This is the secret of India. There is this huge coal deposit.

3692. (*Chairman.*) Is this where the Bengal coal is at present?—Yes.

3693. The Bengal Coal Company are working here, and there are further people in the same field?—Yes. There is no railway here at all. The blue line shows the proposed railway. The Bengal-Nagpur are working where it is marked red. That is engrossing most of their engineers.

3694. Is *this* coal too or iron (*showing*)?—That is iron.

3695. You want to connect them?—Yes, we want to get this line. A complete survey has been made from A to B, and a reconnaissance from B to C. Everybody in Simla wants to see that line made. We can get that made by private enterprise at once on branch line terms and get the whole thing done.

3696. (*Sir Henry Burt.*) You mean on revised branch line terms?—Yes. When I spoke to Mr. Montagu on my return about that, he said: "Very well, let me hear what the revised branch line terms are." So I went to these people, and I said: "It is no use simply talking; come down to "hard facts. If you are prepared to finance the "whole of that railway, what are the revised "branch line terms that you want?" These are the terms; they are being cabled to India to-day. I asked the Secretary of State to have a cable sent to know whether or not these in any way come within the possibilities of the situation as seen by the Government of India, because the matter is vital. Armstrongs cannot start their locomotive factory; Vickers cannot start their carriage and wagon works; none of the steel works for steel construction can be made until that line is built. That line is the secret of India's industrial development, and why it has never been made between the Armistice and now I do not know. I should defer everything else in India and make that line; it is so vital. The programmes are all approved by the different companies; the money is allotted to it, and here is a chance of making a thing where the capital is available by private enterprise—and have done with it.

3697. (*Chairman.*) It is a matter of something like 60 or 70 miles?—That is all.

(*Chairman.*) I suppose that does not mean a a great amount of money?

(*Sir Henry Burt.*) 60 lakhs, perhaps.

3698. (*Chairman.*) Will you let us hear the terms?—"(*a*) It is permitted to form a Company "with Indian domicile to finance the construction "of the proposed line; (*b*) that the concession "should be on the existing branch line terms "subject to the following alterations:—(1) The rate "of guaranteed interest should be ¼ per cent. less "than the interest at which the Government of "India is able to place its loans each year; "(2) the rate of rebate to be 8 per cent. instead of "5 per cent.; (*c*) that as the proposed line would "form a chord of the Bengal-Nagpur Railway "Company's system, the Companies should be "offered terms similar to those which govern the "Southern Punjab Railway in respect of traffic "working and traffic on which rebate should be "calculated." The Southern Punjab Railway arrangement was a very good arrangement to make the book-keeping simple. It is a very ordinary arrangement. It is used on the Cheshire lines and the North Western Railway Company in this country.

3699. (*Sir Henry Burt.*) It means free running for the competitive traffic?—Yes.

3700. There would be no payment whatever to the branch line for the traffic in question?—No. The difference this line will make in the cost of coal at Calcutta and Bombay is phenomenal.

3701. (*Chairman.*) How do you regard that clause about ¼ per cent. less than the price at which the Secretary of State places his loans? Is that to be a different price for each 100,000*l.*?—It is a sliding scale which is adjustable to the world's money market, which I think you must have at the present time.

3702. I do not follow. Supposing the new railway spends 100,000*l.* at a time when the Secretary of State has borrowed at 6⅓ per cent., then this rebate is carried up to 6¼ per cent. Then it spends another 100,000*l.* when the Secretary of State is borrowing at 6 per cent., so that the rebate is carried up to only 5¾ per cent. Is that what you mean, or how is it going to work out?—I think it will have to work in that way, but this particular railway is such a short length that one could get it through in about a year, so that it will save all that variation.

3703. (*Sir Henry Burt.*) You do not mean you would have a varying rate of interest year by year?—At the present moment, as the exchange is fluctuating to such an extent I do not think you can expect the Government or any private firm to agree to a fixed rate of interest.

3704. It would vary from year to year?—Yes, it is bound to.

3705. (*Mr. Tuke.*) And within the year?—Possibly within the year.

3706. (*Chairman.*) We all of us know as business people that if we can place a contract with a man he will give us a firm price if there are no conditions and variations of wages and so on to be kept in view. Is not the kind of term you have mentioned very unattractive? You do not know how it works out in practice, as I understand it?—This is an alteration of the existing branch line

terms. It is already in the branch line terms in this form; it simply varies the rate of interest and adjusts it to the modern situation with its huge fluctuations. It merely fixes it at ¼ per cent. less.

3707. I do not think that you and Sir Henry Burt are quite dealing with the same thing. As I understand it, the existing branch line terms are a fixed rate—it may be more in one case than in another. The rate for a particular branch is fixed at *x*. The proposal here, as I understand it, is that the branch line may have some of its money at *x*, some at *x* plus 1, some at *x* plus 2, and it may be some at *x* minus 1?—That is so.

3708. That is immensely more complicated?—One hopes that the thing will not fluctuate. Mr. Hailey in India and people here are doing their best to prevent it fluctuating.

3709. My point is that, if I were asked to look into that, I should say: "Heaven knows what "will be happening some years hence when I want "money to double my line, and I do not know "where I shall be"?—May I point out that this is only for this particular line?

3710. But it will want capital. If it is going to fulfil all the hopes that are expected of it, one day it will probably be very much developed from the shape it originally took?—This is simply to form a company to construct the line. Once the line is constructed the thing stops.

3711. No, forgive me. Once a line is constructed the next thing is to go on adding to it to all eternity out of capital?—This line is a chord to an existing railway.

3712. But supposing it is anything like as prosperous as you contemplate, it will constantly need new capital spend on it?—I confess I contemplated that, once it was built, the Bengal-Nagpur would include it as part of its system in the ordinary way.

(*Sir Henry Burt.*) Not as regards capital?

3713. (*Chairman.*) It would find the new capital for the improvement of it all the time. Do you appreciate that, at this moment, the Government of India for a series of years has been finding about 11,000,000*l.* per annum for the railways? Out of that amount 9,000,000*l.* have gone for the improvement of existing lines and 2,000,000*l.* only have been available for additions?—Yes.

2714. That is railway experience all the world over?—Quite; I admit that; but that very fact contains its own condemnation. A country with nearly 350,000,000 people has only 10,000 miles of normal railway track.

(*Chairman.*) India has got nearly as many miles of railway as Canada has with a population of only 8,000,000. That is the position.

3715. (*Sir Henry Burt.*) At any rate your opinion is that the money would be forthcoming at ¼ per cent. less than Government pays for its loans?—The money is there if they only choose to say "Yes, alright."

3716. (*Chairman.*) Is the Secretary of State prepared tentatively to negotiate on that basis?—No. What he has done, as I understand, is to cable to India to-day asking how they view that proposal, on the understanding that it is not to be taken as a precedent; that it is simply in order to get money which is exceedingly urgently required for work which should have been done long ago, and for work which should be pushed forward as fast as possible.

3717. (*Sir Henry Burt.*) The money to be applied to this particular line?—To this particular line, and that line only, until your deliberations are completed.

3718. (*Chairman.*) Do you think we may regard these as terms that the Secretary of State would think excessively favourable? If they were given to one line would it not tend to check the development of other lines if equally good terms were not given?—Can you point to any place in India so vital to the interests of India as that?

3719. Is there not something to be said for the question I put to you?—I am afraid there is, but you have to bear in mind the astonishing importance of that particular project and private enterprise.

3720. Will you explain this to me? Is it the enormous increase in the cost of imported coal, or is it the discovery of seams that they did not know of there which has prevented this line being made years ago?—The development was held up as the result of the war.

3721. After all that is only six years?—It is a new coalfield altogether.

3722. (*Mr. Hiley.*) Newly discovered?—It has been prospected in the last three years. I have a map here of the Bengal-Nagpur system. Bermo is one of the main centres of it now. I would like to emphasise this fact from what I have seen of it and the conversations I have had with individuals. The old type of Indian railway official has every reason to be proud of what he has done with the means that were available, but he forgets, and he is bound to forget, that in those days he was a representative of British capital in India. Now British capital is not available for India and will not be available for India. Therefore the methods of the past are perfectly useless for the future, and I think the Indian will not be at all anxious to see a continuation of the normal rate of development of the existing railway Companies.

3723. (*Chairman.*) I think there is universal agreement that, if it could be secured, more rapid development is urgently required. I think that may be taken as common ground. When you say that English capital is not available, do you include in that both direct borrowing by the Secretary of State in England and financing through the Companies?—I was thinking more of the possibility of raising further share capital for Indian railways in the open market at home.

3724. Do you not think that if existing English Companies were allowed to raise new share capital, with a guarantee and possibly a bigger share of the profits, you would get some?—I think politically it would be a mistake, for two reasons. There is a feeling in India that the people in India do not want the money that they say they contribute or make to go home to people at home. That is why the rupee capital system is so important.

3725. Do you think they go as far as saying they do not want English capital which may have been made in Africa or anywhere else outside of India?—At the present moment there is an astonishing feeling in India that Indians want to run India for Indians. How long it will last I cannot say.

3726. There are many countries that want to run their own countries, but they are very glad to have other people to give them money with which to do so?—I agree; but at the moment there is no doubt as to the large amount of money available in India.

3727. You are very clear about that?—I am perfectly clear. One of the proofs is, when you get to India you will get it, the enormous amount of silver that has been passed back to the Treasury. At first, as you know, the paper currency was at a discount, and silver was being hoarded. Now you can hardly store the silver at the speed with which it is being returned to the Treasury and the paper being taken up. I said, "Why do you go in for the absurd gamble you do?" and they said,

"You never gave us a chance for a profitable investment to help us."

3728. I am not talking of trustee securities, but the sort of thing people put their money in, those securities which we used to regard before the war as 5 or 6 per cent., put it, under changed war conditions?—I think 8 to 10 per cent. interest. The railway which gives you that return is incidentally helping their other property.

3729. If it is a railway that is helping their concern and they have only to get 3 per cent.——?—Then still they would do it, I think, in certain cases.

3730. Take the person who has not any interest in the development, who is merely investing for the sake of income. Do you think you can get much from him?—A great deal from him when you go into the whole question of the incidence of taxation. I think Mr. Hailey, when he frames his future Budget, will probably have to contemplate preferential terms to persons who invest their money in certain trustee stocks; that is what it comes to. It should be subject to a rebate of income tax or of the rebate of some tax which would encourage the investment in things that do not normally return a high percentage.

3731. Perhaps more like what they call tax free loans in America which are very often State loans, sometimes Federal loans, tax free?—You get an exact example of that in Sir George Lloyd's Bombay loan. I was with him when that loan was going through, and we were doubtful as to the result, but he got 3 or 4 crores more than he expected.

3732. That is tax free?—That happened to be tax free at 6½.

3733. That does not mean more than another ½ per cent.

3734. (*Sir Henry Burt.*) About ½ per cent.?—About ½ per cent. as things are at present.

3735. (*Chairman.*) Your idea is to carry it further?—It may be necessary if you have for a list like this. You say that these things are necessary. How is it to be done?

3736. Your argument would be that it would pay the State to remit income tax on investment in things that are for the direct development of the country. That is of the essence of the scheme?—Yes, because this country of India has not been scratched.

3737. Have you discussed that with Indians?—Yes, at great length, and one of the things they feel very bitter about is the fact that the Railway Boards are in England and not in India. You will find that all through.

3738. You may assume sympathy with the view that development is desired. What is the remedy for the Railway Boards in India? We could see the disadvantages, but how are we to deal with it?—I would not dare say that. I have thought about it, and I do not pretend to have sufficient knowledge to make any statement, but I should say this, the only possible excuse for the Board being here is that so far it has been sterling and not rupee capital.

3739. And also that the Secretary of State is here?—Yes. Of course, there is this to be remembered, and it is a point that we ought to remember—the Secretary of State is the first to admit it—the House of Commons and only the House of Commons is responsible for India, not the Government of India, not the Secretary of State. We forget that too often, and the consequent responsibility of the House of Commons. They are responsible, not the Government of India, for India, and it is no use blaming the Government of India; they are the servants of the House of Commons.

3740. Is not the moral that you can see the advantage of the Companies that are working the railways being next door in England instead of 5,000 miles off their real master?—Yes, one could say that, but on the other hand I should like to know how far they are in touch actually with the new conditions.

3741. That is another story. If you say the House of Commons is the ultimate authority cannot you understand the railway Companies being desirous of being able to get at it?—The unfortunate thing is that the railway Companies are so tied up by red tape that they could approach nobody. I have asked how long it takes for a scheme to be put up and sanctioned, and I do not think in the history of man it has taken less than 18 months and usually five years. We shall lose India in 10 years unless we do something quickly. I think it is desperate.

3742. (*Sir Henry Burt.*) This question is intimately connected with finance?—Absolutely.

3743. We have had it in evidence that India requires for some years at least 25 millions a year for improvements on open lines only?—Yes.

3744. That is not a penny for development?—Quite true.

3745. You were talking about the amount of money that could be obtained in India, and you said that the ground had not been scratched yet. Do you think that India will run to 40 million?—For purely fresh development work?

3746. For the development of existing lines and new construction work.

3747. (*Chairman.*) 25 millions for keeping lines open?—Maintenance.

3748. No, not maintenance, but additional, widening lines. A mass of new rolling stock is required?—Normal improvements.

3749. (*Mr. Hiley.*) Duplications on and additions to the existing system?—25 millions to that and 15 millions to the other.

3750. (*Sir Henry Burt.*) Do you think India can run to that?—To 15 millions, certainly not the lot.

3751. That is the difficulty, and admitting that fact is it not necessary to keep in touch with the London market?—It is; and what I should like to point out with all respect is this.

3752. So as to be able to draw on both sources of supply?—You have got great groups of financiers with whom are associated contractors in London. Those groups are prepared to go to India and fulfil any conditions that may be imposed by the Government of India as regards registration and opening up for capital and get Indian money in. I believe you would get all the money you want for entirely fresh work, leaving the burden to be found by Mr. Hailey in the Finance Department of the Government of India for the sanctioning of the normal programme schemes of the country. Might I make myself clear? At the present moment, if you say that the existing Companies have to include their normal system of development plus the nearest extensions, brand new work, that has to come out of the ordinary programme and it cannot be done.

3753. Admittedly?—Which are you going to cut off? Obviously you must give private enterprise to new people.

3754. (*Chairman.*) Let me turn it round. If you raise your 15 millions for development in India and say to the Finance Minister that he has to find 25 millions for normal improvements, either he has to get it in England or in India. You say Indian opinion does not want it from England. Then in

that case he has to poach on the market of the contractors?—Yes, I think one may say this, a lot of the ordinary normal development system which you put as high as 25 million——

(*Chairman.*) It is not mine.

3755. (*Sir Henry Burt.*) It is the present cost of material and so on?—When you get the increased volume of trade that is beginning now, and one hopes will continue, the whole question of freight rates in India as between system and system and cross through rates has not been touched, and the most ludicrous anomalies exist at the present moment. The railways could be keyed up to be made more profitable than they are now, and they ought to earn their way for that improvement of system which can be met by their existing staff. I would like to say this: I have talked to Sir Trevredhyn Wynne besides other people, and nobody knows more about Indian railways than he does, and I do feel from a political point of view and from every point of view that we want to get fresh blood into the development of things in India. It is not enough to say that work can be overtaken by the existing Companies. It will be, I am sure, one day.

3756. (*Chairman.*) We are exceedingly obliged to you if I may say so. The real difficulty is what you put, more money is wanted than you see your way to find, and there is an objection to finding it from England even if you can find it?—I do not say that there is an objection, but it is preferable to find it from India.

3756A. (*Chairman.*) We are all agreed upon that?—On the other hand, you will find a proportion of it from England if you can get those groups interested.

The witness withdrew.

LORD INCHCAPE OF STRATHNAVER, G.C.M.G., K.C.S.I., K.C.I.E., called and examined.

3757. (*Chairman.*) I think we ought to put on the notes how much we are indebted to you for coming at considerable personal inconvenience to help us, but it was the last possible day for us. I do not think we need put anything on the notes as to your qualifications. Apart from anything you may be good enough to tell us in general, we would like you, if you would, to cast your mind back on the Mackay Report and tell us how far you still agree with the views you expressed then and what further experience would help you to say on the subject. One thing you laid stress on then was the transference of the State Railways to Companies?—That is so.

3758. Do you retain the same view on the subject?—Absolutely.

3759. Most of the witnesses from the Companies who have come to us, as far as I know all of them, have said it is. I do not know whether you have seen the Terms of Reference, they probably sent them to you?—No.

3760. Let me call your attention to this. In the Terms of Reference the Secretary of State adds this, that the Committee will take note of the decision to remove the management of the East Indian Railway, on the conclusion of the present contract I think the words are, to India?—Not the management.

3761. The domicile?—Yes, the domicile.

3762. Most of the Company witnesses who have come have said that is too big a thing to entrust to a new Company, breaking with the past it is too big a task to put on to new people, and if it is to be domiciled in India, it must be managed as one of the State Railways. Those men were at the same time anxious to maintain Company organisation where they have it at present?—Yes, I think that is very likely. Of course, it is an enormous line, the biggest in India, is it not, Sir Henry?

3763. (*Sir Henry Burt.*) Yes, the North-Western has a larger mileage, but there is a lot of non-commercial mileage on the North-Western which hardly counts?—The idea being that it would be a mistake to hand it over to some new directorate.

3764. An Indian directorate?—Yes, men who have had absolutely no experience of railway management.

3765. (*Chairman.*) That is what they say, that there are no people?—There are no people, and you will never get them. They do not continue, it is a floating population.

3766. That point has been pressed a good deal?—Men go out to India at 22 or 23; they go out as youngsters, and they probably get up to be partners after they have been there 15 or 16 or 17 years. Then they remain perhaps seven to eight or 10 years and they are home in the interval every two years, sometimes every year, they are all extremely busy with their own concerns; you have not got the men of leisure you have at home here, to take up the work of the directorship of railways.

3767. Do you think that it is the best men who always refuse big work?—No, but they are so constantly changed.

3768. The shortness of tenure?—It is the busiest men who can always do the most, I admit.

3769. Do you not think you could get English people for eight or 10 years or six years, whatever the period is?—I doubt very much if they will be able to give the attention to it. Have you been in India?

3770. No?—It is an extremely trying climate for nine months in the year, and for men to leave their offices and attend at a railway meeting for four or five hours a day—I do not think you will get them to do it, it is out of the question altogether, I think.

3771. What do you say about the Indian directors?—He has no experience whatever, he is a child at that sort of thing. He will have to learn, he will come along in time.

3772. I expect you would not care to express any opinion about the financial requirements You asked for very much more money than I think you expected to get in your report, certainly much more than you in fact got?—Yes, we asked for——

3773. 12½ million pounds?—Yes.

3774. It never reached 12½ million pounds?—The highest it came up to was something like 10 million pounds.

3775. I thought it got up to 11?—Yes.

3776. (*Sir Henry Burt.*) It averaged 10 million?—Yes.

(*Mr. Hiley.*) Just under 10 million.

3777. (*Sir Henry Burt.*) It was 12 millions in one year, I think?—We should like to have got 20 million pounds, and we felt at the time that 20 million of money spent in India on railways would have been excellent reproductive work.

3778. (*Chairman.*) I do not know whether you are aware that the last seven years up to the war the amount available for new construction was

about 22 million, which is obviously absurd, to reach your standard of 100,000 miles?—Yes.

3779. You then said that you did not think more than 9 or 10 million pounds could be got out of London in a year?—Yes.

3780. What is your view about that now?—I do not think you will get anything like it now. There is nothing obtainable at the rates of interest we were paying in 1907. I do not suppose that the Secretary of State could borrow now in London under 7½ per cent.

3781. Is it worth paying 7½ per cent.?—I doubt it very much. I should be disposed to hold my hand until things become more normal. It is a very different matter investing money in railway construction when you can borrow at 4½ and 4 per cent., as we were able to do in 1907 when my Committee reported. If you have to borrow now at 7½ per cent. or probably more it is very doubtful.

3782. You would not apply that, I take it, to the money required for carrying on business?—That you have to provide whatever it costs you.

3783. If that was 10,000,000 which was not enough before the war, you want at least 25,000,000 to-day without allowing anything for new construction?—I suppose you do.

3784. How are you going to get it?—Owing to railway material having gone up and machinery having gone up and labour having gone up. Of course, what we are all doing in shipping, for instance, is we are holding our hand, we are waiting in the hope that prices will come down. There is evidence that the fall is coming.

3785. You have placed a good many orders for new tonnage since the war for the Peninsular and Oriental?—About five years ago we placed orders for some ships, but I am placing none now. I am buying a few, I bought some of the standard ships and I bought some of the German ships; but as to going in for new construction, a ship I could build for 145,000*l.*—I built several of them—in 1912 and 1913 is costing to-day about 625,000*l.*

3786. It is not as bad as that in India, apparently it is less than 100 per cent. increase?—For labour.

3787. Take it all over?

3788. (*Sir Henry Burt.*) In India it is 100 per cent. and 200 to 250 per cent. in the case of material procured here?—But the labour in India has gone up.

3789. Our trouble is to find out how we can get at least 25,000,000*l.* In India at present, the trade of the country is really absolutely throttled for want of rolling stock and other improvements on the open lines. It is estimated that at least 25,000,000*l.* are required for that purpose alone without considering new railways. Our difficulty is to find the money?—Yes.

3790. As you said just now, for that purpose the money will have to be found whatever the interest may be?—It is not going to cost 25,000,000*l.* surely to keep your lines going?

3791. (*Chairman.*) Yes?—Without extensions?

3792. Without addition to mileage, that is what it means?—You want it for rolling stock.

(*Sir Henry Burt.*) For station improvements.

3793. (*Chairman.*) And new shunting yards, doubling lines where the traffic is getting too heavy for the single line, and so on?—I do not know where you are going to get the money.

3794. (*Sir Henry Burt.*) I suppose at a rate England would be available for some part of that?—I do not know whether you would get an Indian loan underwritten if it were brought out at less than about 7 to 7½ per cent. at the present moment.

(*Sir Henry Burt.*) You see what Bombay did in connection with the loan for the improvements of Bombay. The terms were 6½ per cent. free of income tax, and they got about nine million.

3795. (*Chairman.*) Rupee loan, of course?—Of course, the Governor whipped up a good deal there. I know he whipped me up with a telegram. I took some of it, but it was 6½ per cent. free of income tax—7½ per cent. not free of income tax is not so good.

3796. (*Mr. Hiley.*) It is free of Indian income tax only?—If the loan is here it is subject to income tax.

3797. (*Chairman.*) You would pay less Indian income tax here?—I do not think much English money is going into that, it is Indian money. A lot of us have money out there.

3798. I think your view in your report was that it was desirable to be more generous in dealing with the English investor?—Yes.

3799. I have been reading to-day the evidence, which I daresay you may remember, of Mr. Cohen, who was one of the representatives of the Company who pressed the point very much. Do you think it is desirable to allow people who invest in India to feel sometimes that they have got a plum?—You mean in this country?

3800-1. Yes?—I forget what the rate of interest was 13 years ago, probably 3½ or 4 per cent. We advocated, if I remember rightly, not to stick for 1 per cent., but to get the money and invest it in the railways. What we would have liked to have done would have been to have spent not 12,500,000*l.*—Abrahams cut me down, you will remember, he was the Financial Secretary here—we would like to have spent 20,000,000*l.* if we had had our way. I did not like to press him too much, he was more or less responsible as Financial Secretary to the Secretary of State. We said, "Get your money if you are going to pay another 1 or 1½ per cent. for your railways."

3802. You still hold to that view?—I am a little doubtful, now that it has gone up to 7½ or 8 per cent.

3803. You would be ready to pay 7½ or 8 per cent., if necessary, rather than leave the crops rotting on a local railway because you had not trucks?—Yes, I would.

3804. (*Sir Henry Burt.*) That is the position?—If I had a railway and wanted the money, and saw the trade there, I should raise the money, even if I had to pay 7½ or 8 per cent.

3805. Major Glyn, who has been out in India, has been telling us that in his view you could raise the money for new developments in India, and you would get it partly from the people who did not necessarily rely wholly on the income they were getting, but relied largely on the development of their trade, and therefore you might get it on better terms?—Sentimental.

3806. Not sentimental?—Not altogether.

3807. Partly sentimental, but also subscribing to a railway to reach their own tea plantation or their own coal mine?—I should get all the money I could in India, and all I could here, to keep the railways going.

3808. Have you still any view as to the comparative advantage of obtaining it through the Companies and obtaining it by a direct State loan?—I think it better to get it through the Companies.

3809. In that case it is clear you would have to be much more generous, because the Companies will not jump at any offer now unless it is much better than they have been accustomed to?—They are wise and pretty level-headed men, and they are all anxious to see the lines develop. They would be ill-advised, I should think, if they did not get the money to develop their lines.

3810. The Great Indian Peninsula is only a four years' contract?—You will have to extend the contract on condition that they develop the lines.

3811. Would you allow them to put in a substantial amount of new ordinary capital with a guarantee and a chance to substantial profits thereafter?—I certainly would.

3812. You think that is worth doing?—It is an incentive to good management and to development.

(*Sir Henry Burt.*) That was one of your recommendations, but I do not think it was ever worked to.

(*Chairman.*) No, it was not.

3813. (*Sir Henry Burt.*) There has been no new share capital for years. That was one of your distinct recommendations?—It is highly important. I do not know how many miles there are in India to-day.

3814. (*Chairman.*) 35,000 or 36,000?—There is room for 100,000.

3815. You said that 13 years ago?—Yes.

(*Sir Henry Burt.*) It has only gone up some 3,000 miles or so.

3816. (*Chairman.*) It was well over 30,000 when you spoke?—They ought to have borrowed 100,000,000*l.* then.

3817. You spoke a good deal about the Indian Railway Board. I do not know whether you care to say anything about that now. That is a piece of internal machinery?—I do not think so. I always had the impression, although I think Sir Henry was chairman of it——

3818. (*Sir Henry Burt.*) Yes?—That it was the fifth wheel to a coach and they would have done equally well if they had left the Secretary to the Government of India in the Railway Department.

(*Chairman.*) You propose to solve the difficulty the other way to by getting rid of the original fourth wheel and putting it on as the real fourth.

3819. (*Sir Henry Burt.*) At any rate at the time your Committee did lay very great stress on the point that the President or Chairman of the Railway Board should be more than a titular head, he should be the head of the Railway Board and should have the deciding voice in the various questions that came up before the Railway Board. You know that has been altered now?—He has got more power now?

(*Sir Henry Burt.*) No, he has lost it.

3820. (*Chairman.*) Your recommendation was carried out and then it was reversed, and now they are equal on the principle of *primus inter pares*. Does your experience lead you to recommend a chairmanship divided between three co-equal authorities?—I could not carry it out myself.

3821. (*Chairman.*) You spoke also, I notice, of the question of branch lines, and you say, as far as possible trunk lines should own as well as construct and work all branch lines. I suppose one is right in saying that the trend of modern business is big organisations?—Yes, we regarded it as rather a wasteful arrangement to have these small branch lines here really guaranteed by the trunk line and worked by the trunk line and equipped by the trunk line. We said it would be better if all these branches were made by the trunk line itself.

3822. We had one gentleman before us who had made 10 companies, and nearly all of them were, as you say, financially separated, but otherwise——?—No management, no control, no nothing; they simply drew their revenue, a certain percentage of the revenue that passed over the line.

3823. It is pressed upon us, which is a new point since your day, that you cannot expect rupee capital put into an English guaranteed Company subject to English income tax, and therefore that independent branch line Companies with rupee capital have a distinct advantage from that point of view?—You could get over that difficulty by letting the Government of India raise a railway loan, a rupee railway loan. It is not subject then to English income tax. Let the Government raise a separate railway loan, paying whatever is necessary in order to get the money.

3824. Then the Government——?—The Government could then lend this money to the Companies.

3825. Then the Company would merely pay interest on it?—The Company would pay interest on it at the same rate as the Government or perhaps a little more.

3826. Would you make it a separate loan?—Call it the Government Railway Loan.

3827. When it came to lend it to the Great Indian Peninsula for a branch, which would you do, would you lend it to the Great Indian Peninsula as a Company or would you lend it earmarked as belonging to the *ry* extension?—I do not think that matters. The Government of India now provide a large amount of the capital for the Indian railways. It is purely a matter of bookkeeping, is not that so, Sir Henry?

(*Sir Henry Burt.*) It is so.

3828. (*Chairman.*) The objection to that which they put to us—Major Glyn has put it more strongly than any witness, and he says that his Indian friends say: "I am not going to subscribe for a railway line to be spent at the other "end of nowhere; I want to subscribe for the "branch at my door that I want"?—I do not think that amounts to very much. I should not think there is very much in that.

3829. He is very strong that in some places you can get a good deal of local money to develop the local line. It would not affect Calcutta?—The big money is in the big centres. They look to the rate of interest and to the security.

3830. You do not think local patriotism, apart from local profit, will help at all?—I do not think so.

3831. (*Sir Henry Burt.*) Do you not think that perhaps the most helpful way of getting additional money, so far as this country is concerned, would be to give the Companies the power to raise additional capital, not by means of these debentures, as they have been doing in the past, but by additional capital which would be secured with possibly a small guarantee behind it?—Undoubtedly.

3832. And a share in the profits?—Yes, and with the chance of a rising revenue.

3833. (*Chairman.*) Your impression clearly was in this report, if I read it correctly, that the Indian railway finance had been prudent to the verge of timidity. Is that putting it too strongly?—No, it is not.

3834. Have you changed your view?—No.

3835. If I gather except that you would go more slowly——?—I would go slowly just now on new construction.

3836. Except for that you still hold the same view?—I hold the view that you ought to keep your railways equipped. Even if you have to borrow money at 7½ per cent. I should do so. You cannot let your business go to pieces.

3837. (*Sir Henry Burt.*) The business is going to pieces at present for want of funds?—You will average down. If money gets cheaper you will be able to borrow again.

3838. (*Chairman.*) Some of the Indian officials, taking the official view, have put to me very strongly that if the Government of India borrows at 7½ per cent. it has permanently damaged its credit?—Not at all.

3839. Not even if it is a permanent loan? Would you care to have 8 per cent. debentures in the Peninsular and Oriental?—No. Take the case of the Colonies. I remember only a year or two ago, or perhaps seven years ago, giving out some Colonial 6 per cent. and 7 cent. securities from the National Provincial Bank which had matured. They were then borrowing to replace them at 4. It is purely a matter of the money market. If you cannot get money at 5 per cent. you must pay more. When money gets cheaper, and there is a glut in the market, you will be able to borrow at a lower rate. I do not see how the Government of India is going to ruin their credit by paying 7 per cent. just now.

3840. This is, I take it, the way they would put it. If five years hence the normal rate has dropped 2 per cent., the fact that you had borrowed at 7 per cent. would keep it a little higher than if you were starting afresh?—Not a bit. I do not believe that a moment.

3841. That has been pressed very strongly?—I do not believe it.

3842. (*Mr. Tuke.*) Do you think that a rupee Government loan is likely to find a good subscription?—In India?

3843. Yes?—They used to put it down that we could borrow about three crores a year, but I think they can get a great deal more than that now. There is no doubt that people have more money now.

3844. You think that a Government loan would be successful there?—I think so, if it is at an attractive rate of interest.

3845. Of course, the loan might be a short-dated one?—Yes, you might have a short loan for 10 years, but the worst of these short loans is that they are always coming back on you.

3846. And at an unfortunate time?—Yes.

3847. (*Chairman.*) They have a good deal of railway money out on two or three year debentures?—Here?

3848. Yes. There is a considerable amount of money that the Government has raised. That has been raised on railway debentures?—That they have always been doing. I suppose they are paying through the nose for it.

3849. Six and a half?—Three year bonds, 6½ per cent.; it is a short-dated security. They are always coming back on you. If they were to borrow that amount by, say, 15 year notes in India, a rupee loan, I think they would get rid of that high rate of interest in 15 years.

3850. (*Chairman.*) Do you think it desirable in a country with the enormous potentialities of India to be paying off a railway debt? They are paying off in the shape of annuities the capital cost of the East Indian Railway at half-a-million a year. Does that seem to you necessary?—No, it was part of the bargain, of course. Then they become proprietors of the line.

3851. Is there any reason why you should take that money when you want money for development so badly; that you should use it for that purpose apart from contract?—No reason whatever. The idea was to get the line back into the hands of the State and pay for it by annuities. It has been a very good bargain.

3852. If you pay off capital debt with one hand and borrow new capital for development of the same line with another, which you must do——?—Perfectly true. I noticed in this note when I read it——

3853. (*Sir Henry Burt.*) That is the note initialled by Mr. Kisch. He is the present Deputy Financial Secretary?—It is clause 13, "Those "who are concerned with the provision of funds "for Indian railway enterprise would welcome "any suggestions that may help to increase the "means for obtaining fresh capital. The con-"clusions to which this note tends are that in the "years ahead India is likely to require all the "capital that it can obtain from every source, and "that while the development of fresh sources of "supply in India is of the highest importance, it "is also essential to maintain the link with British "capital, which has done so much in the past for "the development of the Indian railway system." I entirely endorse that. I think that is perfectly sound.

3854. Do you think you could not maintain that connection unless you had London Boards in some form or shape?—I think the London money market would dry up to a large extent.

3855. Unless they were maintained in some form or shape?—Yes, I think the money market would be very likely to dry up. Take all these Argentine Railway Companies, all their head offices are here and they can borrow money.

3856. (*Chairman.*) They borrow money very much more easily than India and much larger amounts?—Yes.

(*Sir Henry Burt.*) We have had the Secretary of the Central Argentine Railway here as a witness, and it is quite clear that they borrow with much greater facility than India borrows.

3857. (*Chairman.*) In the memo I was speaking of which he mentioned to the Committee, one of the Argentine Railways had then raised five millions straight off without any difficulty, a single company at a simgle stroke. That is much bigger than anything India has ever done?—They were too cheese-paring here.

3858. (*Chairman.*) It seems to me there are these methods of raising money: allowing the Companies to issue fresh guaranteed shares, sterling loans, or, if necessary, sterling debentures, so that there is really no difference; rupee loans for the railways as a whole, and also rupee capital, whether in loans or shares for private branch lines, for separate Companies if you can get new money in that way. You approve of those?—Yes. If you take the total amount for branch lines, it is something very small.

(*Chairman.*) Relatively small.

3859. (*Sir Henry Burt.*) You have had some experience of branch lines?—It is a bagatelle.

3860. (*Chairman.*) Will you tell us anything else, because anything you can tell us we shall be grateful for?—I do not think so. I have not been thinking of the subject for 13 years. I am otherwise occupied. I went out on an enquiry for the Secretary of State.

3861. (*Sir Henry Burt.*) That was in 1912?—Just after I left the Council.

3862. (*Mr. Hiley.*) 1912 is the date that report is known by. The report was the spring of 1912?—Of course there has been a good deal of water under the bridges since then.

3863. (*Sir Henry Burt.*) That was to settle certain difficulties which had arisen between the London Boards and the Railway Board. There was a good lot of trouble and difficulty about that just at that time?—Yes

(*Sir Henry Burt.*) It was all smoothed out, thanks to you.

(*Chairman.*) We are exceedingly obliged to you for coming to give evidence.

The witness withdrew.

NOTE.—Intermediate numbers, 3864 to 6677 inclusive, refer to the evidence taken by the Committee in India, and will be found in subsequent volumes.

PART II.—Further Evidence taken in London.

FIFTY-EIGHTH DAY. (LONDON.)

Friday, 13th May 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

SIR A. R. ANDERSON, KT., C.I.E. C.B.E.
SIR H. P. BURT, K.C.I.E., C.B.E.
SIR G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
SIR H. LEDGARD.
SIR R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
THE HON. MR. V. S. SRINIVASA SASTRI.
MR. J TUKE.

MR. T. RYAN, C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

MR. H. F. HOWARD, C.S.I., C.I.E., Controller of Finance, India Office, called and examined.

6678. (*Chairman.*) You are at present, as we know, Controller of Finance in the India Office?—Yes.

6679. Sir Lionel Abrahams was called "Financial Secretary," I think, was he not?—Yes. He was originally Financial Secretary—that is, a Departmental Secretary—and subsequently he was Assistant Under Secretary. My appointment is not analogous exactly to his or to anybody else's. The India Office lost by death nearly all their senior financial staff, including Sir Lionel Abrahams and subsequently Mr. Lucas. Mr. Newmarch, who had previously been the Financial Secretary, had also just died at the time, and it left rather a gap. I was asked to come in temporarily as Controller of Finance, a sort of fifth wheel in the coach. I am neither Assistant Under Secretary nor Financial Secretary, but I combine some of the duties of both—not all of them.

6680. Then there is no Financial Secretary now?—No, not on that side of the financial department. There were two Financial Secretaries; at the moment there is only one, but he does not deal with railway matters.

6681. When we had evidence in regard to finance from the India Office last November, Mr. Kisch was, I think, called Acting Financial Secretary?—I think his correct title at the present time is "Deputy Secretary." I do not know what the intention as to the future may be; the post of Financial Secretary will presumably be restored, but I do not know about that.

6682. Anyway, for practical purposes we may take it that you represent the Office from the financial side?—That is correct, but I should like to make a qualifying remark with regard to it. I should like to be taken this morning as expressing my own personal views only, and not those of the India Office in any way.

6683. When it is a case of opinions, they are yours; when it is a case of facts, we may take it that you are giving us the official facts?—Yes, but it obviously would be undesirable for the India Office to form an opinion at this stage.

6684. Quite clearly it is our business to form the opinion; I quite agree. It would be better, I think, to get on the Notes particulars of the previous appointments you have occupied, although probably all the members of the Committee know the particulars. You were Secretary to the Government of India in the Finance Department, and I think for some time were the acting Financial Member of Council?—Yes. I also acted as Commerce Secretary at one time; I was Collector of Customs at one time and also Controller of Currency, so I saw a good deal of trade questions from the trade side.

6685. You are an Indian Civil Service man?—Yes.

6686. The first point I want to ask you about is one which I have no doubt you are well aware has been raised by pretty nearly every witness all over India who was in a position to raise it. The separation of the Railway Budget altogether from the ordinary Budget of the country is done in a good many other countries, is it not?—I have never been able, speaking quite frankly, to understand what that means, and I have never yet met anybody who could explain to me clearly what it means. Possibly you may be able to tell me what the witnesses who have appeared before you did mean in that respect.

6687. Let me put it to you in terms of practice. For example, take the Union of South Africa railways. I read in the *Times* or some other paper—yesterday, I think it was—that Mr. Jaggers, the Minister of Railways, introduced the Railway Budget—an entirely separate budget, there being practically no connection between the Finance Minister and the railways, the railways by Act of Parliament being bound to fix such rates and fares as will enable them to carry their own expenses, sinking fund and debt. If they run short they are required to put up their rates immediately; if they have too much they are required to dissipate their surplus either by the reduction of rates and fares or by improved facilities at the same rates, it being specially provided that, if Parliament as Parliament requires the railways to do something the effect of which in their opinion would be to upset their budget, they are entitled to call for an arbitration by the Accountant-General, I think it is, or the Auditor-General. If they can satisfy him that it would cost them 200,000*l.* out of pocket, we will say, to comply with the requirements of Parliament, he reports to that effect, and thereupon Parliament is required to vote by the ordinary method 200,000*l.* as a subsidy to the railways. There is a practical instance of how it is working at this moment and has been working for 10 years past.—That is to say, the railways of South Africa are entirely State-owned lines and the capital is State capital?

6688. Yes, absolutely, but it is treated as a separate entity, independent of the tax revenue and the expenditure for ordinary purposes. There are other instances that I need not trouble you with in a good many other countries; the matter has been

referred to in some detail by the witnesses, who have suggested various points; but that is the idea?—I take it that the railways in South Africa are free to raise capital to an unlimited extent to meet their requirements and to raise it independently of control by the South African Government. I have occasionally seen in the South African papers grave complaints about the shortage of rolling-stock in South Africa very similar to those made about the shortage in India, and it has been impossible to obtain any additional capital.

6689. I was in South Africa three years ago, and, although the war was causing difficulties, the conditions there were very unlike the conditions existing in India. This much is clear, that the Minister is a member of the Cabinet?—As in India, Sir George Barnes, the Railway Member, was a Member of the Council. The position is the same there.

6690. In South Africa he is a Railway Minister and not a Commerce and Railways and Industries Minister. He is a Railway Minister pure and simple, and presumably if he wants a loan, as he no doubt does, he talks about it to the Cabinet. Presumably the Finance Minister would express the opinion in the Cabinet "This is a very bad time to raise a loan," and things of that kind, but whether it would be raised as a pure Government loan I do not know; that, of course, is a matter for discussion. Will you tell us what you feel about that?—I take it you would like me to express my opinion from two points of view, both from the revenue side and from the capital side, because they are more or less distinct.

6691. Yes, and from the administrative side?—I think that will be found to be bound up with the other two. Firstly from the revenue side, the Government is, of course, as you say is the case in South Africa, by far the largest shareholder in the railways.

6692. It is the only shareholder. I thought you were speaking of India?—Yes. In India Government is the predominant shareholder in some and it is the only shareholder in others.

6693. May I stop you there for a moment, in order to get the point clear? Who are the other shareholders?—The other shareholders are the shareholders in the Company's capital in lines which participate in the profits in a proportion corresponding to the proportion of capital created by the Company and the capital held by the Government, that is to say the majority of the Company lines which have the more modern contracts.

6694. But are they shareholders?—I think they are in law.

6695. I would like you to enlarge upon that. I will not trouble you with all the different statements we have had placed before us, but what we have been told is this: Shall we take the East Indian, or shall we leave that out?—I am rather doubtful whether the East Indian would correctly be described as falling within that category.

6696. Then take the Great Indian Peninsula?—The Great Indian Peninsula is in the same category as the East Indian. Take the Bengal-Nagpur or the Bombay, Baroda and Central India.

6697. We have been told that the Bengal-Nagpur, for example, belongs lock, stock and barrel to the Indian Government; that the people who are called the shareholders in the Bengal-Nagpur Railway have a right, in consideration of a subscription which is used for the purposes of the line, to a share in the profits according to the terms of the contract, but that the property is wholly in the Government?—Perhaps I was wrong in saying that I thought that was the case in law; perhaps I should have said that I believed that to be the case as a practical matter, though it may not be the case in law. They are shareholders in the undertaking, I understand. The railway as a railway is described as "the undertaking" in most of the contracts.

6698. Do you agree that the undertaking as a whole is the property of the State?—That is a legal question about which I should not like to express an opinion definitely without consulting one of the law officers at the India Office.

6699. I think we shall have to get the law officer to tell us something about the question, because that is what we distinctly gathered, that the State is and claims to be the sole owner of the undertaking. Please go on, but I interrupted you lest I forgot to mention the point?—I think I was at the point that the Government of India are, at any rate, the predominant shareholder, and they draw a very large portion of their increasing revenue from these lines. I quite recognise that, as a theoretical proposition, it may be correct that all profits from railways should be put back into the railways, whether in the form of increased facilities or reduced charges, or possibly in an economical concern for capital or sinking fund purposes. But in the present position in India we have to face more or less the facts that under the new constitution the provinces have been allotted certain ear-marked sources of revenue, and the Government of India have also been allotted certain ear-marked sources of revenue. Apart from the ear-marked sources of revenue which the Government of India have been allotted, they are financed at the outset to a considerable extent by contributions from the Provincial Governments, which at present amount to something between 9 and 10 crores a year, in round figures. There is an undertaking that these will be progressively reduced; in fact, the provinces will insist on this, because they are all very short of funds, and they have very large claims on them for development in directions such as improved educational facilities, sanitation and many other important matters. In view of the continual pressure on the Government of India from this direction, they will have to curtail their revenues progressively during the next few years. On the other hand, their own sources of revenue are now strictly limited. The most important of these, from the point of view of yield, is customs, which in the coming year (I should like to explain that I am using the figures in the Budget as presented, because I have not yet got the final figures of the Budget as passed) are estimated to be about 37¾ crores. The next most important head is the tax on income, which is estimated to produce 18½ crores. I may say here that the Government of India will not enjoy the whole increase on the tax on income as that source of revenue is further developed by better assessment and improved methods, because a quarter of any increase in the revenue due to those methods and not due to an actual enhancement of the rate of taxation is to be distributed among the provinces. The other heads for the most part bring in smaller amounts. Salt is estimated to bring in 7 crores: opium 3¾ crores. There are obviously great objections to any further increase in the salt rates, in fact continual pressure is being brought to bear for their reduction. With regard to opium, the revenue derived from this source is partly received from the opium supplied to the provinces at more or less cost price, the provinces taking any profit on the actual excise monopoly, and partly from sales to foreign Governments. There was some free export, but that has been greatly curtailed and is a diminishing figure.

It may be expected that the exports to certain foreign Governments, such as the Straits Settlements and so on, will tend to decrease, so that that is a dwindling source of revenue. I have gone into this question in some detail, because I think it bears considerably on the present position. There are certain other very minor sources which I need not specify, but under the railway head the net receipts were about 27¼ crores. Against that, railway interest and miscellaneous charges are 23 crores 17 lakhs, that is to say a difference of about 4 crores net. In addition to that, under the head of "Miscellaneous," about 667 lakhs is estimated to be received from the freight tax, but that will be shortly merged in the railway revenues—it is expected during the course of this year—when the necessary steps have been taken to raise the railway rates all round, so as to enable that particular tax, which has been held to be not very desirable in its incidence, to disappear. So that it may be taken that roughly the estimated receipts to the State from railway revenues are about 10¾ crores.

6700. Do you agree with me that the 4 crores raised by charging railway rates beyond what is necessary to cover expenses and interest is really equivalent in its effect to what you have called the freight tax? Would you agree with me that the 10¾ crores is really a tax on transport?—I would agree that that is part of the truth, and probably it is a considerable part of the truth. The other part of the truth is that it is a yield on an investment, in the same way that the large profits made, for instance, by big industrial shipping companies go to a private shareholder; they are a return on his investment.

6701. I am not arguing with regard to the morality of the proceeding You would not dispute, would you, that the 6,000,000*l.* which the British Government got before the war from the Post Office was a tax on postal communications?—I would not dispute it as a popular way of expressing the position.

6702. Just let us take it in that way. If you go back a year or two, my recollection is that Mr. Hailey said that the 4 crores—which we may call 10¾ if we add the 6¾—had dropped from 18. I think I am right in saying there was a net profit during the war of 18 crores in one year?—I am not certain about the exact figures, but that is substantially correct.

6703. I think it was 18, but it may have been 16. Would you say that in your view that is a good way of raising revenue for the Government of India permanently, or would you only say that it is necessary at the present moment?—I was just about to come to that point, sir, only I had inevitably to go into rather a long discourse on the subject.

6704. Would you rather I did not interrupt you?—No. I was just about to answer that particular point you are asking me now.

6705. If you would rather go straight ahead without my interrupting you, please say so?—No, I have put down a few notes, but I am quite prepared to take them in any order that is convenient to you. I think I admitted that theoretically any tax of this kind is undesirable. The difficulty is that I have always felt that any form of taxation, except possibly taxes on luxuries and imposts such as the excise on liquor, have inevitably their disadvantages. A customs tax has its disadvantages; high taxes on income have their disadvantages, and with every Government it is purely a choice of evils in determining what direction their taxation should take. Having regard to that I do not know that I feel that, inevitable as it is that the outgoings of Government have to be met by some receipts, the realisation of these 10 crores from railways is other than the least objectionable method of raising it in the present circumstances. Were the Government of India not receiving this at the present time, it would have been necessary for them to impose 10¾ crores of taxation in some other direction.

6706. And you are inclined to say that you could not have found a less objectionable direction?—It is extremely difficult in India, with the field of taxation so circumscribed as it is now by these new provincial settlements. Practically the only other directions are by a still higher tax on incomes. A tax on incomes in India is at best not a popular tax, and there, as elsewhere, if you push it beyond a certain height, it is a definite restriction on industry.

6707. Customs taxes are not so unpopular, as far as I can gather?—They are very popular among certain sections of the community.

6708. I should like to be sure that I have got your answer clean. Is your answer, which broadly is that it seems to you rather less objectionable than any other form of raising it, meant to apply to a permanent position or to a temporary position?—You have put down my actual answer which I intended to convey in rather a tame way, sir.

6709. I am very sorry?—I would say as regards the position that it is extremely difficult, if not absolutely impracticable, to devise immediately any other form of taxation which could replace the Government railway revenue. I recognise that high taxation on communications, if the railway revenue received by Government is regarded as such a tax, is *per se* theoretically undesirable. It is impossible to say what may be the best thing as regards the future. For example, pressure from the Provincial Governments in connection with purposes which are in the opinion of a very large body of persons *per se* as desirable as railway development, may make it impossible for the Government of India to eliminate from their revenue receipts the return which they at present get from the railways.

6710. Permanently? — Permanently. It is impossible to diagnose, I think, the form that constitutional development in India will take, and that must necessarily have a very considerable bearing on the question.

6711. Let us leave it at that. Now we come to this. There is nothing in the nature of things to prevent a settlement on this basis. The railways are expected out of their charges to cover working expenses, reserves, and so forth, interest on capital, and 10 crores tribute to the Government of India. That is quite a possible solution, is it not? You can still get an independent budget on those lines, that part of the expenses that the railway organisation has to budget for is the contribution of a tribute to the general budget?—I think there are two considerations that bear on that. The first is that the railway head is at present a growing head of revenue, and you would deprive that, I take it, of any growth in the revenue. That I think is a very serious consideration.

6712. There, once more, it might be put on a sliding scale. It might be a fixed sum or it might be put on a sliding scale. I will not ask you to discuss it, but that is all consistent with a perfectly independent budget, is it not?—That part is, yes. Then there is a further important consideration. Suppose in India there was a prolonged strike on the railways, as there might conceivably be, extending to three months, and the railways from their revenues were unable to meet the 6 per cent.

Would the other side of Government be compelled to make up this liability?

6713. Which 6 per cent.?—I meant the 10 crores. In mentioning 6 per cent. I was thinking of some fixed rate of yield on the Government's capital in the lines.

6714. At present if there was a strike it would hit the Finance Member very hard, would not it?—Quite so, but with a separate budget I take it your intention is that it should not hit the Finance Member.

6715. Do not credit us with having any intentions at this stage?—The intention of the idea underlying the provisional scheme which you have put before me would be that the Finance Member should be immune from any such risks?

6716. I think it rather depends on how hard a bargain you drive. If he was content to take the interest on his money, obviously there would not be any fear of that not being provided. If he expected a tribute of 10 crores there might be more risk, and he would accordingly have in some way to take a risk, at least of a postponement; but that would not be a greater risk than he suffers at present?—No, but he does not at present ask to have it both ways. He gets the advantage of an improvement in the railway yield and he takes the risk of a setback in the railway revenues.

6717. And when he does not get it on the railway rates then he puts it as a tax on freight?—That is not the Finance Member; that is the Government as a whole, as a result of their military policy.

6718. All this finance must be matter for the Viceroy in Council to decide. Supposing that were done, I think your point is a good one—it is a point that we clearly have to bear in mind—about the possibility of his not getting what they contracted to give him, so to speak?—That has happened in the past. As you probably are aware, there has been at least one year in which the railways were run at a loss, and there have been others in which the profit was negligible.

6719. As you know, most solvent and wisely managed companies, either in a specific form, which they enter in their balance-sheet, or in some form that does not show itself in their accounts, have something in the nature of an equalisation of dividend reserve. It is quite clear that the railways might build up a reserve of money on which the Finance Member had a lien?—Would not that be rather a doubtful policy in India? It would mean that the railways, or the Government rather, instead of economising by pooling their actual balances, were keeping large balances and at the same time borrowing—were keeping large balances in hard times when, hypothetically, borrowing might be more difficult.

6720-1. I do not think dividend equalisation reserves are always kept in banks; I do not think they are always actually in money on call at the bank?—We are not talking of a relatively small company here; we are talking of one very large branch of the State with property worth 300,000,000*l.* or 400,000,000*l.*

6722. It is not substantially bigger than some other railway companies. Let me now put a question to you from the other point of view. You must be aware that the amount of money made available for the railways from one year to another for capital purposes has varied very widely?—Yes.

6723. You recognise, I am sure, the disadvantage of a permanent policy of that kind?—I think everybody must readily admit that.

6724. You will also, I am sure, recognise the exceeding disadvantage of the system of what you call programme expenditure, which is a n... ture of revenue and capital expenditure. The mixing up of that with the ordinary finance has resulted in renewals long overdue being postponed, which is not good business—not even good finance?—I realise, sir, that very often it has not been possible to find all the money required for the purposes of the railways, but I do not think I can at once admit that that is due to mixing up the railway finances with the ordinary finances.

6725. Take the cases that we know occur; the Railway Board accept the estimates that so many crores are wanted?—Yes.

6726. Then the Finance Member says:—"I cannot find all that"?—In the last three years I do not think that has been the case.

6727. You remember the figure of £12½ millions proposed by the Mackay Committee as the amount of capital which should be supplied annually?—Yes.

6728. I think I am right in saying that in no year was the 12½ millions supplied, and on the average it was very much less?—I think I can supply figures which Sir Arthur Anderson will confirm. In 1919-20 we asked the railways to state the maximum sum they wanted and could actually spend. The sum asked for was Rs. 26½ crores. We supplied that, and the railways actually spent 14 crores. That is nearly double the figure mentioned by the Mackay Committee.

6729. I am thinking of the years from 1907 onwards till the outbreak of the war. Of course, you can put against that 26½ crores the 2½ supplied in 1917-18?—In 1920-21 we again asked the railways to state the complete amount that they required and that they had a reasonable hope of spending, and to my belief we supplied that figure in full, and I believe it was actually spent. The actual revised figure that was spent was 25½ crores. We also allowed the railways to over-certify during the year, so that there was a pretty large throw forward. I will now come to the war figures which you mentioned.

6730. Is it necessary?—I think it is necessary, because here, I feel, is definitely a point at which the question of State control must necessarily intervene, if you have separation of railway budgets or no separation of railway budgets If those years are considered, I do not think they help one way or the other.

6731. I quite agree. Here in London people were forbidden to build houses. There is no question about that. If the railways had been independent they would have been told they were not to try for new capital. Go back to the period from 1907 to 1914?—I admit that in most of those years the Government of India of that time did not spend up to the standard in question, and, if I may express a personal opinion, their failure to do so in the earlier years was unwise and short-sighted, because in the years 1907-08 to 1909-10 very substantial sums were raised in the London market in pursuance of the policy of the Mackay Committee. The policy pursued during those two or three years actually led to a piling up of balances which might have been spent on the railways and were not spent. That led to very severe criticism of the Government of India's practice of keeping large balances in London, and that, in its turn, led to the appointment of the Chamberlain Currency Commission. But in the last year of the period, namely, 1913-14, 12 millions, which was practically the figure budgetted for, were spent, and in the Budget preceeding the war, that is for the year 1914-15, 12 millions, were budgetted for and about 11½ millions spent.

6732 Have you the figures for the earlier years?—I have the figures for the earlier years in Mr. Kisch's note. I think Mr. Kisch supplied you with those figures.

6733. My recollection is that the figure goes down as low as 5 millions?—Not in the figures from 1908–09 onwards.

6734. What is the lowest figure?—The lowest was 7¼ millions in 1910–11. It was 8·4 millions in 1909–10, 7·5 millions in 1910–11, 7·86 millions in 1911–12, 9·9 millions in 1912–13, 12·3 millions in 1913–14 and 11·4 millions in 1914–15.

6735. We must take that as having been the policy of the Government of India?—Quite so.

6736. You agree that as a concomitant, and you might say as a consequence, of the treatment of railway receipts and expenditure and capital outlay as a part of the finances of the country, money was unwisely underspent?—For a brief period of years.

6737. Can you give me the figures for 1921–22? Do you know what the demands were and what the Finance Minister has undertaken to supply?—I do not know what the demands were; I know what he has undertaken to supply—17·8 crores.

6738. Where did you get that figure from?—I took it from his Budget statement.

6739. (*Sir Arthur Anderson.*) Is that crores or millions?—Crores.

6740. (*Chairman.*) His figure in the Budget was 15, I think, but he undertook to take the rupee at 1*s.* 8*d.* That probably makes the difference?—This is the figure, sir. (*Showing statement to Chairman.*)

6741. (*Sir Arthur Anderson.*) 17½ crores at 1*s.* 8*d.* would be about 15 millions?—The Chairman was thinking of it, probably, as 15 millions.

6742. (*Chairman.*) Yes, you are right?—I expect the figure you had in mind was 15 millions.

6743. Very likely. I do not know if Mr. Ryan knows what the demand was? (*Sir Arthur Anderson.*) The preliminary forecast was for 35, but the demand was reduced to 28 crores.—(*Witness.*) I should like to make one or two general remarks about the capital side, which may appear to be somewhat discursive, but I think they are rather important. We have to remember at the present time the actual financial position of India as a whole. She has at present a short-term debt of 100 crores, in round figures, which matures between now and the summer of 1930. She also had outstanding with the public floating debt in the form of Treasury Bills of between 50 and 60 crores—at the present moment very nearly 60 crores. I saw the figure of 57 crores a few days ago, but I think the last return is 60 crores; at any rate, it is between 50 and 60. All this debt, both the short-term Treasury Bills and the War Bonds, has obviously as it matures either to be paid off or else renewed. If it is not paid off or renewed, the position can only be met in one conceivable way, and that is by printing fresh notes. It is obviously of the highest importance from all points of view to take steps for a very early funding of this debt. The revenue figures which I have given show that it is impossible to hope that any material part of the short-term debt can immediately be paid off at maturity. It must therefore be funded, and that is the most we can hope for. If Government cannot fund its obligations and cannot renew them, and has to inflate further, the immediate results can only be of the most serious kind. This is not merely a theoretical question; it is a most practical question, with which the big spending departments and the big earning departments (such as the army, as a spending department, and the railway, which is both a spending and an earning department) are very directly concerned. Our inflation during the war resulted in a very considerable rise in prices, and as far as the railways are concerned that has meant a huge increase in the cost of their establishments, and in the cost of working the lines throughout India, and that is reflected in the wages bill and their expenditure demand on the capital side. It increases the cost of material, the cost of working the lines and the cost of new construction alike; and unless we can, on the ordinary side, follow a policy of sane, sound and sober finance, it will affect our railway finance very intimately and very directly; in fact, if we go on inflating we bankrupt our railways, amongst other things, and we entirely get rid of the question of whether the State is going to draw the profits or whether they are going to be put back into the lines. It seems to me, therefore, that if it is contemplated there should be a new sort of diarchy set up within the Government itself, both sides of which will borrow independently, you merely increase the numbers of borrowers. You do not get any more money, and you make it more difficult for the Finance Department—or I should more properly say, the Government—you make it more difficult for the Government in its non-railway finance operations, to carry on the finances of the country on their non-revenue side in the only way in which it is proper to conduct them.

6744. (*Chairman.*) I think we need not assume, for the purpose of this discussion, that anybody proposes that the railways should borrow independently. It has been suggested that there might be a special railway loan, but obviously I do not think any serious person can contemplate that the Railway Minister was at liberty to take a decision of such importance as to whether he should put out a loan of, say, 20 millions, except as a member of the Cabinet?—The point seems to me to be very material in this way, that unless it is hoped that the railways in this way will obtain more funds, I am not quite certain that the suggestion made takes us any further, because the inherent object of the scheme was to obtain more funds, I take it; and as the scheme has appeared to me, from the reports I have seen of it in the newspapers (which are, no doubt, very garbled reports), it proposes to do that by creating additional borrowers. It has always appeared to me that it is not additional borrowers we want to find, but additional lenders. We want to create some sort of new security, which will tickle the palate of these new lenders. As long as it is merely a Government loan, that is to say a fixed interest-bearing loan, I do not see how we are going to get that.

6745. Will you kindly address yourself to this point: assume that the borrowings of the railway organisations are under the control of the Government of India. I do not think it is any use for this Committee to discuss the particular form in which money would be raised; we are not financial experts. Do you agree with the testimony which has been given to us in India, that the railways have suffered from—let us call it—the uncertainties, the ups and downs, due to being tied to the ordinary budget? Do you think that is a true statement?—I think, really, there are two questions there. I admit that the railways have suffered owing to the difficulty of obtaining funds, but I do not believe that that difficulty of obtaining funds could be eliminated merely by the device of giving the railways a separate budget.

6746. Let me put to you a specific instance. There is a certain Itarsi-Nagpur Railway that was begun in 1908; they are still constructing it, and

they hope to finish it in 1922 or 1923, I forget which. By the time it is finished the interest on capital will amount to 40 per cent. of the construction cost. Do you think that independent railway management would have done that?—I do not. To my mind the solution lies not in creating a separate railway budget but in entrusting the companies with very much greater power and liberty of raising funds as distinct from direct Government borrowings. I think in that direction lies the greatest hope, not of creating, as I have said, additional borrowers, but of finding new lenders, because there you will be able to have your securities dressed up in rather more attractive form.

6747. There is no company whose shares stand at par at this moment, is there?—I admit that.

6748. Therefore you would have to allow them more favourable terms of participation for the new capital?—That might be secured in various other ways. It might be open, for instance, to a sterling company to raise money in India in the form of rupee debentures. The Government could afford to let the companies borrow at a higher rate of interest on debentures ear-marked for the company's purposes without necessarily deteriorating the Government's general credit in the way that would be involved by a direct loan, and it might, in cases of that kind, be in the interests of the company to pay much higher interest. Again, I hope that in the case of these sterling companies it may be possible to adopt some such device as a profit-sharing rupee debenture. We have had that question under consultation with the Inland Revenue authorities here. We have not quite come to any conclusion, but at present I am hopeful that it will be possible to adopt some device of that kind without this particular form of borrowing being liable to double income tax.

6749. Are they showing any signs of being ready to surrender the tax on profits made by an English domiciled company?—This is, I think, roughly the position we have got to, but I am not quite sure about it; it is unofficial at present and unauthoritative. We believe it to be the case that if the Secretary of State borrows money from non-residents in the United Kingdom on the security of bonds or debentures—that is to say they would be a loan to the company and not a security of it——

6750. If the Secretary of State borrows?—Yes. That point we are not at present clear about, whether the company would be the borrowing agency or the Secretary of State.

(*Mr. Take.*) It makes rather a difference.

6751. (*Chairman.*) I think it is a very important point?—In any case, with or without a specific mortgage or floating charge on the undertaking, the interest paid to such investor, whether fixed or dependent upon the profits of the undertaking, will not be liable to United Kingdom income tax. We are still pursuing that, and I am hopeful that we shall be able to put the word "company" in the place of the words "Secretary of State" there.

6752. We have had very strong evidence indeed that any strengthening of the position of the London Companies would be exceedingly unpopular in India. Has your attention been called to that?—It has. Personally, I have certain views of my own on that point, but they are dictated primarily by financial considerations and not by administrative or sentimental considerations.

6753. You agree that that is a point this Committee has to take into consideration?—Such views as I hold follow those sentimental considerations rather than run counter to them. I have never yet been able to see why anybody should attempt to say that the whole question must turn on making all companies sterling companies or all companies rupee companies, and that there is no middle way. The companies have been able to perform great services in the past by borrowing in London, and there is no reason why that should not be continued, but I think it would be a very great advantage to have a certain number of the companies domiciled in India for the purpose of exploiting rupee capital, and I should very much like (these are purely my own personal views) to see the matter pursued on those lines.

6754. Is that contemplating transferring to India that rather artificial entity, the shareholder? I think you are bound to agree with me that the thing which calls itself a shareholder in the undertaking is not a shareholder in the undertaking. Would you start a new company which was a real railway company?—If there was a new project, I would have no hesitation whatever, provided that certain administrative difficulties would not arise, in allowing it to start as a new company with no shareholders but private shareholders. For instance, I know at the present time it is desired to construct a railway from Delhi to Karachi. Apart from administrative considerations, I should be perfectly willing to put the whole of that business in the hands of a private company, but I believe (and the railway members who are present will probably be able to supply you with information on the point) that there may be some practical difficulties owing to the fact that that route might short-circuit other lines and interfere with some vested interests. If any difficulties of that kind could be got round it would be, in my view (I am speaking entirely for myself), a good thing to welcome a scheme of that kind.

6755. You would allow it to have a fair field to get all the traffic it could?—Yes, except so far as it competed with certain vested interests. For instance, it might compete with certain rights possessed by the Southern Punjab, which is a private company. Apart from existing company lines I would see no objection, in fact I see great advantages, in bringing a State line, such as the Eastern Bengal State Railway, also under company management. The existing holding might be capitalised at a fixed sum, and a company created to have the responsibility for raising fresh capital and for working the line.

6756. To buy out the State?—Not to buy out the State, but I would not perhaps object to their buying out some portion of the State's share. The demand for new capital is, however, such that I think it would be preferable that the company should devote its energies to raising new capital, and I would permit them to do that to any reasonable extent that was necessary.

6757. Let us assume that the capital of the Eastern Bengal would be valued at £25 millions, would you leave that as a Government debt, or make them buy a proportion of it, or how?—Let us put it on a rupee basis. I do not know the exact figure, but probably it is somewhere in the neighbourhood of 35 crores. That would be treated as State capital.

6758. As income earning capital?—As share capital. The company would be formed—possibly constituted under an Act, in the same way that the Presidency Banks and Port Trusts in India are constituted under an Act—or possibly under some form of contract—I have no particular preference—to raise new capital for the line and to work the line. They may raise that new capital in any form they like.

6759. What amount?—I think it would probably be desirable to put some initial limit on the amount and to provide, for the purpose of illustration (because I am not wedded to any particular figures) that they must in the first instance on the constitution of the company raise at least three crores, and they may raise without the consent of the Government capital up to a total of, say, 10 crores; that they may subsequently raise further instalments of capital with the prior consent of Government, and after allowing the Government, if necessary, the option of increasing their own capital *pari passu*. Apart from the initial capital they would be able, after the first issue, to raise further instalments, either in the form of preference stock, secured on their own portion of the earnings, or if they liked to obtain Government sanction and the Government thought this suitable, in the form of a debenture stock secured on the whole undertaking.

6760. Then in a new company the outside shareholders, the private shareholders, would be owners of a proportion of the total undertaking, beginning at something under one-tenth and going up possibly to one-third; they would be real owners of that amount?—Yes.

6761. Would you entrust to the owners of the one-tenth the management of the ten-tenths?—I would in this way. Owing to the extent to which the State is a shareholder it would be desirable possibly to embody the constitution of the line in some form of enactment, and such an enactment might lay down, as for instance it does in the case of the Port Trusts or the Presidency Banks, that the Government should have a certain right of representation. For instance, it might be prescribed that the first managing director should be appointed by Government or should be appointed by the Board subject to the approval of the Government. I think probably where the Government is such a large shareholder it is desirable that they should have the right of approving the appointment of the managing director. That I think is secured to us in the case of the Presidency Banks by the new Act.

6762. In other words, the Government, being nine-tenths owners of the concern, would insist on being the manager; is not that what it comes to?—No, I do not think so. We do not insist on being managers of the Presidency Banks, but their general managers must be appointed on the nomination or recommendation of their Board subject to the approval of the Government.

6763. Does not that ultimately give Government the control?—It gives them a control, but I do not think necessarily it gives them the control. I would propose that on the Board itself there should be a liberal representation of the shareholders other than Government.

6764. "A liberal representation," I do not care what you call it, but ultimately one side or other must in the last resort be able to force through its will. Is that not so? Supposing you come to a difficulty, one side or the other must have power to over-rule?—That is so.

6765. On which side are you going to leave the power?—Ultimately, in the case of the railways in India or in any other country, Government must have the control.

6766. Let us stick to the illustration you gave of transferring the Eastern Bengal to a company. Who is ultimately to have the control if it comes to the vote, the Government or the private shareholders?—I think it depends entirely on what the matter is that is being fought for. Ultimately in any country Government must have the control in respect of the railway administration.

6767. We are not talking of Government as a political organisation; we are talking of Government as owner of the undertaking. In that capacity who is to have the ultimate control, the Government with the nine-tenths or the private shareholders with the one-tenth? Who is ultimately to say: "I will have my way on so and so"?—I think that depends entirely on the question that arises.

6768. Let us say on all important matters?—On an all-important matter I think Government must have control, and I think at present, even with the private lines it would have to insist on that control.

6769. You were speaking a few moments ago about debentures and the discussion you were having with the Inland Revenue authorities. Our attention has been called to the curious position of Indian debentures. The debenture prospectuses are put out in the name of the company?—Yes.

6770. On the face of them there is a guarantee of principal and interest with certain modifications sometimes by the Secretary of State?—Yes.

6771. The money is handed to the Secretary of State?—Yes.

6772. The money, as we have been told, is spent by the Secretary of State where he wants to invest capital?—That is only a very general and popular description of it. The money is actually ear-marked for the individual companies by whom it is raised. The Secretary of State decides how and when each should raise its money. When that money is raised it is deposited with the Secretary of State, who acts as bankers for those companies—that is rather a popular description—and it is there earmarked for that company. For example, a company may raise a loan of three millions. At the present time it is overdrawn with its bankers to the extent of one million.

6773. Its bankers being the Secretary of State?—Yes. The three million is applied in this way. It repays to the Secretary of State the one million overdrawn; it is allotted one million for its current expenses in that year, and the other one million is ear-marked to its credit, and the Secretary of State pays it interest on that further sum until it draws it in the next year.

6774. Or the next year, or the next year, or the next year afterwards, or any number of years afterwards?—I can answer that question at once. The answer is, no, because all these companies are enormously overdrawn. Their actual overdrafts at the present time amount to about 50 millions, so that the question I was asked about having money actually placed at their credit does not exist. They are all largely overdrawn. The Bengal-Nagpur is overdrawn nine millions.

6775. (*Chairman.*) What does it mean, overdrawn? (*Mr. Tuke.*) I do not understand it. (*Witness*) The general position is that none of these companies are responsible for taking the initiation in raising capital. What actually happens is that the capital is raised by the Secretary of State in the first instance and not by the companies, and the Secretary of State then makes advances to these companies.

6776. (*Sir Arthur Anderson.*) It has not been the fault of the companies that they did not raise the capital; they have not been allowed to do so.

(*Chairman.*) You are talking of shares.

(*Sir Arthur Anderson.*) Yes.

(*Mr. Tuke.*) Shares are quite different?—I am not talking of shares. I was using the word "capital" very loosely for the raising of funds for the railways.

6777. (*Chairman.*) I expect that Mr. Tuke has the same difficulty in his head that I have.

What is the difference between the Secretary of State making advances and the Secretary of State investing? As I understand it, the great bulk of the money in all the guaranteed companies has been found by the Secretary of State, and that is what the Indian Government loans have been devoted to, money put into the railways?—In most cases, I think practically in all cases, that money is simply advanced to the railways, and it is open to them (I speak subject to correction because I am not very familiar with all the details of the contracts) to redeem those advances as they raise further funds.

6778. As they raise further funds?—Yes.

6779. (*Chairman.*) But they have not power to raise funds. They have no power to go to the public for a farthing of share capital or a farthing's worth of debenture capital, so we have been assured.

(*Sir Arthur Anderson.*) Not without the permission of the Secretary of State.

(*Mr. Tuke.*) How do these overdrafts arise?—Because the Secretary of State has advanced money to the companies for the prosecution of capital works on the lines.

6780. (*Sir Arthur Anderson.*) Is it not the case that occasionally the Secretary of State transfers these advances to share capital? I think it has been done?—May I take a note of that question, because I find myself in a little difficulty in this respect. I was first asked about the companies raising loans and money being put into them, and I was told shortly afterwards that the company have no right to raise these loans. I do not quite know exactly what point I am being asked at the moment.

6781. (*Chairman.*) The point that they have no right to raise loans?—I was assuming that these companies had raised loans and that there was that right, and that it was in furtherance of those rights that these funds were raised.

6782. Let me see if there is any difference between us. The Secretary of State can authorise or instruct the East Indian Railway to raise 5 millions in debentures to-morrow?—Yes.

6783. The point I put was that the East Indian Railway has no right to raise anything on debentures unless it has been told to do so by the Secretary of State?—Quite so.

6784. That is correct?—That is quite correct. Two or three questions were asked me, but I am not quite certain which is the most logical order to answer them in. Mr. Tuke asked me one question.

6785. (*Mr. Tuke.*) I asked the question, how do these overdrafts arise? It seems to me it is a question of book-keeping. The railway belongs to the State; the State has purchased it. Is it a fact that they call so much capital and so much overdraft?—I speak subject to correction by one or two members of the Committee who have greater railway knowledge than I have, but I think, roughly speaking, it may be said that there are two separate kinds of contracts, namely, the East Indian and the Great Indian Peninsula have a contract in which the profits are divided in certain fixed proportions. With the majority of the lines the profits are divided according to the proportion which the Government's capital in the line bears to the amount of the company's capital. The Secretary of State does not ordinarily make any permanent increase in his own capital, but makes advances to the company for the purpose of capital construction.

6786. Why does he advance it to the company and not to himself?—Because the company carries out the actual work on the line. The Secretary of State has no direct management of the line. The company buys the wagons and the company's officers actually disburse the money. The company carries out all the operations connected with the line.

6787. (*Chairman.*) I think there is a point between Mr. Tuke and yourself which is not clear. To the company as an operating machine money has to be given to buy rails and so forth?—Yes.

6788. But to the company as a financial concern does the State make advances? Is not that the point that wants to be cleared up?—To the company as a financial concern for these purposes mentioned the State makes these advances.

6789. Is it paid into the company's bank to the credit of the company?—The companies all bank, for this purpose, with the State.

6790. (*Mr. Tuke.*) And by so doing, the shareholders' or debenture holders' interest in the company is increased. If you advance money to them, you must increase their financial interest in the railway.

(*Sir Arthur Anderson.*) You advance the money for the purpose of the undertaking.

(*Mr. Tuke.*) If you advance money to the shareholders and give them an overdraft you surely increase their interest in the undertaking?—You mean with the advance you increase the company's share of the profits?

6791. You increase the shareholders' interest in the company if you give them a capital advance. Before the company can owe the money they must have received the *quid pro quo*. They cannot owe money for nothing. You have therefore increased the company's interest in the railway by the amount of overdraft that has been granted to them. Does the State charge interest for these overdrafts?—Yes.

6792. (*Mr. Tuke.*) I must say I have some difficulty in following the position.

(*Sir Arthur Anderson.*) The interest on the overdraft is usually paid by the undertaking, not by the company?—It is paid by the undertaking. It is a charge against the undertaking.

6793. (*Mr. Tuke.*) You are mixing up the company with the undertaking.

(*Sir Arthur Anderson.*) All these advances made by the Secretary of State are charged against the undertaking.

(*Mr. Tuke.*) They are therefore created by overdrafts—to the undertaking and not to the company.

(*Chairman.*) Sir Arthur Anderson, who should know, says that these advances are a charge against the undertaking. If the undertaking belongs to the Secretary of State, how can he advance money himself and make a charge against himself? I give it up.

(*Mr. Tuke.*) So do I.

(*Sir George Godfrey.*) It is the Secretary of State, it is true; but it is purely a verbal matter. The actual words are:—"All moneys which shall "after the 31st day of December 1910 be required "for capital expenditure on the undertaking shall, "at the option of the Secretary of State, be "provided either by means of advances by the "Secretary of State (in which case he shall be "entitled to require the company at any time "afterwards to raise money for the repayment "thereof) or by the issue as the Secretary of State "shall decide of debentures or debenture stock of "the company or by the issue of further ordinary

"shares to be converted when fully paid into "ordinary stock of the company."

(*Mr. Tuke.*) The point is this, the undertaking and the company are not synonymous.

(*Sir George Godfrey.*) That is quite correct?—As far as I understand the question, the point which Mr. Tuke has put to me is rather a legal point than one which I can properly answer. As an answer to the man in the street, I think the passage which Sir George Godfrey had just read out really supplies generally all the information which I can give. Mr. Tuke's question deals with rather a technical legal point.

6794. (*Mr. Tuke.*) I think there is a very great difference. If you have a company raising money to pay off an overdraft of that company I can understand it; but, I gather, this is not an overdraft of the company but an overdraft of the undertaking, which I think is a different thing. The overdraft is not given, as I understand it, to the company; the overdraft is given to the undertaking. Is that not so?—Yes, I understand that is the case If I used the word "company" there I was speaking loosely. I thought of the undertaking as a whole.

6795. (*Chairman.*) Then the position is this. Take the case of the Bengal-Nagpur. The Bengal-Nagpur Company asks the public for money?—Yes.

6796. The money is paid to the Secretary of State?—Yes.

6797. It is not paid to the Bengal-Nagpur Company. The prospectus says that the money is required for the general purposes of the company?—Yes.

6798. Supposing that the Secretary of State had advanced one million to the Bengal-Nagpur Company?—He has advanced 9 millions.

6799. Supposing at the date of this prospectus he had advanced one million, and the issue is for two millions. Clearly the repayment of one million would be for the general purposes of the Company, as described in the prospectus?—Yes.

6800. Supposing the Secretary of State keeps the other million, what remedy have the debenture holders? They have lent the money to the company; the company has not got the money, and cannot get it. There is no privity of contract between the debenture subscriber and the Secretary of State?—I think the answer to that is two-fold: firstly, that the Secretary of State would not and does not collar indefinitely the money advanced for the purposes of the company, which is practically, as I take it, in this case synonymous with the purposes of the undertaking. It is applied to the purposes of the undertaking. In the event of it not having been actually disbursed on that count, undoubtedly it would be ear-marked for this purpose by the Secretary of State paying to the undertaking interest in respect of those funds.

6801. Would it be a fair description to say that the directors of the company, not having immediate use for money which they had borrowed for the general purposes of their undertaking, were putting it on deposit with the Secretary of State until they called for it?—Generally, that would be a fair description, provided you eliminate the words "not having a use for it."

6802. "Not having an immediate use for it?"—Yes, I accept that.

6803. Take a further case. Supposing, for the sake of argument, the Financial Member of Council or the Government of India for an indefinite number of years refused to sanction any capital expenditure on the Bengal-Nagpur Railway, and for an indefinite number of years that one million pounds is never applied to the purposes of the Bengal-Nagpur Company?—I can only say that that would be, in my opinion, wicked. Is that the answer you wished to elicit?

6804. That is what the system does not prevent, so to speak?—Quite. In theory, I admit your criticisms of this system, and that there are difficulties and objections and misconceptions which the system lends itself to. I do not say it is not possible of improvement, but what I do wish to say is that these criticisms, which I have seen put forward elsewhere, do not take cognisance of the actual facts, namely, that these companies or undertakings——

6805. (*Mr. Tuke.*) Please do not use the words as meaning the same?—— are at present very largely overdrawn. The overdrafts, I think, amount to something like 46½ millions, even excluding the Assam-Bengal Railway. The Bengal-Nagpur Railway is overdrawn by 9 millions, the Bombay, Baroda and Central India 6½ millions.

6806. (*Chairman.*) I think we are getting away from the point, which, I confess, I am very anxious to understand, and which I do not in the least understand at present. Does that mean sums that the Secretary of State has determined he will call upon the several companies to raise independent of himself to repay him?—I think that is nearly it. I would rather put it in this way—sums which the Secretary of State can call on the company to repay him.

6807. How far back does that 46 millions go?—It is the estimate on the 31st March 1921.

6808. You cannot tell me how long it has been accruing; that is what I want to know?—I cannot say off-hand.

6809. This is my point. The total investment in the railways is something like 370 millions?—About that.

6810. (*Chairman.*) I suppose about 270 millions, or thereabouts, is the investment of the Government in the companies; the companies' own investments are about 20 millions, and the companies' debentures, I think, are about 40 millions?

(*Mr Tuke.*) 41 millions.

(*Chairman.*) There are, roughly speaking, 200 millions of the Secretary of State's money in the guaranteed companies' railways, and you say that 46 millions of that is advanced to the companies?—Yes. (*Note by witness.*—The 46 millions mentioned does not include the advances to the Assam-Bengal Railway.)

6811. (*Chairman.*) Is the remaining 154 millions a fixed investment by the Secretary of State?

(*Mr. Tuke.*) I think you are mixing it up with the advances to the undertakings.

(*Chairman.*) Let us put it in this way: what is the difference between advances to the undertakings and investments in the undertakings?—I am afraid I cannot give you the exact figures at the moment that are treated as permanent capital.

6812. Will you kindly make a note of that? Adding together the guaranteed companies' share capital, debentures and debenture stock, and 46 millions described as the Secretary of State's advances to the undertakings, there is still a very large margin between those amounts and the total sum invested. How is that to be described?—I will make a note of that.

The witness withdrew.

SIR R. HIGHET called and examined.

6813. (*Chairman.*) We all know that you are Managing Director of the East Indian Railway. You know that we have had Mr. Hindley before us in Calcutta, and I think you know what he has said?—Quite so. I did not prepare a written statement, because if I had replied to the questionnaire my answers would have been very much on the lines of those of Mr. Hindley. Taking Mr. Hindley's evidence, I should like to emphasise one or two of the points. If you will take Part 3 of the memorandum of replies to the questionnaire—I think it is on page 10—he said: "The slowness "with which the mineral resources of India have "been developed is mainly traceable to lack of "railway extension," and I want to point out, in regard to that, that the railways can scarcely be held responsible. I will instance a case which happened some years ago, before the Railway Board was constituted—it was under the old régime. I did not lay my hands upon the papers until after Mr. Hindley had given his evidence. It is a brief history of the East Indian Railway's efforts to open up the Jherriah coalfield. I will read a few paragraphs of it:—

"The first proposals to extend the East Indian Railway across the Barakar river were made in 1886. These were the outcome of attempts by the coal companies interested to obtain permission to lay a tramway connecting the Barakar Railway station, by way of the road bridge over the river Barakar, with the coalfields on the west of the Barakar river, lying in the fork between the Barakar and Khudya rivers. The accompanying map (1) shows the collieries affected.

"In the course of the investigations connected with those proposals to extend across the Barakar river into the Barakar coalfield, attention was drawn to the Jherriah field. Mr. G. Sam, District Traffic Superintendent, in his report dated the 25th February 1888, made the following reference to it:—

> "'About 20 miles from Barakar, in the direction of the proposed extension of the railway, lies the large and valuable Jherriah coalfield, at present unworked because of the want of cheap transport; and it is only a question of time before this field also is made accessible to the port of Calcutta and to lower Bengal.'

"A project was then prepared for a bridge across the river and a branch to the Khudya Nullah, a total length of six miles, and estimates were submitted for sanction in February 1889, the amount being Rs. 12,07,484.

"The Government of India, however, in Public Works Department letter No. 1201 R.C. of the 23rd December 1889, intimated its decision to take no further action regarding the project for the present."

6814. What is that date?—That was in 1889. It was started in 1886.

"Notwithstanding this decision, attention was, without delay, given to the larger question of the opening up of the Jherriah coalfields; and an examination of the field was made in March 1890 by Mr. T. H. Ward, Assistant Colliery Manager, East Indian Railway. The report was submitted on the 7th August 1890. It stated that 17 seams of coal had been traced out, and that from the best seam alone the quantity of coal available, at a less depth than 800 feet, was, after deduction for loss in working, about 159 millions of tons.

"The report was forwarded to the Board of Directors, who commented upon it in their letter No. 184 of 1890 (to the Agent in Calcutta), and amongst other remarks observed that:—

> "'The report establishes beyond question that the area surveyed by Mr. Ward contains a field of very great extent and value, both in respect to the quantity of coal and its quality.
>
> "'The Board cannot doubt that the time has come when a further effort should be made to extend railway communication into this area, the expediency of which, as you are aware, has for a considerable time been recognised by them.'

"In communicating their views on the report, the Board expressed a hope that, with the approval of the Government of India, it would be possible at a very early date to give effect to their instructions to extend the railway into the field.

"The Government Consulting Engineer, Calcutta, in forwarding the correspondence to Government, in accordance with the wish expressed by the Board of Directors, gave it as his opinion that the line was not at the time required. The Government of India, however, agreed to a survey for a line being undertaken."

(The Consulting Engineer in those days was the medium between the company and the Public Works Department.)

"On the permission thus given by Government, it was arranged to prepare a complete project for an extension from Barakar to Jherriah, serving both the Barakar and Jherriah fields. The survey was commenced in March 1891, and a complete report, with estimates and plans were submitted on the 8th August 1891, providing for:—

"(*a*) the full development of the Barakar field.;
"(*b*) a line to serve the Jherriah field.

"It was remarked in the report, as regards the Jherriah field:—

> "'At Jherriah itself, of course, no operations for raising coal have been commenced, from want of carriage, but there has been considerable activity in taking up land and exploring, so soon as it was known that a line was proposed.'
>
> * * * * *

"The Board of Directors, writing in August 1891 on the subject of bridging the Barakar river, remarked (para. 14 of letter 114 of 1891):—

> "'It is clear that the sanction to the construction of the bridge must be dependent on that of the line beyond it, for which the approval of Government is necessary. The Board have for a long time past desired the construction of this extension, but have hitherto been unable to obtain the assent of the Government of India thereto, although several references on the subject have been made. The Board request that you will endeavour to obtain an expression of the views of the Government of India on the subject at an early date, and, subject to their approval, the Board authorise the commencement of the preliminary works as soon as the season admits of it.'"

The Government of India still refused their sanction.

"The Board, at the same time that they sanctioned the estimates, addressed the Secretary of State for India, pointing out that they had been desirous for several years past of extending the railway across the River Barakar so as to serve the collieries in that locality, and added—

> "'As Lord Cross is aware, the Board have recently, with his Lordship's assent, made important reductions in the coal tariff, with a view to doing all that was in their power to develop and assist this important industry, and they think it is no more than reasonable to look forward, if proper facilities are provided, to the possible future development of a large export trade of coal from Calcutta, the commercial value of which, if successful, it would not be easy to exaggerate.
>
> "'With this in view, they will continue to do all in their power to extend and facilitate the economical working of the Bengal coalfields, and they regard the present project as likely to be highly advantageous to the community generally, and at the same time to add to the fair profits of the undertaking.
>
> "'I am, therefore, desired by the Board to express the hope that the Secretary of State in Council will be able to address the Government of India on the subject, with a view to making provision of the funds required for the early commencement of the works.'"

To this letter the following reply was received from the Under Secretary of State for India in his letter No. P.W. 2039, dated 10th November 1891:—

> "I am directed to acknowledge . . . . In reply, I am desired to say that the Secretary of State in Council has addressed the Government of India in support of this proposed extension of the undertaking."

That seemed to have stirred up the Government of India, and they then gave provisional sanction to the survey being made, but I take it that they could do nothing until funds were provided. I mention this to show that there was a real desire

on the part of the Board of Directors of the East Indian Railway to open up this coalfield, but they were met with opposition on the part of the Government.[1]

6815. I do not think there was any suggestion that the Company was backward?—I merely bring it forward to show that in some respects the Board of Directors in this country can be of service in furthering commercial enterprises of this kind.

6816. The thing seems to be that you knocked very hard on the door and it continued closed?—It continued for a time, but it was not until there was intervention through the Secretary of State that the Government of India did anything at all in the matter.

6817. Perhaps you will let us have it?—Certainly. I have only one copy, but you are welcome to it. It is now past history.

6818. I suppose construction did begin. When was this bridge opened?—Construction was commenced in 1892 and the line to Dhanbad was opened at the end of 1894. Then there was also another matter which Mr. Hindley referred to in his evidence, with regard to the delay in obtaining sanction for additional facilities in the Jherriah coalfield. It was perhaps brought forward at an inopportune moment when we were engaged in the war and funds were scarce, but there was no doubt whatever that the coal was an imperative necessity, and it seems that every effort should have been made to afford additional facilities with the object of giving increased supplies. When the Railway Board did sanction this scheme in 1916, they cut out what were really very essential requirements. They reduced the estimates from 39½ lakhs to 26 lakhs, and they cut out certain works which were very material to the project.

6819. Will you just particularise what they did cut out?—They cut out the doubling of the line between Kusunda and Katrasgarh; they cut out the Dhanbad station remodelling; and they cut out alterations to stations at Bansjora and Sijna, and they reduced very considerably the extent of the remodelling of Kusunda and Gomoh stations.

6820. You say that that cutting down from 39½ lakhs to 26 lakhs, which was a cutting down of exactly one-third, hampered the proper handling of the coal traffic?—Certainly.

6821. In what year was that?—1916.

6822. The question naturally occurs: were you not at liberty to divert some of your grant from some possibly less urgent requirement in order to carry out the whole scheme that you thought desirable in connection with the 39½ lakhs?—No, I do not think it would have been possible. The grant was so small that there was no margin to go on. No pruning was possible.

6823. (*Sir Arthur Anderson.*) Were any special reasons given by the Railway Board?—Simply want of funds. The Railway Board called for a long explanation in regard to the necessity, which was rather unnecessary, I think, because these improvements and facilities formed a recommendation of the Coal Traffic Conference of 1912, and the President of that Inquiry was the President of the Railway Board.

6824. (*Chairman.*) Which President was that?—It was Sir Trevredyn Wynne. I had also explained the thing to two members of the Railway Board after this, and I thought that they quite understood and admitted the necessity and that there might be a possibility of making a special effort to provide funds for such an urgent work, because there was a great difficulty in obtaining ample supplies of coal, and I am satisfied that if these works had been provided at that time a great deal of the congestion now occurring would have been avoided.

6825. I understand you to say that the President of the Railway Board, Sir Trevredyn Wynne, found himself compelled by lack of funds to refuse to carry out a work that he as President of the Conference on the railway question had regarded as necessary?—No. Sir Trevredyn Wynne was President of the Coal Traffic Conference of 1912, and in that capacity he was good enough to arrange that we got a supply of 12,000 wagons, which was also a recommendation of that Committee, but unfortunately before these estimates for the additional facilities went up Sir Trevredyn Wynne had retired from his office and there was another President of the Railway Board.

6826. The Railway Board had to refuse on the ground of want of money, and in your view that was, strictly speaking, a war expenditure?—I looked upon it as such.

6827. (*Sir Arthur Anderson.*) Was it represented as war expenditure?—I would not say so; it was, however, well known that coal was an essential requirement of the time, and that we could not get more coal out without these additional facilities. Then I might instance the case of the doubling of the line above Allahabad, which is another case where we have met with opposition. We first asked for that in 1914, but we have not got any further forward yet. It is only a matter of permanent way. The formation had been made for the second track.

6828. (*Chairman.*) When was the line made double up to formation level?—In the original construction. It was then estimated that the cost of the second track would be Rs. 60,000 a mile.

6829. (*Mr. Hiley.*) What is the mileage?—It is 260 miles from Allahabad to Tundla. The estimate for the whole of the doubling was Rs. 1,57,85,000. The cost per mile was Rs. 60,713. We cannot buy the permanent way material now for Rs. 60,000 a mile. The reason that the Railway Board gave for refusing sanction to that was that any surplus traffic which we had could be diverted to the Oudh and Rohilkhand Railway at Mogulserai. Our argument was that it was much better to keep it on the East Indian Railway as long as possible, and that the Oudh and Rohilkhand had quite enough traffic of their own. We were overruled in that. In connection with that, complaints have been made from time to time that the Oudh and Rohilkhand Railway have not been able to take over the number of trains that we wish to give them at Mogulserai if congestion is to be avoided on the East Indian Railway above Allahabad. Only last week the Agent in his letter to the Chairman said:—

"The usual weekly note on the wagon position is enclosed. You will see that the difficulties on the Oudh and

[1] The witness subsequently drew attention to the following further extract which he had intended also to read to the Committee:—

"Later, in consequence of this and subsequent recurring difficulties in obtaining funds to admit of the provision of extensions and facilities the trade of the country served by the railway demanded, the Board applied for and obtained Parliamentary powers to raise from time to time, with the permission of the Secretary of State for India, such money as might be required. But even this was afterwards found to afford little help inasmuch as it was apparently held that the total outlay in India on Public Works was limited by Parliamentary orders, and that consequently the operations of the East Indian Railway must necessarily be restricted—a ruling that has had a serious hampering effect."

Rohilkhand Railway are still having a very cramping effect on our traffic. Not only are we continually compelled to restrict booking, but the inability of the Oudh and Rohilkhand Railway to take coal traffic for the North-Western Railway necessitates this going by our main line, and still further restricting our capacity. Unfortunately we have a suspicion that when conditions do improve from time to time the Oudh and Rohilkhand Railway are more anxious to move their own local goods than to carry through traffic. This is perhaps natural, but it works unfairly when we have to heavily restrict our local traffic because the Oudh and Rohilkhand Railway cannot take over trains. It is quite obvious to me that in the interests of the country at large we should have some power of control over the traffic working of the Oudh and Rohilkhand Railway in times such as the present, when they have to curtail trains."

6830. Were any steps taken towards doubling this section?—None.

6831. You raised the question in 1914 but never got any further?—We prepared estimates and we have been pressing for it repeatedly since.

6832. The Government made an answer which has something in it?—Undoubtedly.

6833. The Railway Board having said you ought to relieve the line by diverting to the Oudh and Rohilkhand, have the Railway Board ever taken any steps to bring them together and press you to come to terms?—We had no difficulty in coming to terms. We arranged that the Oudh and Rohilkhand should take so many trains a day, but they are not able to do it now, and have not been able to do it for some time.

6834. They told us that if they had two more engines they could take one more train?—But that is no use.

6835. It is quite obvious that the line is emptier than yours?—I do not know now.

6836. There is another question, that they could by shortening block sections and so on take more traffic?—No doubt.

6837. What I want to get at is this. The Government said that there was another policy?—Yes.

6838. Did the Government really take any steps to see that that policy, which they said was the proper one, was put through or did they merely leave you to make arrangements?—They merely left us to make arrangements.

6839. (*Sir Arthur Anderson.*) As far as my recollection goes, the Oudh and Rohilkhand complained that they never got notice from the East Indian Railway in time to make arrangements necessary to avoid delay in the haulage of coal diverted over their line?—That is a complaint I never heard of.

6840. (*Chairman.*) The Oudh and Rohilkhand Agent said that they had to make hand-to-mouth arrangements for diverting something one day and something another when they were overflowing?—They would not agree to give any fixed number of trains.

6841. There is no arrangement for a permanent apportionment of traffic so as to fill both lines?—No. The result is that we get into a bottleneck at Allahabad.

6842. (*Sir Henry Burt.*) I suppose, having regard to what is said in that last letter, the present position is affected a great deal by the strike on the railway?—I thought so when I first read it, but I do not think so now. I think it is quite clear it has nothing to do with the strike.

6843. The strike is still on, as far as I know?—I think it is settled.

6844. (*Chairman.*) They wanted to take care of their own local traffic first?—It has been reported to us from time to time that the same difficulty has occurred. I know from my own experience when I was Agent that the same thing happened.

6845. (*Sir George Godfrey.*) There is a little misunderstanding. As far as I can remember, the position the Government took up was that the war had broken out and that they could not allot money for the work, although it had been under consideration. There was the Oudh-Rohilkhand alternative route and they said that had better be used. As far as I can remember, every effort was made to use that alternative route. Then came the period after the war, during which progress has not been made, and that is no doubt due to the shortage of money. I do not think, as far as I can remember, that the Railway Board ever said that you did not require that doubling?—They did, most certainly. Sir Arthur Anderson will vouch for that.

6846. (*Sir Arthur Anderson.*) What I think they said was that this alternative route existed and that in the circumstances then ruling it should be made use of to the fullest extent?—Yes, and that was said before there was any question of a war. The thing originated in 1912.

6847. (*Mr. Hiley.*) Have you continued to represent it as an urgent work?—We have got tired of saying anything since 1916. It is put into our budget every year.

6848. And does it get struck out?—Every year.

6849. (*Sir Rajendranath Mookerjee.*) Have you reported that to your Board here?—Yes, but we cannot help ourselves.

6850. Have they taken any steps?—They wrote very strongly about it for several years, but you cannot keep on doing so for ever.

6851. I suppose the Grand Chord is even more urgent?—I should say the Grand Chord was even more urgent.

6852. How much have you got for it this year?—I am afraid I have not the figures here, but I think they were given in Mr. Hindley's evidence. They are both extremely urgent.

6853. Could you tell us when the Grand Chord is likely to be completed and ready at the present rate of progress?—I think it will be completed by the end of this year, up to near Gya practically. They will not get into Gya, as there is some heavy work to be done there. There is also another point I wish to refer to. Boards in this country are sometimes useful, I think, in checking extravagant expenditure and in putting a stop to schemes of doubtful utility, and I should like in that connection to quote the Delhi station.

6854. We have had that in evidence already, unless you want to add to it?—I only want you to understand that if the Board of the East Indian Railway had not exerted themselves to put a stop to that extravagant scheme it would probably have been proceeded with.

6855. (*Sir Henry Burt.*) You are referring to the terminal station at Delhi?—I am. There was no opposition raised to it in India, except on the part of the East Indian Railway. There was a scheme got out in connection with the new city developments, and they proposed to put a station, at the cost of something like 1½ or 2 crores, in a part of Delhi that would have been no use for probably a century to anyone except the people who were going to live in the new capital.

6856. (*Chairman.*) That was to be on the site where the new city is. Do you mean the last New Delhi or the last New Delhi but one?—The latest New Delhi. The result of this scheme was that the Boards here, headed by Colonel Gardiner, who was then Deputy Chairman of the East Indian Railway, had a meeting with the Secretary of State, in March 1914, with the result that a very much better and cheaper scheme was put forward. For years to come there will be no necessity for any-

thing like the expenditure that was contemplated at the time the station was first proposed. Then with regard to technical education, I was present in Calcutta when Mr. Chowdhury gave his evidence, and I think he said that we did not cater for the Indian who wanted a mechanical training. It is true to some extent that we do not at present for the better class, but we have been very anxious to do it for some time. Sir Rajendranath Mookerjee knows that there was a scheme put forward some considerable time ago which has not got much further. I suppose it is blocked by the Education Department.

6857. We were told it was for want of money to build residential hostels for the students?—I do not know how it really stands. I made enquiries when I was in Calcutta last cold weather, and they said it was the Education Department of Bihar and Orissa that was holding it up. It is a very desirable thing.

6858. (*Sir Rajendranath Mookerjee.*) You want a grant?—We want them to share in the expenditure on certain conditions.

6859. They said they had no money?—I think Mr. Hindley has given the details of the scheme to you. I only mention it because I think it is very desirable that it should be pushed forward. We have great difficulty in getting covenanted employees from this country and when we do get them out they give us a great deal of trouble in differentiation in connection with leave, allowances, passage home, and that sort of thing, between them and the people who are trained in the workshops in India. I have it on the best authority that some of our employees who have been trained in the Jamalpur workshops, our own apprentices, have risen to quite as high positions in the subordinate grades and are quite as capable as the men we have been getting out from this country. It is only a matter of extending the training.

6860. (*Mr. Purshotamdas.*) When did you start training these people in the workshops at Jamalpur?—It probably started about five years ago.

6861. And the East Indian Railway has been in existence for 70 years now?—Yes.

6862. Why was not an effort made earlier?—Because there was no desire on the part of the Indian of that class to take up this kind of work or to extend his knowledge in this direction.

6863. You mean that there was no desire expressed?—Yes.

6864. Or no experiment was made with them until it was found that they were ready to assert themselves?—No, I do not think so. It is only in the last few years that the Indians of the class we want to train have shown any marked desire to take up this line of employment. You know quite well that, as a rule, they do not care for soiling their fingers.

6865. I am afraid that has been said several times, but I do not agree with it. Twenty or thirty years ago you could find Indian engineers of the best kind?—I do not think they were inclined to go through the course of apprenticeship that a good many of them are doing now and bear the rough and tumble of an apprenticeship.

6866. (*Chairman.*) We have had a good deal of evidence that the Indian feeling in reference to civil engineering and mechanical engineering is quite different, that they are quite ready to be civil engineers but not ready to have the rough workshop training of a mechanical engineer actually working at the bench?—That is my experience.

6867. (*Mr. Purshotamdas.*) That is with the Indian graduate?—Yes.

6868. Are your apprentices all educated men?—Yes, they must be.

6869. Are they all graduates?—No, they are not educated as far as graduates. They come from the class which may be described as the sub-inspector class of the Public Works Department.

6870. Have you any idea what the education standard is? Do they know English up to any standard?—Yes.

6871. (*Sir Rajendranath Mookerjee.*) The times have changed now, you think?—Yes, I hope the Government of Bihar and Orissa will do something to help us.

6872. (*Chairman.*) Your own feeling is that it is in the interests of the Railway Company to get them trained?—Undoubtedly.

6873. You feel that it is not only a debt that you owe to Indians but a benefit to yourselves?—Quite so. I look at the thing as much from the one point of view as the other.

Although I have not put in a statement in reply to the questionnaire, I have a few remarks which I might perhaps make now as a sort of summary of my views. In any scheme for a combination of English and Indian management ultimate control must rest either with the board in England or with the board in India. My own opinion is that the control should continue to be exercised by the home board, as in the case of the East Indian Railway. This has been eminently successful in the past. I should, however, be prepared to extend the system of appointing Consultative or Advisory Committees in India, and to include in such a wider representation of public interests where this was considered advisable. Even assuming that much of the business now done by London Boards, such as stores, appointments, &c., could be done by the High Commissioner for India, I think it is extremely doubtful whether the results would be equally satisfactory. If experience and knowledge of requirements count for anything—and personally I attach a great deal of importance to this—I think the work would be more efficiently managed by the London boards than by the High Commissioner. In regard to stores, the boards have a very intimate knowledge of requirements and can keep their Agents up to date in the latest developments. In the matter of engaging staff, I venture to say that greater care is exercised in selection than is possible in a Government Department, and the staff become better known to the board than in the case of State railways. The home boards can rely upon recruiting directors who have had a long and intimate experience in responsible positions of the working of railways in India, and the knowledge of their requirements must surely be a valuable asset. It has been shown that in the past the home boards have been of considerable service by useful criticism of schemes which had been proposed in India and in checking expenditure on works of doubtful utility, and this function, exercised by an impartial body of men who are qualified to judge the question at issue, is, I think, of considerable value to both the Government and the public. If, therefore, it is decided, for political reasons, that the management of the railways should be transferred from London to companies domiciled in India, I am very strongly of the opinion that the home connection should not be entirely severed. The knowledge and experience of Indian railways, which is available in this country, and the policy which has resulted in successful management in the past, would be extremely useful to a railway company domiciled in India, even if the functions of the London board were only of an advisory nature. To completely sever all connection with the personnel of which the home boards are largely comprised would, in

my opinion, be a somewhat dangerous experiment, as the Indian directors will not have the requisite knowledge and experience, and the management would be left almost entirely with the agent, who would presumably be the chairman of the new board. In saying this I do not mean to imply that the agents of the railways in India are not capable, but to undertake such responsibility would, I think, be throwing too much on the shoulders of one man; and speaking from my own experience and knowing the many intricate problems which such management involves, I was always glad to obtain the views of those who, from intimate knowledge of the conditions, were able to give sound advice.

6874. (*Chairman.*) You say that you have checked unwise and extravagant schemes?—I have instanced them.

6875. You gave us Delhi. Can you give us any more? You have given us plenty of instances where you endeavoured to get more money spent, but I think Delhi is the only instance of endeavouring to prevent money being spent?—That is true.

6876. As I understand it, your view is that ultimate responsibility must rest in one place?—Yes, with one body.

6877. If you have a board in England and a board in India you can conceive the Indian board being advisory, or you can conceive the London board being advisory, but you cannot conceive two boards each having powers?—That is so.

6878. (*Sir George Godfrey.*) Having full powers or any powers.

(*Chairman.*) Having irrevocable powers?—I believe it has been done—I believe railways have been managed on those lines, but I am very doubtful if it is possible.

6879. What have you in your mind?—I was thinking of the Egyptian Delta Railways.

6880. That evidence was of no value. We were told that the Argentine had boards with some powers, and we investigated that subject and they turned out to be people merely holding a power of attorney revocable at a day's notice. I do not know of an instance, unless you can suggest others?—I am sorry to say that I cannot.

6881. Will it be possible to delegate financially and irrevocably any specific powers? It has been suggested, for example, that you could delegate powers to fix the wages of the subordinate staff?—I would rather do it in an advisory sense.

6882. (*Mr. Purshotamdas.*) Would the Indian board be advisory or the English board be advisory?—I think it would entirely depend on where the capital lay. If you got much capital in India then I think the ultimate control would have to go to India. On the other hand, if you are disappointed in getting funds in India and you have to raise money in this country, I think the control should lie with the board in this country, and that the Indian board, in that case, should be only advisory.

6883. Supposing we got the cheapest money in America, would a board in America be necessary? Would you think it reasonable that a board was necessary in America because the money was got from America?—Certainly not.

6884. Has not London lent a large amount of money outside the Empire?—Yes. There would be no reason why in time Americans by financial interests should not control a board in Calcutta, but not by a board sitting in America.

6885. With regard to this question of the difficulty of the board here in rejecting the scheme with regard to Delhi, I do not wish to minimise the credit due to the board here, but I wish to ask you whether, if there was any adequate Indian representation on railway matters in India, you do not think they would have protested against it still more vehemently than you did earlier, and perhaps I will not say with greater economy, because probably you went to the extreme of economy in the suggestion you put forward. With some sort of adequate Indian representation on railway matters, either in the shape of State management or company management, do not you think they could have done it at least as well as the boards in London?—I do not think there would have been any opposition.

6886. Why not?—I was the only one that did oppose it myself, and I could not get any support in India.

6887. What were the conditions then—that the Government of India and the Railway Board put up the scheme and you were to approve of it. If you, the Company's Board, had not done that, I do not know what would have been said to you. If there was an Indian board or Indian State management, and the Council had any sort of voice in the matter, they would have done equal justice to it, if not more?—I certainly hope so.

6888. I do not want to take anything away from the credit due to you?—That is quite possible.

6889. Regarding the other point you mention, that you think the boards here are very useful, I almost thought you said they were necessary for the purpose of purchasing stores and machinery?—I did not say necessary. I am quite prepared to admit that the work could be done by the High Commissioner or the Stores Department of the India Office, but I do not think it would be so efficiently done.

6890. May I ask if for the purchase of railway stores for Australian, New Zealand, Canadian or African railways they have boards here, or do their High Commissioners do the work fairly well for them?—I do not know.

6891. I understand they have no boards. These Colonies have not found it necessary to have boards for the purchase of stores, and if they can rely on their High Commissioners may not we take it that India would be equally satisfied?—These are State railways. It is done by the State railways in India now. What I maintain is, that it is more efficiently done by the company boards. I think the cost is not any greater than it would be if it were done by another agency.

6892. Please do not mix up the question of costs at this stage. The various other parts of the Empire have not found it necessary to establish boards in London for the purpose of inspection or purchase of stores and machinery; why should there be one for India? The High Commissioner can do it as well for the Indian railways as he can do it for the various Government departments?—It is only my opinion. You have an indent being scrutinised by a person who has an intimate knowledge of what the article is going to be used for, whereas in the other case you have the same indent being scrutinised by someone who has no idea of what it is to be used for.

6893. (*Chairman.*) Do you think that as a matter of practice the stores and equipment required for the North-Western are bought less economically or less efficiently than the stores required by one of the other railways?—I could not say, but I should be much surprised if they were bought more cheaply.

6894. From your experience have you any reason to think that they are bought less successfully by the State railways?—I think so.

6895. (*Mr. Purshotamdas.*) Could you oblige me with one or two instances of the direction in which you think the East Indian Railway buys better material or at lower rates than the High Commissioner does for

the North-Western?—I could not give you any instance except one case which came to my notice when in India. We were very short of rails and we wanted something like 150 miles for developing yards, sidings, branches and so on. Mr. Hindley heard from the Railway Board that a firm in Calcutta were offering them, I think, 10,000 tons of rails lying in France at 17*l.* a ton. Only a few months ago he knew that the price was 25*l.* a ton for new English rails, and we had bought 100 miles of them at that price just before I went to India. The Railway Board had been considering the offer from the firm in Calcutta for something like three weeks, and Mr. Hindley wrote to me and asked me what I thought of it, and I wired home asking the price of rails, and the reply came back within a couple of days that it had dropped to 17*l.* a ton, which was exactly the price that the firm in Calcutta wanted for second-hand rails. They were rails that had been rejected in France and were lying in a heap. When the vendor was approached he said that there must be no inspection of rails, and they must be taken as they stood. That is a case where, I think, the board was of some use, and my knowledge was of some use, because I knew that the price was falling rapidly. The Railway Board were within close touch of taking them. In fact, it is not quite settled yet whether there will not be litigation over the matter.

6896. (*Sir Arthur Anderson.*) They had been thinking over it for three weeks?—Yes, and they had plenty of time to wire to the High Commissioner.

6897. But they hesitated?—Yes.

6898. (*Chairman.*) It seems to me, after all, that a telegram to the editor of a trade paper would have brought information without the need of a board?—Exactly, but I, as a member of the board, happened to be in Calcutta.

6899. (*Mr. Hiley.*) If you had been in London perhaps you would not have heard?—I think I would.

6900. (*Mr. Purshotamdas.*) There is an association, called the Indian Engineering Association, at Calcutta, and their chairman, in giving evidence before this Committee, said that the company railways did not encourage local manufacturers in India of machinery or stores, or did not buy from them, and he said that it was only during the period of the war that they got any sort of orders at all for wagons. Do you think that more could have been done in that direction in the past, or do you think what was done is the best that could have been done?—I am very glad you have mentioned that, because it is wrong to say that it was only during the war we tried to place orders in India. After the Coal Traffic Conference of 1912 the Railway Board were graciously pleased to give us sanction for 12,000 wagons on the recommendation of the Coal Traffic Conference, the President of the Conference being the then President of the Railway Board, and at the request of the Railway Board we placed an order for 750 wagons with Messrs. Burn & Co. for delivery in Calcutta. It cost the East Indian Railway Company 10,000*l.* more than would have had to be paid if the wagons had been obtained from England through the board, that is to say, the experiment cost us 10,000*l.*, and it was two or three years before the wagons were supplied. There was not a single scrap of material manufactured in India. All Burn & Co. did was to put the wagons together, which we could have done ourselves in our own workshops. Everyone knows that at the present time it is quite impossible to get materials for wagons in India. I think the time will come, and when it does we shall be very pleased indeed to order things in India of that kind. At present it is only putting money into the pockets of a firm in Calcutta or Bombay, who have to obtain the material from England.

6901. You said that you were in favour of the London boards?—Yes, I should prefer them.

6902. London boards mean a total absence of Indian opinion on the boards, do not they?—Yes.

6903. Do not you think that is a very great handicap to an organisation that has to be run in India and serve Indians, generally speaking, both commerce and the public?—I do not think so, because the board keep themselves in very close touch with the conditions in India. You must remember that we have a Consulting Committee, and we hear their views, and the agent conveys their views to the chairman of the board. We get papers from India and we know what is going on. A member of the board frequently goes to India and gets first-hand information of the conditions there. I do not think it is anything of a handicap. I should like very much to extend the system of Advisory Committees and to give them more power. I must plead rather guilty in regard to Cawnpore—I think we should have started an Advisory Committee there, but I never had time to work it up.

6904. In your opinion a total absence of Indian representation on the board is not a handicap, and not a thing against which the Indian public is justified in protesting very strongly?—For the reason that the decisions are come to by an absolutely impartial body.

6905. It is not a handicap in your opinion?—I do not think so.

6906. And the Indians should have no grievance on that score?—No. I am quite sure my board would give every consideration to anything put forward.

6907. What sort of questions do your Advisory Committees deal with?—It is their option to bring forward complaints. They know what is going on. We have meetings monthly, and the members are consulted when there is anything to discuss.

6908. But they can only discuss what the agent brings up, and certain statements I understand—I speak subject to correction—are only put before them and things have to be recorded, and if the agent wishes to bring up any other subject then it is discussed?—Yes, but we always welcome any criticism.

6909. Have they given you any useful assistance or have they helped you to understand the Indian point of view better?—I think so. Matters have been frequently brought forward in connection with passengers' complaints, fares and rates. I should like to extend the scope of the work which they have to deal with and have meetings more frequently and spread them out in other directions.

6910. Your warehouse at Howrah is being used by grain merchants, and you have put up the rate of wharfage lately very high?—We were obliged to do that.

6911. The grain merchants at Calcutta protested against it very strongly?—I daresay they did.

6912. And there was a conference between the grain merchants' association and your general traffic manager?—I am speaking of the time when we had the Coal Traffic Conference.

6913. I am speaking of something which happened last December?—I am afraid I am not aware of the facts, but I believe there was some trouble.

6914. It was a question of a tug of war between the railway and the grain merchants, and it was never put before the Consulting Committee there. Do you think any Consulting Committee

like that could adequately satisfy Indian interests or Indian requirements?—I know something of what happened before. They were making a convenience of our sheds and godowns and were not taking delivery, and we had to raise the demurrage rate to get them to take their goods.

6915. I do not want to go into details, but there was an important question between the Grain Merchants' Association and your railway, so important that the Grain Merchants' Association finally appealed to the Railway Board, and a question of that importance was not put before the Consulting Committee of the East Indian Railway at Calcutta?—I think it is a matter which might be usefully discussed. I do not know the details.

6916. (*Sir Rajendra Nath Mookerjee.*) If there were rupee capital there would be no need for contact between the Secretary of State and the home board?—It is within the powers of the East Indian Railway with the sanction of the Secretary of State to raise rupee capital now. I think probably what you mean is, if the management was transferred to India?

6917. Yes, that is so. Your board would be only useful for appointing the superior staff?—I think I have said that it is quite possible these duties could be performed by the High Commissioner. What I do maintain is that the experience of the board is of some value and ought to be taken advantage of.

6918. I quite admit that, but the public opinion in India will be to have this company after the termination of the present contract domiciled in India with rupee capital. Assuming that to be the fact, can you suggest anything from your experience of so many years in India as to having some sort of link between the present London board and the new board in India, say a board constituted of nine members, three in London and six in Calcutta, the work being divided and important matters settled by correspondence between the two boards?—I think it would be an excellent arrangement if it could be managed. I doubt if it is practicable, as there might be jealousy and conflict to some extent.

6919. (*Mr. Hiley.*) You said in your evidence that one board would have to be purely advisory?—That is my opinion.

6920. It could not be more?—I do not think so.

6921. (*Sir Henry Burt.*) Do not you think that possibly the usefulness of these Advisory Committees would be increased if the agent was definitely required to bring forward for consideration all subjects of importance?—I do.

6922. At present he has no definite instructions in the matter at all—it is just left to him. Take a case like that Mr. Purshotamdas was referring to. If it were laid down that all important questions were to be referred to the Advisory Committees it would very greatly extend their usefulness?—I think so, and I should like to extend the representation on the board.

6923. (*Sir George Godfrey.*) In connection with the suggestion made just now with regard to enlarging the powers of the Advisory Boards or giving them more work to do, you said you would look on them as being merely Advisory Boards and not having any powers, the London board having the final powers. Would it not be possible to delegate to local boards certain powers under the London board, that is to say, give them certain powers to dispose of work, but if there was disagreement between the local board and the agent, then the home board should have the ultimate decision?—Yes, I think that is quite possible.

6924. I think when one begins to consider these matters one is rather put off by direct questions as to who has the ultimate control. Of course the ultimate control must be with the Government of India. The home board have certain powers, but they are modified and restricted, and when you talk about the ultimate control that ultimate control is either with the Government of India or with the Secretary of State. But that does not remove the fact that railways are being managed by companies as companies, even although the decision is with somebody higher. Could not you have a local board which could do a great deal of useful work and yet have the ultimate control in London? You might give them powers, for instance, over the local staff, over the adjustment of rates and fares, passenger accommodation, traffic facilities and matters of that sort?—I think it might be possible, but it would be difficult.

6925. (*Chairman.*) As I understand Sir George's suggestion, the agent would have suspensory powers on any decision?—This is very much the lines the Government Director has with the home boards. I think if the larger portion of the capital is subscribed in India the ultimate control must be with the Indian board.

6926. (*Sir Rajendra Nath Mookerjee.*) Supposing the capital came from India would you have the Advisory Board here?—I think that is the only way it could be managed.

6927. (*Chairman.*) I have heard a rumour that Mr. Hindley is leaving the service of the East Indian Railway?—I am very sorry to say it is true, and I should like very much if this Committee would record their disapproval of such action on the part of semi-public bodies. It is a matter of more pay. The position of Agent of the East Indian Railway is much more important to the Government than that of Chairman of the Calcutta Port Commissioners.

6928. May we take it as definite public knowledge that he has resigned?—He has.

6929. And that he has gone to the Calcutta Port Trust?—Yes.

6930. And we may presume that that is not a more important function?—I think it is much less important.

6931. We may, therefore, take it that the reason is one of emolument?—Entirely. The East Indian Railway was quite prepared to give him the terms if they could have got the consent of the Government. We were trying to get him an extra Rs. 500 to bring his salary up to Rs. 4,000, and we were in hopes of getting that, but if we tried to get the Rs. 5,000 which he is to get with the Port Authorities, we might as well cry for the moon.

6932. We may put it this way. As it is a point of definite public importance, you regret losing one of your men who has gone to a position of less importance because the emoluments in his old post are entirely inadequate?—Yes.

6933. You have no objection that being part of your evidence?—None whatever.

6934. (*Sir Arthur Anderson.*) The salary the Port Trust is giving is sanctioned by the Government, is it not?—By the Local Government.

6935. (*Mr. Hiley.*) You have not yet got approval to increase it from Rs. 3,500 to Rs. 4,000?—Not yet.

6936. (*Sir Arthur Anderson.*) The pay of the position was formerly Rs. 4,000, was it not?—No, Rs. 3,500, with a personal allowance of Rs 500.

The witness withdrew.

Adjourned to Wednesday next at 11 a.m.

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Wednesday, 18th May 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

SIR A. R. ANDERSON, KT., C.I.E., C.B.E.
SIR H. P. BURT, K.C.I.E., C.B.E.
SIR G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
SIR H. LEDGARD.
SIR R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
THE HON. MR. V. S. SRINIVASA SASTRI.
MR. J. TUKE.

MR. T. RYAN, C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

MR. H. F. HOWARD, C.S.I., C.I.E., Controller of Finance, India Office, was recalled and further examined.

6937. (*Chairman.*) I just want to ask you a few questions on one or two points before the other members of the Committee question you. Looking at your previous evidence, I see that you spoke of the Secretary of State as the banker of the companies?—Yes, in one sense. That is one aspect of his relations.

6938. Am I not right in thinking there is a very essential difference? Supposing the London and North-Western Railway raised 3,000,000*l.* of debentures, clearly the moment the money was paid in they could draw a cheque and take it out again?—Yes, that is so. That is an essential difference.

6939. You agree that that is an essential difference: the other people cannot get it back?—Yes, I agree with that. Sir, before the other members ask me questions there are one or two loose ends in my previous evidence I should like to say a word or two about, and if you will permit me to do so I should also like to make one or two general remarks. Incidentally the question of the South African railway facilities happened to be touched upon when I gave my evidence last Friday, and I rather gathered that my remarks on that point were questioned, or at any rate my evidence might be read as if it were questioned. On my return home I looked up certain papers that I have. I find in the report of one of the South African colliery companies this statement in reference to railway working.

6940. What is the date of the report?—It is the report of the proceedings held on the 28th January 1920. This statement is made: "Loss "of time through shortage of railway trucks "was again a prominent feature. There were "spasmodic improvements in this respect, but "unfortunately no general improvement is as yet "apparent." I have not any personal knowledge of South Africa, but I have followed this and similar reports for a good many years before the war, and if the Committee would like any further confirmation of what I have said I shall be very glad indeed to try and get it from some of these South African colliery companies which I believe have offices in London. I think this point is rather relevant, because the advocates of a separate budget, I take it, from what was stated the other day, base some of their arguments at any rate on rather *post hoc ergo propter hoc* grounds, and if it can be shown that in one case where a separate budget is in force the result has been no better than in India that fact will have, I think, quite a material bearing on the general question.

6941. (*Mr. Hiley.*) Does not every English colliery company grumble about the shortage of wagons? I have had a good deal to do with English colliery companies, and I have never heard of one of them that has not grumbled. I think you will find that all over the world; it does not prove anything?—If you admit that, that is exactly my point—that it does not prove anything as to the particular system of management.

6942. (*Chairman.*) With great respect, is not there an enormous difference between the grumble of a particular trade, even supposing it continues over a series of years, and a grumble from every trade all over the country?—I quite admit that; I think that is a fair criticism on what I have said. My point was that the vital failure of Indian railways is in respect to the collieries, and the vital failure, as I take it, of the South African railways is in respect to the collieries. Those are the two key trades.

6943. You say: "The vital failure." I do not think that is our evidence. Our evidence is that Madras is no better than Asansol. We shall be glad to have any evidence you like to give us, but I think what Mr. Hiley said may be taken as the view of the Committee, that there is a great deal of difference between a particular trade and all trades?—Quite so, but is it not partly the necessity for diverting a very large volume of rolling-stock to meet the urgent demand of collieries and connected industries in India that has resulted in the shortage of wagons for general purposes there?

6944. Are you now going to give us evidence that the collieries have absorbed all the wagons and left the Cape agriculturists high and dry?—I am afraid I am not familiar enough with South Africa to deal with that question.

6945. That would be the analogous case?—I am merely anxious to mention this point because I thought as my evidence stood it might look rather as if I had spoken loosely and without any sense of responsibility for the statements that I had made.

6946. Oh no, surely not?—The second point to which I wish to refer relates to a much more general matter. It has been suggested, I understand, that separated budgets would, apart from the question of the treatment of railway revenues, help to secure to the railways a larger or more regular supply of capital. I think it might be useful in connection with this suggestion to place on record, if the Committee does not already possess the information, what is the actual method of procedure leading up to the settlement of the railway capital grant as distinct from the railway

revenue grant. I do not know whether you have had that point in evidence, sir.

6947. Yes, I think we have had the process very fully described. We had a very full memorandum from Sir Henry Freeland; but we should be glad to have it again from your point of view?—I do not wish to give it in any detail. If the general procedure is known to you, I can deal with that matter very briefly.

(*Chairman.*) You may take it that we know all about July forecasts and provisional grants.

6948. (*Sir George Godfrey.*) I think he means as between the Railway Board and the Finance Department?—The particular matter to which I wish to refer is the manner in which the budget is settled by the Government of India *qua* Government. After these preliminary discussions to which you have referred between the Railway Department and the Finance Department, the proposals ultimately come to a head, when the budget proposals as a whole are put before the Viceroy's Executive Council at the beginning of January. The point I wish to make then is that the decision there arrived at is the decision of the collective Government in which all members of the Governor-General's Executive Council have an equal say. There is no question of the grants being settled by the *ipse dixit* of the Finance Member nor, of course, the Railway Member, any more than there is any question of the Army grants, for instance, being settled by the Finance Department alone or by the Commander-in-Chief alone. They are common decisions of the whole Government, which are settled very often after considerable and protracted discussion, and after hearing everything that all the members who are interested in the subject have to say. In fact, in any case if there is a difference between the Finance Member and the Railway Member, who is at present, as you mentioned the other day, also the Commerce and Industry Member—but the same would be the case if he was merely the Railway Member—if there is a difference between those two members or any members of the Viceroy's Executive Council on any question, that question must automatically be referred to and be determined by the Government as a whole. That is of course the case in any Cabinet Government, but I think it is rather important to emphasise this particular point, as some of the advocates of separate finance are rather apt to ignore it, and such an important question as the settlement of the railway grant, which always gives rise to a great deal of discussion, both among the general public and also in the Legislative Council as it was, and in the Legislative Assembly as it is now, would inevitably, apart from it being a budget question, be considered on its merits by the whole Council beforehand. What it seems to me some of the advocates of a separate budget system have in view is that the Railway Member should by some means or other be enabled to ensure that his views will be adopted by the Governor-General's Council as a whole. Personally, I find considerable difficulty in seeing how there can be any difference in this respect under a system of separate budgets. The question is ultimately one of individual personality, and it must continue to be so, whether the Railway Member is solely entrusted with the charge of the Railway Department or whether he also has, as at present, charge of other departments. As regards the appointment of a Member of Council for Railways alone, which I rather gather is part of the scheme in the minds of some of its advocates, in so far as I can gather from the reports in the newspapers, this is a matter which is bound up rather with the more general question of the distribution of the portfolios in the Viceroy's Council. There have been similar suggestions for a re-separation of the Commerce and Industry Department on the ground that the interests of those two branches of the Government are in some way conflicting. But it has to be considered that every increase in the Members of Council tends to affect the despatch of business. At any rate, there are certain advantages in the Railway Member also having charge of a department like Commerce or Industry, since he is thus enabled to be perhaps more intimately conversant with their requirements than he would be if he was solely attending to the railways, since the railways, of course, do not exist for themselves alone; they exist in order to meet the requirements of trade and industry generally.

6949. (*Chairman.*) May I just ask a question arising out of that? As we know, the organisation of the Commerce and Industry Department is an ordinary organisation, with the Secretary of the Government under the Minister?—Yes.

6950. The organisation of the Railway Department is different?—Yes.

6951. In that case there is a board?—Yes.

6952. Would it be true to say that the effect of his having, so to speak, direct contact with the whole office on the commerce side and less direct contact with the railway part of the business would tend to make the Minister regard commerce as his own child and the other subject as, let us say, his step-child? Is there anything in that criticism?—I think there is perhaps something in that criticism. I think that must depend to some extent on the affections and personal inclinations of the member in charge of the department. Personally, I have not any very strong views about this question of a separate Member for Railways; I do not wish to express any strong views about it or to press any particular suggestion with regard to it. What I was concerned to show was rather that the mere creation of a separate department with a separate member would not, in so far as I could diagnose the position, materially change the ability of the railways to secure more funds or more favourable treatment.

6953. When you say there is something in what I have called for short the "step-child" position, that rather implies, does it not, that if there were a separate Minister for Railways it would be his own child and not a step-child?—Quite so, but at the same time as that separate Member for Railways becomes a member of the Government as a whole it also becomes his duty to consider any problems arising in connection with the railways in their place in the administration as a whole as well as from the point of view of railways.

(*Mr. Sastri.*) I rather thought we began from the point of view of the consideration of the question of a separate budget for railways; we are now drifting into the consideration of the question of a separate Minister for Railways.

(*Chairman.*) It is both, a separate Minister with a separate budget.

6954. (*Mr. Sastri.*) You could have a separate Minister without a separate budget?—My point was that a separate budget implied a separate Minister. The question of a separate Minister was raised in connection with the proposal for a

separate budget, and I merely wished to represent that the fact of having a separate Minister would not necessarily secure for the railways all that the advocates of a separate budget *cum* separate Minister hoped that it might give. The next point with which I wish to deal is that at which you left me at the end of my previous evidence. You then asked me to let you have certain figures which I have got out, but before I hand them to you it might be convenient if I continued my answer to a question which you asked me—and which I never finished answering—about the system of advances to the companies. I was proceeding to answer that question when one or two technical points cropped up, and we were still pursuing those when the Committee rose. I said in general terms that the advances in order to provide for fresh capital construction were made by the Secretary of State to the companies.

6955 (*Mr. Tuke.*) I think you said "overdrafts"?—I used both words.

6956. They are two different things?—In strict technical terminology it is possible that advances and overdrafts are two different things, but we use either term generally to cover the particular transactions which I am describing.

6957. I am quoting the expressions used in the Railway Administration Report; they are there classed under different heads?—I stand corrected on that point. I am not sure what the classification is in the Railway Administration Report.

6958. Perhaps you would like to see it. I have it here?—Yes, I should like to see it, but may I complete my answer to the question first; otherwise I shall never get to the end of it? Perhaps you will kindly ask me afterwards about the different kinds of advances; I did not know they were classified in detail as overdrafts and advances, or what exact difference was made between them. I was rather taken up the other day on my mentioning "advances made to the company." That is an expression which has been generally used, perhaps loosely used. The exact position is that the advances are made to the company for the purposes of the undertaking. Perhaps I can meet another difficulty which Mr. Tuke raised the other day by a loose and perhaps not altogether accurate description of the relations between the Secretary of State and the companies in the matter. They stand perhaps in the form of two partners, as it were, in a firm, of which one partner advances money. He does not advance it to the other partner and thereby increase the latter's capital; he advances it to the firm, though it passes through the hands of the other partner for the purpose of spending it. The exact method of treatment of the advances depends on the contracts with the companies. The contracts fall roughly into two groups. The older group contains the East Indian Railway, the Great Indian Peninsula, and the Assam-Bengal. In the case of that group, the surplus profits are divided in some fixed ratio. The other group is a later group and may be described roughly as the partnership group.

6959. (*Chairman.*) Would you mind waiting till I clear my mind on this point? You say the ratio is a fixed one?—The ratio is fixed by the contract.

6960. In the case of the East Indian Contract it is 5 lakhs certain, then a smaller proportion and then a much smaller one again, is not it?—Yes, that is it. That is what I meant by a fixed ratio. The ratio is fixed irrespective of the capital that each has in the line. The later group may be described loosely as the partnership group. Under this the profits are divided in proportion to the amount of capital which the Secretary of State and the Company respectively hold in the line.

6961. (*Sir Rajendra Nath Mookerjee.*) The holding of the Secretary of State and the Company respectively at the time?—Yes, the holding at the time. That will be clear when I come to explain how these advances are treated.

6962. (*Mr. Tuke.*) Perhaps you will allow me to quote from a handbook for use in the office of the Accountant-General of Railways, in which the statement is made:—"The following railways "were purchased by Government on the dates "mentioned against each and are now the absolute "property of the State:—(1) East Indian Railway, "1879; (2) Eastern Bengal Railway, 1883; (3) "Sind, Punjab and Delhi Railway, 1885; (4) "Oudh and Rohilkhand Railway, 1887; (5) South "Indian Railway, 1890; (6) Great Indian Penin-"sula Railway, 1899; (7) Baroda and Central "India Railway, 1905; (8) Madras Railway, 1907. "The position of Government with respect to "these Companies is that Government is the "owner and lessor of the lines and the Companies "are the working agents or lessees." There is not a word about partnership?—There may or may not be anything about partnership in the Accountant-General's description of it. I safeguarded myself by saying that these contracts might loosely be regarded as partnership contracts. I did not intend it to be a legal or technical definition; I was merely describing them in that way for the purpose of explaining exactly what was done in the case of these advances. In the case of what may loosely be described as these partnership companies, where there is an advance or an overdraft this is temporarily treated as part of the Secretary of State's own capital.

6963. (*Chairman.*) Profit-sharing capital?—Profit-sharing capital. When a company raises money at the instance of the Secretary of State and this is more than sufficient to wipe out the overdraft and is not immediately spent, the balance remains on deposit with the Secretary of State, who credits interest to the undertaking at a rate corresponding to the rate at which the money was raised. In the case of companies under the old contracts, these have always had large overdrafts, or perhaps I should say advances—I am not quite certain which is the technical term in accordance with the Railway Report—and no provision exists in these contracts as to the way in which unspent funds raised by the company should be treated. As a matter of fact, there never have been in these cases any unspent funds, so that the question in practice has not arisen.

6964. That means, in other words, its debentures, because there has been no new raising of shares?—That is so.

6965. Does that mean to say that the issue of debentures has never been sufficient to wipe out the whole advance from or overdraft on the Secretary of State at the time it was raised?—That is so in the case of these older companies. In respect to these overdrafts, interest is charged against the undertaking with reference to the rate of interest at which the Secretary of State was raising money at the time when the advance was made.

6966. In this case it is the price the Secretary of State was paying at the time he made the advance; in the other case it is the price at which the debentures were originally raised?—That is

so. Now, perhaps, sir, I might give you these figures for which you asked me. They are as follows :—

COMPOSITION OF CAPITAL AT CHARGE IN RAILWAYS. FIGURES AS IN 1919–20.

Statement No. 51 *in Finance and Revenue Accounts*, 1919–20.

	£	£
State worked lines.		
Eastern Bengal	26,000,000	
North-Western	64,000,000	
Oudh and Rohilkhand	17,700,000	
		107,700,000
Indian Branch Lines.		
Companies		5,000,000
Guaranteed Companies.		
Companies' capital	24,600,000	
Debenture stock	33,000,000	
Debentures	8,000,000	
	65,600,000	
Advances :—		
Permanent	7,500,000	
Other	32,000,000	
	39,500,000	
Other Government capital excluding advances	147,200,000	
		252,300,000
		365,000,000

I should like first of all in one or two words to explain why these do not quite give the figures which you mentioned. I have taken the total of 365,000,000*l.*, which was the figure in a statement in our Finance and Revenue Accounts. That figure does not, as a matter of fact, represent the exact expenditure up to the end of 1919–20, because I have taken it from a statement for the composition of capital at charge in the railways ; that is, so to speak, the expenditure at charge in the middle of the year.

6967. "Capital at charge"—that includes the State-worked lines, the Indian branch lines, and the guaranteed companies. The branch line figure is 5,000,000*l.* Does that mean the capital found by the branch line companies in regard to which there is a responsibility on the Secretary of State?—That is so, guarantee or rebate or something of that kind. There is another point. Because I have taken the figures for 1919–20, which are based on a particular statement, my figures for advances do not correspond with the figures which I gave you the other day, which were the figures at the close of 1920–21.

6968. I do not think that matters ; we only wanted to get at the idea on which the figures were based?—There is one other general remark I should like to make. The Government capital allows for the construction cost of the railways purchased and not the actual purchase price.

6969. Had not we better go down this statement first of all?—With regard to the 107,700,000*l.* for the State-worked lines, that clearly means the total capital cost of those three railways?—Yes, the capital cost of those three railways, including the price which the Government may happen to have paid for them, plus the amount subsequently expended on them. I beg your pardon ; it is not the price which the Government paid for them, but the capital which the companies which originally owned them had raised for the purpose plus subsequent Government expenditure.

6970. The price at which the Government may have taken over the line at par at the conclusion of the contract?—May I give a rough example which does not relate to any railway? Suppose a railway had been built by a company and they had spent 10,000,000*l.* on building the railway. The Government may have had to pay 12,000,000*l.* for securing that railway, and subsequently they spent another 10,000,000*l.* on it. The capital here would be shown at 20,000,000*l.* and not at 22,000,000*l.*

(*Mr. Purshotamdas.*) Where would the other 2,000,000*l.* be shown?

6971. (*Chairman.*) We will get that later on in the table?—No, sir, I am afraid you will not. I will complete the explanation now. These particular figures have not consequently a direct relation to the actual Government debt, and they require considerable explanation to be reconciled with it, because on the debt side we do not show our annuities which we have not paid off. There are something like 65,000,000*l.* of those outstanding at the end of the year which we do not actually show in our statement of capital debt in the form of permanent or other loans.

6972. (*Mr. Purshotamdas.*) Will you kindly give us a separate figure later on showing how much premium was paid which is not included in these figures?—I can get out the figures for that.

6973. (*Mr. Tuke.*) According to the Administration Report, the total State outlay on these lines is 113,000,000*l.* In that 113,000,000*l.* there is included in round figures 10,000,000*l.* of annuities which you say are not included in your statement?—Which statement?

6974. I am taking it from the Administration Report for the same year as these figures that you have given. I want to try and ascertain where the difference lies, because one has a little difficulty in following your figures?—Being a finance man I am afraid I usually go to the figures in our Finance and Revenue Accounts, and I believe there are some differences arising from differences in classification between those two reports. I personally have never attempted to reconcile them, but probably I shall be able to get it done if desired.

(*Mr. Tuke.*) I think it might be advisable to be able to trace these figures and to show that they are reconcilable. I should like to see how these figures correspond with the Administration Report and wherein the difference lies.

(*Chairman.*) Perhaps you could help a little on that by mentioning the points where you have noticed divergencies.

(*Mr. Tuke.*) Yes.

6975. (*Chairman.*) Then they would be able to get at it?—I should like to say about these figures and accounts generally that they are extraordinarily complicated and very difficult of comprehension. Every time I deal with them I have to spend a very long period in trying to get the figures which I want. The complicated character of these statements has been recognised for many years. We have revised the system, and I hope that in the next edition of the Finance and Revenue Accounts these figures will appear in a more simplified form. Unfortunately the revision could not be done during the war, but it has been carried out since.

6976. (*Sir Rajendra Nath Mookerjee.*) You made a statement in regard to the annuities which I did not understand,—1.7. There are no annuities in the State-managed lines?—I was speaking about these lines generally, whether State lines or companies lines.

6977. (*Mr. Hiley.*) Annuities are excluded in each case?—The question of annuities does

not arise in connection with this statement, which merely relates to the actual cost of constructing the line, firstly by means of the company, if any, which constructed it, and subsequently by any later expenditure by the State or the guaranteed company on it.

6978. (*Chairman.*) You have called this statement "Composition of Capital at charge in Railways." As I understand this, it might be headed: "Cost of Construction, whether by Companies or by Government." Would not that be correct?—Yes.

6979. (*Mr. Tuke.*) That explains it much better, and possibly also the difference between the 365,000,000*l.* and the 380,000,000*l.*?—Where is your figure of 380,000,000*l.*?

6980. In the Administration Report, 1919-20?—I can explain part of the difference at once. My figure contains the total expenditure to the 31st March 1919 plus half the expenditure incurred by March 1919-20. I gave it in this form because I could get the figures promptly in this form from one of our published statements, and I was afraid if I got the figures for the end of the year I might not be able to give the details to you so readily.

6981. (*Chairman.*) Supposing we had the figure for the cost to the Government of these railways, it would be bigger than the 365,000,000*l.* by any premium the Government might have paid for the railways on acquisition?—Yes. If I were making what was purely a guess I should say that the difference, taking the railways as a whole, might be 15,000,000*l.* possibly. (*Note.*—The witness subsequently reported that the total gross amount of the premium was about 30,000,000*l.* in round figures; the totals in Appendix 5 of the Railway Administration Report being based on the total paid by the Government in purchase of the lines less a deduction representing the amount of capital paid off by means of annuities.)

6892. (*Mr. Tuke.*) That is just about it. There is a difference of 15,000,000*l.* here, your figures being the actual cost and these being the book entries?—Yes.

6983. (*Chairman.*) In the case of the East Indian Railway, for example, the share capital was increased by 25 per cent. on purchase. They purchased a 100*l.* share for 125*l.*?—Yes.

(*Sir George Godfrey.*) Is not there some set-off in connection with the partnership railways, as you loosely describe them? The Secretary of State said: "My capital invested at the present "time is really 12,000,000*l.*, but I am going to "call it 15,000,000*l.* for the purpose of sharing in "the surplus profits"?

(*Sir Arthur Anderson.*) They capitalise the earnings.

6984. (*Sir George Godfrey.*) That figure is not here?—These figures have not been prepared on that basis. I have taken these from the Finance and Revenue Accounts on the basis of (*a*) the original capital raised by the companies, and (*b*) subsequent Government or companies' expenditure.

6985. (*Chairman.*) An English railway company has raised capital which stands in its books at, say, 100,000,000*l.* Of that 100,000,000*l.*, they say 80,000,000*l.* is the cost of construction and 20,000,000*l.* is the cost of the rolling-stock, and they make up the 100,000,000*l.* in that way. But they have never really got 100,000,000 sovereigns, because their 100,000,000*l.* of nominal capital was raised partly below par and partly above par. When you take the cost of construction by the Government or by the companies, is it sovereigns or is it nominal capital? Can you answer that?—I cannot answer it as regards the original expenditure by the companies, but as regards the subsequent expenditure by Government, these figures here in our accounts are figures for outlay and not figures for any loans that we have raised.

6986. You can answer it as to the second half, but not as to the first?—Yes.

6987. (*Sir Arthur Anderson.*) In a case where the Government purchased a railway at a less cost than the company expended on it, it is the Government purchase figure that would appear?—Is that so?

(*Sir Arthur Anderson.*) I take it that it would be so. It is the actual figure, the actual sum expended by the Government. Take, for instance, the Simla-Kalka Railway, which was purchased at about 70 per cent. of the cost.

(*Mr. Purshotamdas.*) Is there a case of the Government having purchased at less than cost?

6988. (*Chairman.*) The Simla-Kalka Railway?—I am not quite sure. In the figures from which my statement is compiled, it is said: "In "the purchase of the railways the figures repre-"sent sterling capital issued by the companies "before purchase."

6989. Then a full 100 would be put in?—I take it that that would be the case.

6990. But in the case of the East Indian, where the railway was bought at 125, it is 100 that is put in and not 125?—Yes.

6991. Going on with this statement, the Indian branch lines capital is not capital raised by the Government, but capital for which the Government has taken the responsibility of finding the interest in some shape or form?—Yes.

6992. With regard to the guaranteed companies, I do not think there is anything in regard to them that I need ask you; they are quite clear. I think you might explain to us what the "Advances, permanent and other" mean?—May I describe the "other advances" first? The advances on the East Indian Railway and the Great Indian Peninsula are of old standing and extend back for several years, probably at least 20 years—I have not been able in the time to verify the exact period—and though they have been reduced from time to time by the proceeds of debenture stock they have been continually growing. The Bengal-Nagpur and the Bombay and Baroda advances date back only to the beginning of the present partnership contracts, about 1910, 1911, 1912 or thereabouts, and have been similarly reduced, prior to 1914—that was at the beginning of the war, before borrowing was curtailed—by the issue of new debentures or debenture stock, but they have never actually had sums at their credit.

6993. They have from time to time been reduced, then they have grown again, and on balance the Secretary of State is always a creditor?—Yes. The Madras and Southern Mahratta and the South Indian Railway raised money in 1913 and 1914 by which their overdrafts were extinguished. Their present overdrafts are only of recent reappearance. The Assam-Bengal overdrafts from time to time have, I believe, been wiped off from year to year and treated as part of the Secretary of State's capital—they are always in deficit—so that at the end of a particular year they are not shown probably

as possessing any overdrafts. I excluded specifically from the 46,000,000*l.* which I mentioned the other day, the Assam-Bengal figures.

6994. (*Mr. Tuke.*) Mr. Kisch, in his evidence, gave the figures for two advances, one for 2,900,000*l.* to the Bengal-Nagpur Railway and one for 2,129,000*l.* to the Madras and Southern Mahratta Railway, and in a footnote he said that these were now incorporated in the Secretary of State's capital invested in the undertaking?—May I just complete my statement in regard to the temporary advances first? I am just coming to that particular point.

6995. You mentioned the Assam-Bengal, so I took the opportunity of quoting those figures?—The Burma Railways have never actually apparently been in credit, but the present overdraft is small and of comparatively recent date. The next point I come to is the point which Mr. Tuke has just raised. The figures which I have given for advances, and which I mentioned the other day, excluded certain so-called permanent advances which are mentioned in Mr. Kisch's statement, and my figures were intended to be merely supplemental to that. These permanent advances in the case of the Bengal-Nagpur Railway and the Madras and Southern Mahratta Railway represented advances outstanding when the more recent contracts were made and re-capitalisation took place, and were definitely treated as part of the Secretary of State's capital in the contracts. The Great Indian Peninsula has similarly 2,500,000*l.* of a so-called permanent advance, which is not included in the figures for ordinary advances. This arrangement is not, so far as I can gather, included in the contract, the Great Indian Peninsula contract being of older date; but there was some definite understanding that the advance in question should be treated as of a permanent character and consequently should permanently be treated as part of the Secretary of State's capital. It stands, therefore, on rather a different footing from the temporary advances outstanding, which I have already given you in a separate total. That, I think, answers your point.

6996. I am sorry to say I do not quite follow it; I may be rather dense. I may, perhaps, later on, with the Chairman's permission, ask one or two questions to try and clear up what is really meant by advances and by overdrafts, because the overdrafts in the Administration Report amount only to 1,400,000*l.* and the debt outstanding amounts to 48,000,000*l.* I tried, when I was at Delhi, to understand what was meant by the words "debt outstanding," and the answer I received was: "The figures entered "under the heading 'Amount outstanding of "Debt incurred for the Purchase of Railways,' "in Appendix 5 of the Railway Administration "Report, represent the total amount of debt "incurred in the purchase of railways by "Government, less that portion of the debt "redeemable by annuity payments. The amount "under this head is reduced by sinking fund "payments and by the discharge of debentures "taken over."—That is quite a different question altogether to this question of advances.

6997. Where do the advances appear in the Administration Report?—I am afraid, as I have already mentioned to you, I am not familiar with the Administration Report. The statement which you have read out to me relates to arrangements made at the time of the purchase of the companies and in connection with their purchase. These advances are made subsequent to the purchase from the companies, as an arrangement for the purpose of supplying the undertaking with fresh capital from time to time.

6998. They surely must appear somewhere in the Administration Report, do they not?—I am afraid I am not the best person to interpret the Railway Administration Report, with which I never had anything to do, but I will do my best to explain or to secure an explanation of any part of it about which you wish for an explanation.

6999. Of course, if there are certain things missed out of the Administration Report, I can know nothing about them; but I should have thought that if there are advances to the companies, as you say there are, they would have appeared somewhere?—They are included in our Finance Account.

7000. My efforts have been devoted to trying to get an explanation of where they appear, in what column they appear. There are two columns, debt outstanding and overdrafts, and if they appear under neither of these, where do they appear?

7001. (*Chairman.*) Is there anybody who, so to speak, puts together the finance knowledge and the railway knowledge? It seems extraordinarily difficult to follow. You are speaking from the financial point of view and the Accountant-General, Railways, in Delhi was speaking from the railway point of view, and the two points of view do not seem to converge at any point?—I think Mr. Ryan can answer that question informally as your Secretary. I think he is very familiar with the points. He is a financial expert who is familiar to the *n*th degree with the preparation of the Railway Report and the correlation of the Railway and Finance Departments' statistics.

(*Chairman.*) What do you say, Mr. Ryan?

(*Secretary.*) As a matter of fact I had nothing to do with the preparation of the figures contained in the Railway Administration Report, and I am quite unable to explain these discrepancies. As far as I know, the only person who is able to explain them is the Accountant-General of Railways, from whom I believe the information just quoted was obtained. I do not know whether there is anybody in the India Office who could throw any light on the Railway Administration Report's figures; I very much doubt it.

(*Witness.*) For our finance figures we rely on the figures prepared by the Accountant's officers both in India and at home. Therefore presumably they originated to some extent from the same source.

7002. (*Chairman.*) In effect the position is this—that there are two balance sheets prepared by two separate sets of accountants, and nobody apparently brings the two sets of accountants together. Is not that the case?—That may be the case. The position, as I imagine it probably is, is that as regards our financial statements these are authoritative statements of our accounts to show the actual financial position. Possibly the figures in the Railway Administration Report are figures prepared primarily with the object of showing certain salient and interesting statistics for public consumption. They may not necessarily be as exhaustive as the other figures are.

7003. But the difficulty is they do not fit in with each other. You get one set of figures from one and another set of figures from the other. I have no doubt they are reconcilable when you

come to analyse them?—I naturally find some difficulty in reconciling the differences between two very complicated sets of statistics in a cross-questioning of this sort. If Mr. Tuke is interested in the point I shall be very glad to meet him at any time afterwards and to go into the figures with him, and if necessary to try to ferret out the cause of the difference.

7004. (*Mr. Tuke.*) I am sure you appreciate my difficulty. As the Chairman was mentioning, what I should like to arrive at is how these two things are reconcilable. On the face of it they are different, and what I should like to know is in what the difference consists. They should both agree, even although looked at from different standpoints?—I admit they should agree, but I have hardly ever used any statistics in the Railway Administration Report except statistics of traffic and that kind of thing for purposes of general interest. I have never gone into the financial figures at all there, and I am afraid I cannot answer the question off-hand.

(*Chairman.*) Obviously two sets of accountants would draw up a balance-sheet in different ways; that is what you would expect. Sometimes they would deduct a thing from the asset side and sometimes they would enter it on the debit side, and so on. We can easily understand that.

(*Sir R. N. Mookerjee.*) But the figures should be reconcilable.

7005. (*Chairman.*) The figures of the balance-sheet should be reconcilable, but two different people might draw them up in such a way that you could not see how to reconcile them by laying the figures on the table. I suppose we must leave it at that. (*To the Witness.*) Before we leave the question of the permanent 7½ millions, I should like to put one question. You spoke of the 2½ millions of the Great Indian Peninsula and said that that was part of the Secretary of State's capital. Is that profit-sharing capital or loan capital?—Profit-sharing capital.

7006. And with regard to the whole 39½ millions advances, is that all profit-sharing capital or is it partly one and partly the other. That is the permanent and the other put together?—No. I answered your last question incorrectly. That 2½ millions of the Great Indian Peninsula is not profit-sharing capital, but is a loan to the undertaking at a fixed rate of interest of 3¼ per cent. per annum.

(*Chairman.*) Then may we take it that the whole of the 39½ millions is advances on loan.

(*Sir H. Ledgard.*) I think it was previously explained that two of the items were incorporated in the Secretary of State's capital, namely, Bengal-Nagpur and Madras and Southern Mahratta.

7007. (*Chairman.*) This is all incorporated in the Secretary of State's capital, but is it profit-sharing capital or is it all loan capital?—May I take your figure of 39½ millions? That is divided in the statement into two figures. One is the permanent 7½ millions. Of that 7½ millions the advances to the Bengal-Nagpur and the Madras and Southern Mahratta are, I believe, treated as part of the Secretary of State's profit-sharing capital, those companies having partnership contracts. The 2½ millions to the Great Indian Peninsula is a loan bearing a fixed rate of interest of 3¼ per cent. I believe that to be the fact, but I am not quite certain now that you put to me the question.

7008. Partly loan and partly profit sharing. Now with regard to the other 32 millions?—The other 32 millions depends on whether the company has a partnership contract or one of the other contracts.

7009. That also is partly one and partly the other?—Yes.

7010. Now "other Government capital, excluding advances"—your remaining figure of 147 millions. What does that mean? Is that all profit-sharing or is it also mixed?—That must depend on the terms of the contract with the company.

7011. The origin of that, as I understand, is that whereas the advances are sums provided since the contract was made, the other capital is the capital that was credited to the Secretary of State at the time the contract was made. Is that right?—I do not think that is quite correct. I do not think this figure of 147 millions will correspond to the amount of capital shown as the Secretary of State's capital in the contracts, because this is the figure which works up to the total of the actual amount of expenditure which has been incurred on the lines. When these contracts were framed, I believe (the Railway Members present will be able to correct me if I am wrong) that the actual amount of capital assumed as the Secretary of State's capital for the purpose of the contract did not necessarily represent the previous State expenditure on the line. Therefore these figures will not correspond necessarily to the actual figure for the Secretary of State's capital mentioned in the contract.

7012. No, because clearly the Secretary of State capitalised the goodwill of both parties when the contract terminated, and took it all to himself?—You can put it like that.

7013. I am not expressing an opinion on the rightness or wrongness of it, but that was so. Clearly if the construction cost was 30 millions, and it was reckoned with goodwill as 40 millions, the extra 10 millions would not be in here because this is construction?—Yes. I had to give here the figure which works up to the total, that total representing two particular items: (1) the original amount of capital floated by the companies, and (2) subsequent expenditure; and that figure will not, of course, tally with the other figure which you asked me about.

7014. How can we get into our minds what "Government capital excluding advances" means, if it be not that which existed at the date of the contract?—You might say it represents the balance of the expenditure on the lines which have been found from State funds.

7015. The balance of expenditure on lines that are now in the hands of the guaranteed companies, because you have the State lines up above?—It is the balance of expenditure on the lines of guaranteed companies now in State hands, whether found originally from companies' capital or subsequently from State capital, but now representing State capital.

7016. Shall we be safe in describing it in this way—as all the money invested by the Government in the guaranteed companies' lines other than in the form of . . .?—That is correct, if you add as a qualification "omitting actual premium paid on purchase."

7017. (*Sir R. N. Mookerjee.*) Why should that premium be excluded? I cannot understand why it should be omitted?—These figures might be presented in a dozen different ways. I was endeavouring to work up to the total which the Chairman mentioned of 370 millions, and I took the figures, generally speaking, from a statement which I assumed was the one he had in mind, in which that figure is arrived at.

7018. But that is not your correct book figure?—It is the Government book figure for

this particular purpose; that is to say, for determining what the earnings of the lines are.

7019. I do not follow you there again. If you have paid 2 million crores for purchasing a certain portion of the line, as I know you have done, if you do not take it into account, how can you get at your profit or loss?—I admit there is a great deal to be said for your view point. I think what the Government probably had in their minds in adopting the course they have adopted (I do not know whether this is the right explanation; it is something that happened many years ago) was that they wished, in showing the values of their railways in their accounts, not to over-value them, to adopt a conservative figure, namely, the figure for construction plus subsequent expenditure, rather than show possibly a somewhat inflated figure which they may have had to pay for goodwill. I am merely attempting to explain what may have been in the minds of the Government originally when they adopted this form for their statistics, but I cannot say that it is correct.

7020. In other words this 2 million may be debited to the profit and loss account?—When you come to the actual money we have provided for the purpose, it would probably be shown as unproductive debt, or included in the capital represented by the outstanding annuities.

7021. (*Chairman.*) May I put it this way—that it is an endeavour to give the actual cash put in, but it is vitiated by the fact that you cannot tell where the 10 million——?—I am sorry I did not catch your question.

7022. This is an endeavour to give the cost of the railway?—That is so.

7023. But it is vitiated by the fact that the companies' capital may not have been pure cost; it may include something else, it may include what is commonly called "water"?—That is what I assume must have been in the mind of the person who prescribed the form of this account many years ago.

(*Mr. Hiley.*) Can we get the total cost?

(*Chairman.*) Can you get the figure of what would have to be added for premium?

7024. (*Mr. Hiley.*) We want it under each of these heads. The figures must be available?—I will make a note of that.

7025. (*Chairman.*) Will you also make another note—to give us what is the total indebtedness of the Government of India to-day?—I can answer that up to 1920. The figure on the 31st March 1920 was 375 millions debt of a more or less permanent description, and of 35 millions in the form of Treasury bills and short term debt.

7026. 410 millions?—Yes. That does not take into account the various railway annuities which are outstanding, which amounted at that date to about 65 millions, or the Post Office Savings Bank deposits.

7027. Then it comes to this: the companies have put in 65 millions. That leaves 300 millions almost exactly. The Government has invested in railways 300 millions plus x premiums, and its total debt is 410 millions?—Might I answer your question in a slightly different way? In these figures which I have given you the Government productive debt on railways is shown at 253½ millions. I was prepared to be asked a question on this point, namely, as to the discrepancy between that and the other figure which you mentioned. The discrepancy is due to these two factors, which was my reason for mentioning them incidentally before: firstly, that part of our property in railways is represented by this 65 millions roughly of outstanding annuities at that time, from which should be deducted the premium on payment for the railway, on purchase of certain railways, and if you take account of those two figures also it roughly explains the difference between this 253½ millions and the figure which you mentioned of something like 300 millions.

7028. I got at it in another way. I am neglecting the annuities and putting on a guess of 10 millions for premiums, and I get a difference of just 100 millions in rough figures. In other words the total debt of India—and this is the figure I want to have in my mind—is only 100 millions?—That is about right, although we arrived at our figures in different ways. My figures for ordinary debt which I have got here, outside railways and irrigation, is 112 millions.

7029. Irrigation accounts for the 12 millions?—No. Irrigation accounts for 45 millions.

7030. There again you are bringing in annuities?—Yes, I am bringing in annuities. Now if you will permit me I should like to make a few general remarks. What I am rather afraid of is that the Committee will think that a good deal of what I have said has been rather negative and even destructive in character. If this is so I hope the Committee will feel that it is not because I underrate the importance of the problem or that I am not most enthusiastic in trying to get at anything that can be done to further the object which the Committee has at heart.

7031. I am sure, if I may say so, we are very much obliged to you, because we have heard it all from one side. The stronger you can put the case from your side the more we ought to be, and I am sure shall be, grateful to you?—If on this particular point of a separate budget I have pressed what is rather a destructive view, it is because I believe that those who have advocated this scheme to you did not take full account of all the factors of the situation, and because I also feel that some of the advantages, if not a great many of them, that they anticipated which they may secure by the adoption of a separate budget, are to some extent illusory. My feeling is that a scheme of separation will not secure the real objects which we have in view if we reduce them to the lowest denominations; that is to say, larger funds for the railways and greater continuity in railway finance. The inherent difficulty of the problem is that there is at the present time a definite limit on the amount of capital which Government can raise by direct borrowings on terms which will generally be accepted as reasonable. Our Indian problem is in some ways very similar to the problem which the Home Government have to face; that is to say, they have an inordinate and dangerous volume of temporary and floating debt. Although the figures are smaller, our Indian problem is complicated, because the British Government is able to say: "We will have no new borrowings at all for any purposes except for funding." We concurrently in India have that necessity for funding, but we also have before us the necessity for raising, in addition to as much money as we can get for funding, money for productive purposes. If we had a clean sheet in respect of funding, we could say: "We desire to borrow "every penny we can get for productive pur- "poses." We are, and shall have to be, in the market year after year as a continuous borrower, and as a continuous heavy borrower.

That makes the Indian problem a very much more difficult one than the British problem. But in both countries you have this factor—that there is a definite limit to the amount which can be raised by fixed interest bearing securities of a particular type. It is true that on this side there is a very large market for them, and that, as a result of industrial and other troubles, the investor is probably turning more to permanent securities of the gilt-edged type; but even so, the Government so far have been able to tackle only a fringe of the problem. They have still their 1,100 millions of Treasury Bills, and just at present they are attempting to tackle some of their early maturities in the National War Bonds. We do not hear how that is going on, but even if they get 300 or 400 millions in that way, they have a very long and uphill road to go. Our position in India is exactly the same. During the last few years the Government of India have been endeavouring in each year to raise all the money they can, and the result has been rather serious. In each successive year, for the last three years at any rate, they have had to raise money on progressively more favourable terms to the investor. The result has been that existing securities have naturally tended to undergo progressive deterioration. As you probably heard when you were in India, that has been the subject of very much comment both in the public Press and among the public generally, and I think in the Council of State and in the Legislative Assembly, while I am not quite certain whether some local Legislative Council did not also debate it. There is no doubt whatever that it is a matter which has excited profound attention in India. I do not know whether the Indian Members of this Committee will bear me out, but I think Indian feeling generally is that as regards the rate of interest, Government has gone nearly, if not quite, as far as it can go in the rate of interest that they should pay on their securities in India. Possibly it might be argued that it would be reasonable to offer slightly more attractive terms—say another ½ per cent.—to the investor. Even so, I think there is very little doubt that with securities of this type you will very soon reach the limit of the attraction which you can legitimately offer, and of the extent to which you can get further funds in this way. The position in this country is of course rather different. I do not know whether you would wish me to enlarge on the question of our raising money in this country at a different or a higher rate from that at which we borrow in India. There is a good deal to be said upon that point, but probably I need not take up the Committee's time with it. The conclusion that has been inevitably forced upon my mind is, that we have two considerations. The amount which we can get by Government's direct borrowing at a fixed rate of interest is definitely limited. That is the first consideration. Concurrently with that we have the second consideration, which is equally important, namely, that it is essential that we should provide from some source or another more funds for our railways. These apparently conflicting considerations have been exercising me personally for a very long time, and the only solution which I have been able to see—it may not be the right or the best one—lies in the direction of allowing greater initiative and independence to the companies in the matter of borrowing. I have already mentioned incidentally that I thought some advance in this direction might be made by converting, say, the Eastern Bengal Railway into a company; but that was merely one possible aspect of the case. I understand that it is more or less settled that the control of the East Indian Railway will, on the termination of its present contract, be transferred to India. If so, I think advantage might well be taken of that by constituting that company on a rupee basis and on very much the same lines as I proposed in speaking of the Eastern Bengal Railway. That would introduce into the Indian market a borrower, who would to some extent dip his hands in the same pool as Government borrowings, but who would be enabled to adopt different methods, possibly paying a fractionally higher rate of interest than Government paid, who would be able also to issue securities which tickled the fancy of the speculator slightly more. He would be able to issue share capital, and consequently his securities would have the advantage of appealing to the class of person who does not want to put all his money into securities bearing a rate of interest fixed to a specified figure in perpetuity.

7032. May I just ask one question at this point? The East Indian Railway is obviously the pick of the Government basket?—I think so.

7033. Do you think the withdrawal of the East Indian Railway from the total Government railway assets would tend at all to increase the price which Government had to pay?—It is very difficult to say. It must react on the rate which Government would have to pay in the same way as the flotation of large industrial companies react on Government borrowings; but I do not think it would react on the rate of interest which Government would have to pay, or the amounts which they would receive by direct borrowing, appreciably more than the flotation of a large number of industrial companies in India requiring the same amount of capital.

7034. I was thinking of it from this point of view. When you issue a debenture the investor looks at what the assets behind the debenture are. If you diminish the assets behind the Government loan, would it affect the price of the Government loan at all?—I do not think it would, for that reason. I think the entry of an additional borrower into the market offering attractive terms is really the factor that would most react on the rate at which Government could borrow. To continue—I must be understood not to be myself an advocate of Indian rupee companies versus sterling companies or *vice versâ*. I have a very open mind on the subject. But the Great Indian Peninsula contract falls in at the beginning of 1925, and I think it will be found very difficult to resist Indian opinion that the control of that railway also shall be transferred to India. I think there might be considerable advantages if you had here three companies, the Eastern Bengal, the East Indian, and the Great Indian Peninsula, as more or less independent borrowers in the Indian market. Some control might possibly have to be exercised over their operations in order to ensure that they did not compete unduly with Government, for instance, as to the time when their loans are put on the market, and in order to ensure that they did not compete too much among themselves by bidding against one another. Perhaps I should rather say that there should be some control exercised with the object of co-ordinating their borrowings than otherwise.

7035. (*Sir R. N. Mookerjee.*) Would you allow them to issue shares and pay dividends?—I think I explained when I made the suggestion with

regard to the Eastern Bengal Railway the other day, that my idea would be that at the outset they should certainly issue capital, subject to some minimum limit before starting the company and possibly subject to some provisional maximum, retaining possibly to Government the right after that maximum is reached to contribute, *pari passu* with the company, any new capital raised.

7036. Assuming that the East Indian Railway Company at the termination of its present contract is domiciled in India with rupee capital, and also taking 75 crores as the present capital of the East Indian Railway, would you propose to make the new company with rupee capital of, say, 125 crores, and at present issue 25 crores shares to be called by four yearly instalments?—Taking your figure of 75 crores, I would require a company to raise at least 5 crores at once in the way of fresh capital. I would give it the right to raise up to 25 crores, but allow it the option, if it saw a favourable opportunity, of obtaining money on cheaper terms. I would not deny it the power to issue other forms of security also.

7037. If the shareholders be given the option of subscribing the share capital in four years, paying one-fourth only in each year, the investors will have great facility in making payments, and a new field of investors will thus be opened, and a new field will be tapped which will relieve Government from finding any money, at least for this company; and if it is found successful the Eastern Bengal State Railway may then be converted on the same line, and other companies, on the termination of their present contracts, may be treated similarly, and I am confident Government will gradually be greatly relieved from finding capital for these railways?—I think your point is that, assuming the shares are Rs. 500 shares, a subscriber should merely pay up, say, Rs. 100 on his share on allotment, Rs. 100 in the second year, and Rs. 100 in the third year. That is a matter of detail about which I do not hold very strong views, but I feel that some investors might be deterred from taking up shares with these large future calls upon them and that it might be preferable to raise 5 crores of your 25 crores in the first year and have a definite separate issue of fully-paid capital the next year.

(*Chairman.*) Would you give the company the same freedom in management—neither more nor less—when it had one-twentieth of the total capital as when it had one-quarter of the total capital?

7038. (*Sir R. N. Mookerjee.*) My view is that there should be nine directors, three of whom should be put on by the Government and the others elected by the shareholders. The Government should have the right to nominate a president from the nine directors, who will have a casting vote, and Government will hand the management of the concern to the Board of Directors, as commercial concerns generally do. Government would, or could, always have its voice heard by Shareholders, being the owner of three-fourths share capital, and the Legislative Assembly will be able to control Government when necessary.—I have not any special views to which I am wedded as to the exact constitution of the directorate. I think I outlined a possible constitution the other day in the case of the Eastern Bengal Railway. I contemplated that the matter should be worked, perhaps, somewhat on the lines I suggested. I am not wedded to exact details. I thought that possibly control of Government might be secured by some such arrangement as that which has been adopted in the case of the new Imperial Bank of India formed by the amalgamation of the Presidency Banks. The Government of India interfere very little—practically not at all—with the management of that Bank. They have to approve the Managing Directors, who are nominated or elected by the Central Board. The Government also have stipulated that the Controller of Currency, or one of their officers, shall have a seat on the Central Board. He will not ordinarily have a vote, but I think in matters gravely affecting or possibly prejudicing the Government policy as a whole he is entitled to call upon the other Directors to suspend action until the matter has been reported for the information and, if necessary, the action of the Government.

7039. (*Mr. Tuke.*) In connection with the Presidency Banks, I take it the Government are not the sole shareholders?—They are not shareholders at all there.

7040. That makes a little difference. The railway belongs entirely to the Government?—You put that point to me, Mr. Tuke. I neither accept it nor attempt to rebut it, because it is a legal point with which I am not able to deal; but I must not be taken to be accepting what you say as necessarily being the case. I hope you will not think that by silence I admit, because I am not sufficiently qualified to speak of the legal position of the matter. I imagine that, if a company was constituted in India in the way proposed, that matter must necessarily turn to some extent on the manner in which either the Act constituting it or the contract between the State and the company as a whole is drawn.

7041. I am only quoting the statement of the Accountant-General and the Administration Report?—The Accountant-General is not a constitutional lawyer. You must remember that.

7042. (*Chairman.*) I should like an answer to my point. You were contemplating a comparatively small investment by the outside shareholder to start with—small compared with the total value of the property?—If I contemplated that it would be small at the outset, it would only be limited by the needs for raising immediate capital. I have no desire that it should be small.

7043. But it would be under the scheme as you proposed it, to start with?—Yes, relatively small.

7044. The investments of the outside shareholder would be a small percentage of the whole to start with?—Yes.

7045. It would gradually increase until it became a substantial percentage?—Yes.

7046. Are you contemplating that the outside shareholders holding only a small percentage should have just as much, or as little, control as the shareholders when their percentage became substantial, or would you gradually give them more power as their investments increased?—I have contemplated that they should possess throughout the maximum amount of freedom in managing the line which it is possible to give them. Here, again, I am not wedded particularly to the details.

(*Mr. Purshotamdas.*) I am afraid this will require considerably more discussion, because Mr. Howard is now putting forward a constructive scheme, which some of us might want to have elaborated and gone into thoroughly.

(*Witness.*) There were only one or two other points with which I wanted to deal. So far, I have only dealt with the question of rupee companies. If I contemplate the transfer of certain sterling companies it is not because I wish to express any view as to the relative merits of their administration or other things, or to depreciate in any way from the advantages which have been derived from the administration by sterling companies in the past. There is the question of the remaining companies which I have not so far mentioned. No further contracts fall in until 20 years from now. 1941 is the earliest.

7047. (*Chairman.*) The Assam-Bengal might fall in in 1931. That is rather a special case?—I would contemplate the retaining of the existing arrangements without raising any question of principle at this stage. But in the meanwhile I would like to see these companies also accorded a very much greater initiative and independence, in so far as this is possible, in their borrowings. I feel that the State can only find the funds which are urgently required for their finance to a limited extent; and I entirely agree, if I may say so, with what I understood to be the purport of some of the suggestions that were put to me, not necessarily as your own, sir, but as the substance of suggestions which have been made to the Committee—to the effect that the existing system might to some extent profitably be relaxed; that is to say, instead of a company having to wait until the Secretary of State required it to borrow, the accepted position should be that the company might say, "The State "only offers this entirely inadequate amount for "expenditure on the undertaking this year. We "require at least three millions more than that. "We should like to raise that sum, if we can, "either by debentures in India or by borrowing "in the London market, in order to meet this "necessary expenditure." Here, again, it is probable that the continuance of some control would be necessary. The Secretary of State—or the Government of India—is a large investor in these lines, and, to take a cognate case, one cannot imagine Lord Inchcape permitting the Peninsular and Oriental, and the British India, and the Orient lines to go into the market at inconvenient moments to outbid one another. We do not want these companies to act as entirely independent entities. They are part of the same financial group, and a friendly coordinating control will probably be necessary. I should like to see, personally, the principle of greater initiative and independence in the financial operations of these companies recognised. As I mentioned the other day, I hope that it may be possible to meet the difficulty of their being able to raise loans in India without giving rise to the double income tax difficulty, and in that case I would let them have a try on that side also. I think that is the substance of what I wish to say.

7048. You have restricted yourself to the word "borrowing." I think we had better have your opinion as to whether the companies should also be allowed to raise share capital?—Yes. I have been using the word "borrowing" in a general sense and, I admit, in an inaccurate sense. I contemplated also that they should be allowed to raise share capital; but as you yourself mentioned the other day, there is a difficulty at the present moment, inasmuch as I think most of the important lines' shares at present stand below par.

7049. You would allow them to issue shares with the same guarantee that attaches to existing shares?—I am not perfectly certain on that point. Is there not some objection to companies issuing shares at a discount?

7050. It is not so with English railway companies, but it is generally so. Then you would have to guarantee a bigger sum or a bigger share of the profits, one or the other?—I would not object to some device of that kind being considered.

7051. When you use the word "borrowing," we understand that it means raised capital, either shares or loans, as the case may be?—Yes.

(Adjourned for a short time.)

7052. (*Chairman.*) I think you had finished your statement in chief, so to speak, had not you?—Yes, but there was just one question you asked me at the end of it that I should like to refer to, because I am not certain that I returned a completely correct answer to the question that was asked me. You asked me whether the Government had any capital in the Imperial Bank of India, and I said no. The position is perhaps somewhat different from what that answer would seem to convey, because the Imperial Bank is entrusted with very large State deposits, and for that reason the Government exercise some indirect control, apart from the control imposed by the provisions of the Bank Act with the object of securing sound financial methods for the Central Bank, as it were.

7053. They regulate them just as the Bank of England is regulated by the Bank Charter Act of 1844; and it is also the Government banker?—That is so, generally speaking.

7054. (*Sir Rajendra Nath Mookerjee.*) I understood you to say that the Government have no capital in the banks?—The Government have no capital in the banks—that answer is correct; but I am not quite certain that the implication which might be drawn from my answer entirely explained the object of my general comparison between the constitution of the banks and the railways.

7055. Supposing your suggested system is carried out and the State gradually gives up the railways, will there be any difficulty in the separation of the railway budget, according to your view, from the general budget? I understood you to say that the State would not be able to raise money whether there is a separate budget or not. If the Government gets the required capital from the public will there still be the same difficulty in having a separate budget for the railways?—Before directly answering your question, I do not think that I necessarily suggested that all the State railways should be made company railways.

7056. I did not mean that; I meant gradually in the next few years. Take, for instance, the Eastern Bengal?—The Eastern Bengal was the only State railway that I suggested for the moment. I have quite an open mind as to whether the process should be extended further to cover the other two Government lines.

7057. You would take the Eastern Bengal first, then gradually the Great Indian Peninsula and so on; there would be rupee capital and the Government would raise money for those railways. Will the difficulty that you commented on to-day, of the separation of the railway budget from the general budget, be the same, or will it be lessened by that process?—If the

transfer of the East Indian and the Great Indian Peninsula were carried out, this would not be a transfer of State railways in the sense in which I was using the term, to company railways. It would be a transfer from sterling-managed companies to rupee-managed companies. I do not really think that that transfer affects the question. The State, in so far as its return from any of these lines is concerned, would continue to receive the return attributable to the State's portion of the capital held in these lines.

7058. I understood you to say that the State would be in a difficult position in the future, so far as raising railway loans is concerned, owing to their having loans which have already been contracted for. If these two railways are taken over as Indian companies with rupee capital then the State would not have to find any money for those two railways?—I did not necessarily imply that. My point was that I apprehended very seriously that the State is not likely to be in a position during the next decade or possibly more to raise by direct borrowing anything like all the capital that is required to secure the adequate development of the railways without hopelessly prejudicing its own credit. But even if some modification of existing methods were made on the lines which I have suggested I would not preclude the possibility of the State devoting to railways any funds which it was able to raise for the purpose. The State will still probably be able, though it may not go in for a policy of attempting to obtain absolutely all the funds required for the purpose, to raise funds to some extent at a cheaper rate than companies could borrow at, and if it can do so in excess of its immediate requirements for meeting its own temporary debt and so forth I think there might be great advantage in the State applying some of those funds to railways.

7059. If the State is willing to raise money, when they can do so, to help other existing interests, I do not quite follow how a separate railway budget would prevent them doing so?—It would not prevent them doing so or help them to do so.

7060. Your point was, if I understood it aright, that a separate railway budget would greatly interfere with the State raising money for railways?—I think you have rather turned my statement round. My point was that a separate railway budget would not enable the State to raise any appreciably larger funds for the railways.

7061. I presume you would not require the State to raise any large share for these big railways during the next decade. Therefore what is your objection to separating the railway budget from the general budget?—I do not think I can return you an absolutely direct answer. The difficulties which I felt about the separation of the railway budget from the general budget were twofold. Firstly, on the revenue side the general budget is—and must, I fear, inevitably continue to be—inextricably mixed up with the railway budget; and secondly, the mere separation would not provide the railways with additional capital funds. I have no objection *per se* or on principle to separation, but my point was rather that I did not think that a separation would secure the objects at which we are endeavouring to arrive.

7062. I am sorry I do not follow you. At present you reserve that railway income without letting the public know about it openly. If it is separated, and if certain help is given from the railway revenues to the railways, the public will know that they have benefited from the railways, and therefore the obligation upon them to raise money will be all the stronger. The effect will be the same. If the Government require money from the railway revenue they will take it, but they will take it openly. They will tell the public: "We are taking so much money from the railways"?—I think the public must be aware from the budget of the extent to which the Government rely on the railways for a portion of their revenues. There is no attempt at concealment.

7063. Even you, an expert in finance, and Mr. Tuke, cannot understand how the Government keep their records. Do you think, therefore, the ordinary public will be able to find out how much has been taken from the railway department?—I am afraid I cannot help Mr. Tuke not agreeing with me as to the manner in which the Government keep the accounts, because I am perfectly clear as to the exact number of rupees which the State draw from the railways in any particular year about which you ask me, for the purpose of supplementing their revenues. I think the point which Mr. Tuke raised was the particular form in which certain advances made by the Secretary of State to the railway companies for the purposes of the undertaking are shown in a particular set of accounts, but I do not think there was any difference between us, or any doubt in my mind, as to the particular amount of revenue which Government received in their revenue budget year by year from the railways. I should have no difficulty in supplying that figure.

7064. Apart from the difficulty of raising money by Government or the limits of Government borrowing, are there any other difficulties in separating the railway budget from the general budget? We understand the difficulty of the Government in regard to its limitation of borrowing; are there any other difficulties from an administrative point of view?—I am not clear that any particular difficulties would arise. So far as I can see, it would be possible to prepare without any difficulty the current railway revenue accounts in one statement and to carry one net figure or two or three or more net figures forward to the other statement. There would be no actual physical difficulty in preparing the accounts in two separate sets of papers.

(*Sir Henry Burt.*) I take it from your evidence that you think there are insuperable difficulties in the way of a complete separation of the railway accounts from the imperial accounts. Do you think that any partial separation is possible, at least to the extent of recognising that the grant for each year belongs solely to the Railway Department, and, if not spent in that year, remains at the disposal of the Railway Board? Do you think there is any objection to that? I am referring to the system of lapses.

(*Chairman.*) And you might couple with that the abrupt alterations of allotments, upwards and downwards.

7065. (*Sir Henry Burt.*) Especially at the end of the year, which leads to a lot of extravagance in my view?—Personally, I have always felt that we might very profitably abolish the present system of not carrying forward lapses. It leads to a great deal of misapprehension, and, I think, embarrassment, and I would personally strongly favour following up that idea of yours. But it must be recognised that merely carrying forward lapses will not by itself give the railways any more money. Under the present system a lapse

takes place. That is added to the other funds which Government can make available for the railways in the following year.

7066. But, of course, it does not belong to the railway on which it lapsed; that is the point?—Quite so.

(*Chairman.*) And it does not necessarily belong to the railways at all, if in the following year the Government says: "We cannot afford to "give so much, and, therefore, you must take "the 4 crores of rupees as part of your grant for "next year." That really is the present position. Theoretically, there are 4 crores more available, if there is a lapse, but there is no certainty that those 4 crores will be spent on railways at all, still less that they will be spent on the railway where the lapse occurred.

7067. (*Sir Henry Burt.*) And where it may be most urgently required; so that it leads to a tremendous amount of uncertainty on individual lines as to what the financial position is?—I should think that is probably quite correct, and personally I should strongly favour that question being followed up, with the object of doing away not only with the lapses but with some of the excrescences which have grown up on that system, such as over-certification of indents and a lot of other troublesome questions of that kind. I do not think there would be any practical difficulty in doing that, provided it is understood that merely carrying forward these lapses will not perform a miracle. It will not necessarily give us any additional funds.

7068. You see the point,—that it now deprives individual railways of money which they may have contracted to spend, which places them in a very awkward financial position?—Yes. I have always imagined that that was probably the case. I have never been absolutely certain it was, but if that is the case, that it does embarrass the individual railway, that is a strong additional reason for modifying the system.

7069. (*Chairman.*) As the technical phrases are rather puzzling, let me ask you this: is over-certification of indents the same thing as pre-indents?—I am not quite certain that I can give you the strict technical definition of over-certification of indents, but what happens is roughly as follows. The railways have a grant of, say, 20,000,000*l.* in a particular year. During the course of the year they think they are going to have lapses of 5,000,000*l.* At that point the Railway Board, or it may be the Railway Board with the concurrence of the Accountant-General and their spending organisation in England, certify that 5,000,000*l.* of that grant will not be spent during the year, and that consequently the railways may place additional orders for 5,000,000*l.*, which they hope they can get carried out during that year, so that they may utilise the full amount of their grant.

7070. During that year or the next year?—That year.

(*Sir George Godfrey.*) The other thing is an advance for the following year.

(*Sir Henry Burt.*) I do not think there is such a close connection between the anticipated lapse and the over-certification, is there?

(*Secretary.*) Over-certification really means that you certify forward more indents than your grant would cover, knowing from experience that you cannot possibly get all your indents complied with in that year.

7071. (*Chairman.*) Then we may understand that over-certification refers to the current year, whereas pre-indents are practically a drawing on the next year, in the case of orders which, in the nature of things, because of their largeness or because of the time required for execution, cannot be carried out within the financial year. They are not the same?—That is so. One effect of over-certification is to re-grant the lapse for the next year. That is what it ultimately amounts to.

7072. I thought you said it meant to re-grant the amount to be spent elsewhere in the same year?—To re-grant the amount of the lapse in that year, but the fact that orders have been placed in respect of the full grant, though you do not expect the whole of them to be carried out in that year, means that the Government recognise that the amount thrown forward shall actually be spent and paid for. It is a roundabout way of expressing it, but ultimately it amounts to a recognition that the amount lapsed shall be honoured in the following year.

7073. (*Sir Rajendra Nath Mookerjee.*) And not necessarily on the work for which the lapse took place?—Not necessarily, but if orders have been placed they cannot be repudiated.

7074. (*Chairman.*) It is a more complicated system than exists in a commercial company here?—Yes, and frankly I think it is an unjustifiable complication.

7075. (*Mr. Tuke.*) I want just to return to the difficulty we had in making the Administration Report and your little statement agree. Might I suggest that you should be good enough to make up a statement of similar data with the Administration Report, and then show in detail wherein the differences arise?—I shall be most happy to do so if you will be kind enough to come round to my office to help me. I have already explained to the Committee that I am not at all familiar with the Railway Administration Report. I have never had any responsibility for it, and I do not know that I have sufficient intimacy with the details of the figures to know exactly what you want or, knowing exactly what you want, to be able to supply you with the information which you ask for. As a matter of fact, both these reports are compiled in India. The Railway Administration Report is forwarded printed to this country. In the case of the Financial and Revenue Accounts, all the Indian information is forwarded to us by, I think, the Controller and Auditor-General, and we complete the Report here with such information as is compiled on this side. But in the case of the Railway Administration Report, I may not be able to go down to the bedrock figures, as it were, so as to be able to explain exactly how these differences of compilation have arisen.

7076. Is there no one in the office here who can explain these matters?—It is possible that there may be. Perhaps if you would come round or I come round to your room you can show me exactly in the report itself which figures you find a difficulty about.

7077. You have a copy of the Administration Report, have you not?—We have no doubt got copies in the office.

7078. Will you be good enough to turn to Appendix 5? You will find there the totals under the various heads. What I suggest is that you should draw up your figures that you know more about to correspond with the data in this Report, and then show wherein the difference lies. I am afraid I cannot help you with that because I am not acquainted with the India Office and its various forms?—Frankly, I find it extremely difficult merely on a general

statement on your part that there is a considerable difference between the figures——

(*Mr. Tuke.*) Pardon me, it is not a general statement on my part; the figures are in the Administration Report. It is not my statement; it is the statement of the Government of India.

(*Mr. Hiley.*) There is a difference of millions.

7079. (*Chairman.*) It is quite possible, as you say, that the information may not be here, but the Public Works Department is, one assumes, in some sense responsible for the railway side?—Yes.

7080. It really comes to this, does it not? If the Public Works Department, with your people, will compare your statement, which is extracted from the Financial Report, with Appendix No. 5 in the Administration Report, that will meet the case?—Statement No. 5, is it?

7081. (*Mr. Tuke.*) Appendix No. 5, page 32. If you approve, sir, we might perhaps leave that particular point?—Which particular figures do you wish to be reconciled?

7082. First, the total of the State lines. On the preceding page you will find the various lines set out, the Eastern Bengal, North-Western, Oudh and Rohilkhand, followed by the other lines, the Assam-Bengal, and so on. You will find the totals of the State outlay, the capital to be repaid by annuities, the debt outstanding, the overdrafts, the advances by the Secretary of State, and the total State interest. You will find the capital of the companies stated and also the debentures, making a grand total of 380,000,000*l.* as against 365,000,000*l.*?—I have already explained a portion of the difference. My figures of 365,000,000*l.* are mean figures.

7083. Exactly so, but it would be more satisfactory, I think, if we had a statement to that effect just showing exactly how difference arises?—It is on record, I think, that mine are mean figures.

7084 (*Chairman.*) Yes, I think we know that. That, no doubt, would explain some portion, but I do not think it will explain 15,000,000*l.*?—It explains about 5,000,000*l.* or 6,000,000*l.*, I think.

7085. (*Mr. Tuke.*) Then there is the question of advances and overdrafts; they should come out in the same way. In looking through some copies of the prospectuses of the issues of debenture stock by some of the guaranteed companies, I find it is usually stated that principal and interest are guaranteed by the Secretary of State for India out of the revenues of India?—Yes.

7086. Have the debenture holders any other security than the obligation of the Government of India?—I find it rather difficult to answer that question. The Government of India, I believe, in this country has no legal entity; the legal entity is the Secretary of State in Council, who is defined as such by Act of Parliament, and that is the legal guarantee for the debenture holders. They are therefore secured on the revenues of India as defined in the Government of India Act. The Government of India under the old Government of India Act, I believe, would not find a place in a contract entered into in the United Kingdom.

7087. There being no other security, are not these debenture stocks to all intents and purposes practically a loan to the Government of India?—They are a loan to the Secretary of State for India.

7088. And the Secretary of State is the representative of the Government of India?—The Secretary of State is not legally the representative of the Government of India. He is not legally the representative of India, but he has a certain constitutional position under the Government of India Act and a power of control over the Government of India. The control of the revenues of India is ultimately by Act vested in the Secretary of State for India in Council. The words of the Act are: "Subject to the "provisions of this Act, the Secretary of State "has and performs all such or the like powers "and duties relating to the government or "revenues of India, and has all such or the like "powers over all officers appointed or con-"tinued under this Act as, if the Government "of India Act, 1858, had not been passed, might "or should have been exercised or performed by "the East India Company, or by the Court of "Directors or Court of Proprietors of that "Company," and so on.

7089. May we put it in another way: are not these debenture stocks to all intents and purposes practically a loan to the Government of India or its representative?—I think as a popular description of the facts that is probably, generally speaking, correct, but I doubt whether it is an explanation that would satisfy a lawyer who had regard to the provisions of the Government of India Act.

7090. In these prospectuses it is generally stated that money is required for the general purposes of the company. Would it not have been more strictly accurate to have said that the money was required for the general purposes of the undertaking?—I think that is probably the case.

7091. In one of these prospectuses I see that the results of the previous two years of the whole undertaking are given, although it is a prospectus of the company. That was some years ago, in 1902. I also find, in looking through the copies that I have here, that in only one case is it put down that the money is required to repay advances. I understood from you that, generally speaking, the money was used for the purpose of repaying advances?—I think there are really two questions involved in what you have put to me. The first is the question of the company *vis-à-vis* the undertaking. I believe if you take legal opinion you will find that the undertaking is not a legal entity; that the company is the legal entity brought into being by the contract entered into by it with the Secretary of State. The undertaking in itself is not a corporate body or anything of that kind.

7092. The sole owner of which, as I hold, is the Government of India?—I am not prepared to enter into any discussion as to whether the owner of the undertaking is the Government of India or the Secretary of State in Council. That is a legal point which I do not desire to express an opinion upon.

7093. The Government of India, or again I say its representative; but I do not think the company is the owner to any extent at all?—I have nothing further to add on that point to what I have already said.

7094. With regard to the raising of money, I understand that the greatest hope you have of finding new lenders is to give the companies much greater power in the way of raising funds by dressing up the securities in rather more attractive form. What do you suggest in that way? I do not quite follow what you mean by "dressing up the securities in rather more attractive form"?—I thought I had explained

what I meant, namely, firstly that, by the creation of additional companies in India, it would be possible for the companies to raise additional share capital, and that it would also be possible for them to raise money on debentures or other forms of security other than capital on which——

7095. (*Chairman.*) Securities other than shares?—Securities other than shares—on which it would be possible for them to offer a fractionally higher rate of interest than Government could do in the case of direct borrowing, without unduly depreciating the whole corpus of their outstanding debt and also without prejudicing their future borrowing operations for the purpose of funding or otherwise; similarly in the case of sterling borrowings in England that the companies should be allowed a freer hand, when circumstances permit, in raising either additional share capital or debentures or debenture stock, as the case may be.

7096. (*Mr. Tuke.*) Do you not think that would be rather an expensive way of raising money, looking at the return which the ordinary stocks of railway companies give on the London market at the present time?—It would be an expensive way of raising money, but I do not think it would be a more expensive way of raising money than by endeavouring to obtain the whole amount by direct borrowing, in regard to which I fear that if the total amount desired is to be obtained it would be necessary to raise the rate of interest for those direct borrowings.

7097. Does an increase of interest in all cases represent a depreciation of security? Does not the rate of interest largely depend on the value of money for the time being?—I am not quite certain that I have caught exactly your point. You mean to say that if Government do offer more it does not necessarily follow that the security is depreciated?

7098. Quite. Would you say that the security of the British Government had depreciated because it gives more when the value of money is materially higher?—I do not think I said that the Government of India security had depreciated. I said that they could not borrow more without depreciating their existing securities. I was thinking of their debt which was outstanding.

7099. Does not that depend upon the value of money?—I think there is a considerable difference between direct Government borrowings in India and the Government of India borrowings in London in that particular respect.

7100. Has there been any depreciation of the securities of Governments which have not borrowed at all in recent years?—May I answer your first question first, before you put it in the other way? I think that, if we do distinguish between Indian Government borrowings in India and the Secretary of State's borrowings in London it can correctly be said, as regards the latter, that it is the case that Indian securities are relatively speaking merely a drop in the bucket.

7101. (*Chairman.*) In London?—In London.

7102. You mean a fraction of the total amount outstanding on the Stock Exchange?—A fraction of the total amount of securities of a more or less similar character outstanding on the Stock Exchange. From time to time there is necessarily a certain variation in the level at which Indian credit stands compared with the credit for other securities of, generally speaking, the same type, but subject to those temporary variations the price level and the yield of Indian securities will be governed by and largely conform to the general money rates prevailing at the time. I think that is the point Mr. Tuke wished to put to me, and that is why I said I wanted to answer his question first in the form in which he put it to me first. The issue of an Indian security in London at the present time at a high rate would therefore not necessarily prejudice our future borrowings, because that security would adjust itself roughly to the general interest rate and yield level, and it would not unduly depreciate our past securities, because the value and level of those past securities would be determined by the general level in the London market for similar securities. Where, however, you come to borrowing in the Indian market, the Indian Government loans are more or less the predominant security of that character. There are some Port Trust borrowings and other borrowings on a small scale, but if the Indian Government now were to issue a loan at, to take an absurd figure, 8 or 10 per cent., it would be a permanent shock to all their existing securities. It would shake the confidence of the past investor, who is not so accustomed to a change in the level of quotations as the investor in England is, and it would prejudice their future borrowings with regard to both rate and amount. I think I have made the difference between the two markets clear, and I think I am correct on the point, but it is merely a personal diagnosis, and I hope that that really answers the point which Mr. Tuke had in mind.

7103. (*Mr. Tuke.*) In fact you refer entirely to borrowings in India. Do I understand from your remarks that raising a loan at a high rate of interest when money is dear would affect the Indian market and not the London market?—When I was talking about the depreciation of their securities I was referring primarily to borrowing in the Indian market.

7104. That is what I wanted to bring out?—May I say, in order to complete that, that I think that necessarily affects the rate at which you can afford to borrow in London, because I doubt whether it would be legitimate to offer a materially higher rate in London than you are offering in India. There would certainly be considerable sentimental criticism on that point, even if there were no possible practical objections to it. I do not know whether you would like that point developed? There is a good deal to be said about it.

(*Mr. Tuke.*) I think it is one on which different opinions may be held.

7105. (*Chairman.*) We have come to this—that what we have called depreciation of the Government credit might take place in India, but would not, at any rate not at all to the same extent, take place in England. That, I gather, is what you say?—That was my point. The determination of the relative yield of Indian securities in London is governed by a totally different set of circumstances.

(*Chairman.*) Starting from that premise it would seem to follow that the rate of interest in London would not tend to go up as much as in India, and therefore there would be no great fear of the cost of a loan in London getting higher than in India. Am not I right? Do you see what I mean? The borrowings in London depreciate Indian credit to a much smaller extent?

(*Sir George Godfrey.*) Do you mean credit or value?

7106. (*Chairman.*) They cause India to borrow at a higher rate—put it in that way. Therefore it seems to me you may expect not that

you may need to borrow in London at a higher rate, but you might expect to borrow, if not at the same rate, at a lower rate than in India?—I think that must vary from time to time.

7107. Of course, but is not that the sort of general effect—that there is no fear of having to borrow in London at a higher rate than in India?—I would not be at all afraid merely on general grounds of paying a higher rate, if necessary, to secure the capital in London, but I can see there are certain serious objections to paying a higher price except as a purely temporary arrangement in London.

7108. My point is that I cannot see there is much fear of them having to do it?—That all depends on how much money you want to get in India. There is a limit to the amount of money which can be taken out of the money market at a particular price for Government borrowing. That limit, I should think, would not begin to operate very quickly with regard to borrowings on this side. Before the war, in India our borrowings were relatively cheap, possibly cheaper than London, because our loans issued year by year were, relatively speaking, minute in amount—two crores or three crores—with the result that the prices of Government securities in India at that time were kept up by what I might call almost artificial scarcity.

7109. (*Mr. Tuke.*) There is only one other question I should like to ask you. I understand that quite recently a loan by the Indian Government for railway purposes was successfully floated?—Yes.

7110. The issue was a direct loan by the Indian Government, and not a debenture stock issue of an Indian railway company, a course which I understand you prefer?—We should certainly have preferred to have made it a long-dated security, but we were advised that we could not float a long-dated security except at a rate of interest which would have been relatively penal for a security of such long currency.

(*Sir George Godfrey.*) I am very sorry we did not hear Mr. Tuke's question; will he kindly repeat it?

7111. (*Mr. Tuke.*) The point with regard to the loan was this. The issue was a direct loan by the Indian Government, and not a debenture stock issue by an Indian railway company, a course which I understand Mr. Howard prefers. The question I ask him is: Is he at liberty to tell me why the one course was chosen and not the other?—In the first place, I do not think I have said that I prefer raising funds by debenture stock. I prefer raising funds by the cheapest course available. The point that I have desired to make has rather been that the amount that we can obtain by direct borrowings is limited.

7112. And cheaper?—And cheaper. Direct borrowing is cheaper. We should have had on the present occasion, in order to raise a loan through the companies at the present time, to have offered a higher rate, and I doubt whether it would have been possible to raise a loan of any large size attributable to a particular company exceeding, say, 2½ million or 3,000,000*l.*, or something in that neighbourhood, and we should have had to pay more for it. Even in that case I doubt whether we could have raised a loan to take the form of debenture stock, which means practically a permanent security, except by paying a relatively penal rate.

7113. (*Mr. Purshotamdas.*) Can you tell me approximately what percentage of the borrowings of the Government of India in any year relate to non-railway purposes? Is it 10 or 5 or 15?—Would it answer your question if I gave you the total borrowings up to date in two particular years?

7114. In two particular years?—Yes. I was thinking of giving you the distribution of our total borrowings between railways, irrigation, and other debt, say, in 1914 and 1920, that is, the total outstandings.

7115. Could not you separate the irrigation from it?—I have separated irrigation from it. For instance, what I meant to offer to you was that on the 31st March 1914 our railway debt was 222,000,000*l.* the irrigation debt was £39⅔ million, and the other debt, including a small amount for Delhi, was £12¾ million.

7116. That would represent about 52,000,000*l.* for purposes other than railways, and 222,000,000*l.* for railways?—That is right.

(*Mr. Purshotamdas.*) Which means four times more for railways.

(*Chairman.*) More than four-fifths.

7117. (*Mr. Purshotamdas.*) It means that 20 per cent. of the borrowings up to that year was for non-railway purposes and that 80 per cent. was for railway purposes. Is that approximately right?—Yes. In normal years, apart from Delhi, we have not borrowed for any non-productive purposes. Any non-productive debt that we had outstanding before the war can, I think, be said to be the relics of some period of heavy expenditure such as the Afghan war. That non-productive debt has been gradually disappearing owing to our practice of devoting any of our revenue surpluses to railway and irrigation construction, and treating that as a transfer of the productive to the non-productive debt. So that in ordinary years before the war it may be said that, apart from a small sum for Delhi, in recent years we have borrowed for productive purposes only.

7118. If I may bring it up to date, one might say that the major part of the borrowings of the Government of India—to the extent of 75 per cent. at least—has been for railway purposes. Will you agree to that?—The position has changed very considerably during the war, owing to the fact that we have had several successive deficits which in effect have meant borrowing for ordinary current expenditure. I mentioned the figures incidentally a little earlier to-day. Shall I repeat them?

(*Mr. Purshotamdas.*) No. I only wanted to get at the approximate division between railway and non-railway borrowings.

7119. (*Chairman.*) Will you give us the figures for 1920?—Railways, £253⅓ million; irrigation, 45,000,000*l.*; ordinary or non-productive debt, 77,000,000*l.*, to which must be added floating debt, 35,000,000*l.*

7120. Roughly speaking, 25 per cent. is non-productive?—Roughly speaking, yes.

7121. (*Mr. Purshotamdas.*) Your objection to a separate railway budget, as I understand it from your replies, is not on administrative grounds. You thought on administrative grounds it would not be difficult to present the railway budget separately, and to transfer three or four main items instead of transferring all the separate items to the main budget, if I understood you correctly?—I think you have put into my mouth rather more than I said. It is not that I so much object to a separate budget. My point has rather been to endeavour to show that

a separate budget would not attain the particular object which I—and, I believe, the Committee—are most anxious to secure.

7122. You were talking about more money for the railways. I was coming to that next. I only want to know whether I understood you correctly when you said you did not see any administrative objection to a separate budget. On administrative grounds you see no objection to a separate budget for railway purposes. I have tried to remember exactly the words you used, which were, I think, that you saw no objection to transferring three or four main items to the main budget instead of transferring all the minor details in the main budget?—May I put it like this? I do not think there would be any difficulty in preparing a self-contained statement of the railway revenue and expenditure and receipts and issues, and merely carrying forward certain consolidated figures to the ordinary budget.

7123. That was my impression, and I think we may take it that that is about what you said. If that is so, then the expedient which you suggest, of forming these existing State-owned railways into private companies, is for the purpose of enabling the railways to get more money?—Yes.

7124. In suggesting that expedient do not you think you are suggesting a course which absolutely sacrifices the policy followed by the Secretary of State ever since the first railway contract fell due and was renewed by him when he bought out the major part of the shareholders here? The main object of your expedient is to make available more money for the railways. As to whether you make that money available cheaper or not is a matter I will come to immediately, but I just want to point out to you that what strikes me is that in suggesting that expedient you are sacrificing the most important underlying principle which every successive Secretary of State has stood for since 1850, and you are suggesting it at a time when the whole question is one which, in my opinion—you may differ—does not admit of much difference of opinion as far as the Indian point of view is concerned. However, we will leave that aside. Is not your expedient sacrificing the underlying principle which, up till now, has not been challenged anywhere?—I do not think it is, and if you consider that I have suggested that, I do not think you have apprehended quite clearly what I propose.

7125. The underlying principle, to my mind, is this. Every Secretary of State has said that the proprietary ownership of the line shall be vested in the Government of India or in the Secretary of State. To that end they bought out the shareholders—the actual real shareholders—who floated and owned a railway when the railway was started. In one case they bought out 99 per cent.; in another case 94 per cent.; in another case 95 per cent., and in another case 70 per cent. In fact, the proprietary interests have been kept so low that to suggest at this stage that that policy should be gone back upon, and that the proprietary interests should be given out to people, is a subversion of the policy which has been followed by successive Secretaries of State during the last 70 years?—I do not think I am proposing anything which will necessarily have the effect of differing from the Secretary of State's past policy. In the case of these new companies which I have suggested, there is not, I think, in my proposal anything inherently different in character from that of the companies which the Secretary of State has, in pursuance of his policy, set up.

7126. May I interrupt you? The Secretary of State up till now has never issued any share capital or allowed any railway to issue share capital?—I was coming to that. The main difference in practice which I have suggested is that the domicile of these companies should be in India and not in the United Kingdom. In all the modern contracts, I believe, entered into by these companies with the Secretary of State, provision has been made for the raising of additional share capital as well as for the raising of funds in other forms, and consequently in making the suggestion that share capital should be raised I am merely following an idea that the Secretary of State has actually had embodied in the existing contracts.

7127. He has the option, but he has never exercised it. The Secretary of State has an option to call upon companies to raise capital, or to authorise the companies to raise capital, but has he in any one instance exercised that option? If he has not exercised it during the last 70 years, may not we conclude that the policy has been not to increase the proprietary interest of anybody in these various companies?—I cannot form any conclusion as to policy, but I think there is one consideration that has a bearing on the point; that is to say, that up till the time of the war, funds could be raised on such reasonable terms—one might say on such cheap terms—in the form of debenture capital that possibly the Secretary of State of the time might have considered it expedient to raise his funds in that form, so as to secure the greatest possible return to the State of his own portion of the capital. But if a time has come when the Secretary of State's return on his portion of the capital is being curtailed, owing to the difficulty of obtaining funds for the development of the line, I do not see why it should be a departure from that past policy to adopt a method of raising those funds which has not been exercised up to the present, but which may be the easiest and cheapest method of obtaining new funds in the circumstances of the present time.

7128. The Secretary of State has that option to-day. He had that option before this loan was floated. If there was any advantage in that method he would certainly have done it with the existing railways. Instead of that he preferred to float a debenture loan in the city here?—May I answer that particular point? I think at the present stage, with this Committee sitting, it can at any rate be suggested that the Secretary of State would not wish to prejudice any issues by raising new share capital for individual companies while the question as a whole is before the present Committee.

7129. If I may put it in other words, the Secretary of State did not want to make any departure from the policy which he had followed up till now while the Committee was sitting. Therefore what may be suggested in the new scheme would be a departure from his policy. However, we will leave it at that?—I think you have read rather more into my statement than I intended to say. The easiest method of raising a substantial sum in one operation is obviously direct borrowing.

(*Mr. Purshotamdas.*) I will drop the point.

7130. (*Chairman.*) Surely Mr. Purshotamdas is merely putting historical facts. The Robertson Report recommended that the companies should be allowed to raise capital. They were not

allowed to do so. The Mackay Report again recommended that companies should be allowed to raise capital, and they recommended that £12½ million should be raised by the State. Though the State failed year after year to raise the £12½ million, still the companies were not allowed to subscribe new share capital. Surely that was a policy?—That may or may not have been the policy. I am not in a position myself to say whether there was any deliberate policy underlying what was done. As I think I mentioned on the first occasion on which I was examined, the difficulties arose not so much from the necessary funds not having been raised in the first three years after the Mackay Report was published, but through the Government of India not immediately spending those funds on railway construction.

7131. Whether they raised it or not is irrelevant. They did not spend it on railways. The Mackay Committee said £12½ million ought to be spent Even though the Government were not spending it, they did not let the companies provide it. That surely represents a historical fact, does it not?—It represents a historical fact, I admit, if you say the Secretary of State did not require the companies to raise it.

(*Chairman.*) I think we have had evidence that the companies were willing and anxious.

7132. (*Mr. Purshotamdas.*) I think it was in the London evidence?—I can only say this. Sir Lionel Abrahams was a member of the Mackay Committee, which recommended that the companies should be permitted, on occasions when that course seemed desirable, to raise share capital. I can hardly believe that he, as the Secretary of State's adviser whose views certainly carried considerable weight with the authorities of the India Office at the time, would have definitely stood in the way of the policy underlying the report (to which he himself was a party) being followed.

7133. (*Sir Rajendra Nath Mookerjee.*) Has not the Secretary of State departed from that policy by allowing branch lines in India to raise share capital in the last few years?—May I put my answer, such as it is, in this way? I myself have not heard it mentioned that on any ground of policy the companies have not been requested to raise additional funds in the form of share capital. I was not aware that that was a deliberate policy.

7134. (*Mr. Purshotamdas.*) I assure you that it is not my intention at all to read a word more in your evidence or in your statements or in the valuable information which you have given us than you meant to convey, and I shall be very pleased if you will correct me if I infer anything to which you do not agree?—I quite understand. I am afraid that I did not express myself quite clearly.

7135. Now I will go on to another question, namely, cheaper money—whether the companies would be able to get cheaper money or not. Do you think that any company which may have to be floated will require a guarantee from the Government of India or from the Secretary of State, or do you think that a company on the lines enunciated by Sir Rajendra could be floated without a guarantee of a dividend from the Government of India?—I have rather an open mind on the question, but, generally speaking, I have a feeling that it might be advantageous for the Secretary of State or for the Government of India, as it probably would be if the borrowing was in India, to give a guarantee not necessarily for a very high figure, but something well within the certain earning powers of the company; because if such a guarantee is given the security would then be a trust security. Without such a guarantee it would not have that character.

7136. Do you think it would be possible to float such shares in the market at the present time or within the next two or three years, if you like, on a guarantee similar to the guarantee of the existing shareholders in English companies—in some cases 3½ per cent., in some cases 4 per cent., and in one or two cases 5 per cent.—or do you think a higher guaranteed rate of interest would be necessary?—I speak with some diffidence, since in order to answer your question one would have to have immediate first-hand knowledge of Indian conditions, and to consult the Imperial Bank and so forth; but, generally speaking, I think the answer depends to some extent on the amount at which the Secretary of State's existing holding in a company, such as the Eastern Bengal Railway, is capitalised, and on the authoritative published figures which could be given as to the past earnings of the line and its future prospects. I think a satisfactory statement of the actual essential facts and prospects of the line would be the primary consideration.

7137. Supposing I put it the other way, which is a very fair way to put it. The Indian Legislative Assembly is getting very jealous of any outside control except its own on the railways. That is a thing which is patent and it is admitted. The Government interest in the share capital of a railway company to be formed according to your suggestion would be fairly substantial. Therefore any subscribers to such shares would say: "Unless we have a substantial guarantee it is "quite possible we may not earn anything "reasonable. We might earn only 2 or 3 or 4 "per cent. and not more." Your share capital would never be subscribed at present unless you give an adequate assurance, say 6 per cent. interest guaranteed. I was told by a person who ought to know that at least 6½ per cent. guaranteed interest would be necessary for these shares at present. Let us take it at 6 per cent. What would be the sort of lease that a company would want? How many years' contract would they want for that? Would they be satisfied with a 20 or 25 or 15 years' contract? In the evidence taken in London the various company directors stated that they thought a 50 or 100 years' contract was desirable. I just mention these points as they strike me. Another point is: Would these railway companies allow the Government of India to buy them out later, and if so, would a premium be necessary for that? When you put all these points together, do you think the money thus obtained would be cheap money?—First as regards the term of the contract, I have not any very strong view as to that point. I think Sir Rajendra Nath Mookerjee would really give you more valuable advice on that point than I could.

7138. I have told you that the directors who were examined here in London expressed the opinion that they would like long contracts, and the presumption is that, if you negotiated the floating of any companies with share capital, it would be a necessary condition. It would be necessary to have a contract. The Secretary of State would not issue shares in a railway company to anybody without a sort of contract enunciating the terms on which they were given?—The evidence which you received in London relates, I take it, to the grant of or to the renewal of contracts in London. I do not know that it necessarily follows that the conditions necessary as to terms

would be the same in India. As to that I cannot express any competent opinion. I cannot imagine it would be wise, or that one could hope to secure any adequate results in the case of a company with a contract for less than at any rate 50 years.

7139. Take it at 50 years. That makes it dear enough with a 6 per cent. guarantee?—As to the rate of guarantee, if Government themselves can borrow on a fixed interest bearing security at 6 per cent. or 6½ per cent., I find it rather difficult to believe that a guarantee up to practically the same figure would be necessary if the shareholders had at the same time the prospect of participating in any profits that were made by the company. Surely in that case the shareholders who insisted on those onerous terms would be asking to have it both ways.

7140. Do not you think financiers are the same all over the world, whether in England, America, or India? A group of financiers in India would be about as shrewd men at making a good bargain as a group of financiers in England. If I may go on to my next point, I would just like to read out to you what Mr. Stantiall said in his evidence:—

> "(*Q.*) Then you mention that as regards the lines other than the North-Western, it was proposed to hand them over to companies, and that negotiations were carried on?—(*A.*) Yes, at different times. (*Q.*) But they fell through?—(*A.*) Yes. (*Q.*) Can you tell us the reason?—(*A.*) We failed to come to terms with the applicants. (*Q.*) You could not find a company that would take them over on the terms that the office thought were reasonable?—(*A.*) No. (*Sir Henry Burt.*) There were plenty of companies willing to take them over?—(*A.*) Yes, negotiations were entered upon on several occasions. (*Q.*) It was all a question of terms?—(*A.*) Yes."

So that negotiations were made on such lines before, and it was found that the Secretary of State and the companies could not come together, and things fell through. If negotiations are to be resumed at this stage again when there is—what we all hope—and I suppose you will not differ from it—a temporary tightness of money, would it be right to enter into something which has not been good enough for the Secretary of State for the last 70 years? That is how it strikes me. Now, you mentioned regarding borrowing outside India that you thought depreciation in the existing Government securities up till now necessitated the Government keeping the borrowing rates of the future low. Are you aware that there is a strong feeling in commercial and industrial circles in India that, in borrowing outside India at rates higher than those at which money can be got in India, the Government are giving a preference to non-Indian investors? It may be a wrong impression, but it is there. Have you ever heard that such an impression is gaining ground in India?—I am not able to speak for India with reference to the last year or so, but I have heard it suggested by one or two gentlemen that the offer of a higher rate on a recent occasion in London was resented by certain persons. Whether that information is correct or not, I am not able to say.

7141. That was put to us by several Indian commercial witnesses. I wanted to bring to your notice that there is a feeling growing in India that, when the Government borrow outside India at rates which are higher than those at which they borrow in India, people construe it as giving a sort of preference to non-Indian investors. If you knew of that feeling, which unfortunately is gaining ground, perhaps you might feel that, with the best of intentions, the Government of India would not support the policy of borrowing outside India in order to prevent the depreciation of the pre-war securities, because after all that is a matter which adjusts itself according to the supply and demand of money?—The actual rate which the Government of India can afford to offer—the actual extent to which they can afford to depreciate their pre-war securities—is a matter for their consideration. I do not feel myself qualified to offer an opinion as to the rate which they could suitably offer in India. But I certainly agree with you that as a general proposition it is not desirable to offer a higher rate in this country than that which is offered in India. There are various general considerations with which the Committee must be acquainted. It would be unjustifiable as a permanent practice to pay higher rates for loans outside a country than are paid within it, but obviously, if a country has industries such as railways which are starving for capital, it is economic for that country to borrow the amounts necessary for the protection and conservation of those industries, either inside itself or, if it cannot obtain the necessary requirements inside itself, outside itself.

7142. On that score I think we agree absolutely?—But the rates paid in this country have not been appreciably higher than the rates paid in India The rate for that loan, which we have the right to redeem after five years, was 7 per cent. The rate offered by the Government of India last year was 6 per cent. free of tax, which was practically 6½ per cent. The rate offered for the Bombay loan was 6½ per cent. free of tax, which was practically 7. There is not any very material difference.

7143. When any of these shares are to be issued—take the East Indian Railway—do you think the Secretary of State ought to re-value that line at what it is worth to-day, or do you think that he ought to value it just as it is in your books—the cost to the company? What would be the basis on which he should float a new company?—Frankly, I have not any very decided opinions about the matter. What I should do from the commercial point of view if I was looking into the question would be to look to the amount of money that had been spent on the line. I should then look to the actual yield on the line and what that would amount to if capitalised for various periods. I should then compare the various figures so arrived at with the actual outlay on the line, and see how they worked out. Then I should have to consider the terms on which the public would be likely to take up new share capital in the lines. But in advance of having made a detailed examination of the figures in that kind of way with regard to the circumstances of the time, I would not like to commit myself to any particular opinion as to the basis which could most suitably be adopted by the Secretary of State's policy.

7144. The Secretary of State had to pay 25 per cent. premium when he bought out the old shareholders, and if the company was to be started again, according to the Financial Revenue Accounts the premium would not be there at all. So it would hardly be right to omit that substantial premium which was paid?—I certainly think it would be reasonable to take that

into account. That is not, however, a percentage on the total expenditure put into the line up to date.

7145. (*Sir George Godfrey.*) I have very little to ask, because so many questions have been put to you in different ways that many of mine have been included in them. But I should like just to clear up the question about India's indebtedness. You told us it was, roughly, 410,000,000*l.*, of which about 300,000,000*l.* have been invested in railways, if we deduct the 65,000,000*l.* or 70,000,000*l.* which has been found by company capital. That being so, only 110,000,000*l.* is the indebtedness of India outside the security of her railways. Is that correct? I do not mean within 5,000,000*l.* or 6,000,000*l.*, but is that, roughly, the position?—That is not quite the position, because the figure of 300,000,000*l.* which you mentioned includes the 65,000,000*l.* on account of annuities, roughly speaking. So that if you deduct annuities, and make allowance for the premium paid at the time of the acquisition of the lines, you arrive at this other figure which I mentioned as the amount of debt counting as railway debt, apart from annuities, as £253½ million out of our total of 410,000,000*l.* In mentioning these figures I might perhaps say that they are figures of the 31st March 1920, which appear in the explanatory memorandum of the Secretary of State which he presented to Parliament. (The Command Number of the paper is 892.) I am using these as the most up-to-date authoritative figures which we have got.

7146. By what figure might one describe India's national debt, taking away the securities she has on her railways?—That, I think, is easier to answer—157,000,000*l.*

7147. (*Chairman.*) That is including the still more remunerative debt of the irrigation?—That includes 45,000,000*l.* for irrigation.

7148. (*Sir George Godfrey.*) Irrigation may also be regarded as a security because it is a productive expenditure?—It is even more productive than the railways.

7149. So it comes down to 110,000,000*l.*, roughly?—That is correct, yes.

7150. The business man in the street of Calcutta or Bombay or Madras looks at a figure like that, and he looks at the return which the railways have earned, and he says: "By a little "increase in rates surely you can make certain that "your railways will bring in a return of 7 or 8 "per cent. Why cannot the money be raised?" Will you just shortly tell us what the answer to that is? It is really, I think, if I might use your own words, that the Government of India cannot make more direct borrowings without depreciating their existing securities, and thereby their credit?—I think the real inherent difficulty arises from this fact; at any rate to my mind it arises from this fact. I should think nothing of that 110,000,000*l.* of debt provided it was in permanent debt, and that we had no obligation to repay for another 20, 30, 40 or 50 years. But the difficulty with all this debt is that it is practically all floating debt, or something very little better than floating debt. That is our real crucial difficulty.

7151. It is a short-term debt?—And floating debt.

7152. (*Chairman.*) Let me get this right. I understood you gave two figures—77,000,000*l.* and 35,000,000*l.* What is the 77,000,000*l.*?—77,000,000*l.* is ordinary or non-productive debt.

7153. Is not that long-term?—No. I speak subject to correction, but I think, according to our category, we only classify anything less than five years as a short-term debt.

7154. 77,000,000*l.* is partly a shortish-term debt?—Yes.

7155. How much is funded?—I would not like to attempt to divide that particular figure, but I can give you the up-to-date figures. We have of debt maturing between now and 1930 100,000,000*l.*

7156. That would make 65,000,000*l.*, and the rest is 12,000,000*l.*?—And our outstanding Treasury bills apart from that amounted, according to the last return, to 60 crores.

7157. You gave it as 35,000,000*l.*?—The figure of 35,000,000*l.* was that of the 31st March 1920. The other figures I am mentioning are the figures of to-day, which really affect our present position as regards borrowing. They are the immediate figures with which we have to deal for that borrowing purpose. So that the fact is really that probably some of our expenditure on railways has been financed by this very short-term debt.

7158. (*Sir George Godfrey.*) As you told us on the first day, in round figures 100 crores mature between now and the summer of 1930. That is 10 years?—That is 10 years, but if you take the individual years we have 25½ crores which mature this summer in 1921 bonds and for next year we have another 11½ crores. In addition to that at the moment we have 60 crores of Treasury bills which mature within the next 12 months.

7159. (*Sir Arthur Anderson.*) The whole of the unproductive debt is a post-war debt?—That is substantially correct.

7160. (*Sir George Godfrey.*) Therefore, really the time has come when, in spite of the railways being a sound financial proposition for the investment of money, the Government of India or the Secretary of State cannot find the money that is required?—That is my personal view. I am merely expressing throughout my own personal views.

7161. Therefore the State, having accepted responsibility hitherto for raising the capital required for Indian railways, has failed. Circumstances, or whatever it may be, have been against it, which in itself would create sufficient justification for departing from previous policy, if there has been such?—That is my view.

7162. (*Sir Henry Ledgard.*) In reading through the evidence which was given to the Committee in England before it proceeded to India, I noticed that several witnesses stated that the amount of money that can be raised in England for India is limited. One witness put it at 10,000,000*l.*, and two other witnesses named higher figures. Does not the result of the last 7 per cent. loan rather alter those views? Did not the applications for that one loan amount to a very much larger figure than those witnesses estimated as being the money likely to be available?—That is probably the case, but if we had floated a loan of 20,000,000*l.* it does not necessarily follow we should have had that applied for. Personally I should very much have liked, if it had been possible, to raise a larger sum than £7½ million at home here, but I understand that the Secretary of State was advised that there would be considerable difficulty in obtaining even that sum at present rates of interest.

7163. I am afraid there has been that opinion, but is it not the case that in the London market you can get almost any amount of money, provided you are prepared to pay a suitable rate

of interest?—I should think that that statement within limitations is probably correct.

7164. The second point on which I wish your view, if you could kindly give it to us, is this: I think you have seen the evidence which Mr. Cook gave us in Delhi. He expressed his view that, bearing in mind the very large obligations by the Indian Government on what we will call short-term loans, say up to 1930, which amount to such a very large figure, further loans which might be required for Indian railways and irrigation had better be raised in the English market, or markets other than the Indian market, reserving India for funding or replacing these large loans falling due in India during the next 8 or 10 years. Is it your view that such should be the case, or do you think that the Indian market might equally be available for railway loans?—I intended to convey very much the same idea as, I understand, Mr. Cook has had in mind, namely, that the Government of India will find the greatest possible difficulty in raising the necessary amounts to fund their own debt in India at anything like a reasonable rate of interest, apart from raising the large sums which are undoubtedly required for railway purposes. It is primarily for that reason that I personally hold the view that it is desirable if possible to endeavour to employ the agency of companies for raising the additional funds required.

7165. But you have no objection, other than that, that money which is required in India for railways should be raised in India, if it can be raised at the same rate of interest?—I think Mr. Hailey mentioned in his budget that he did not intend to restrict the limit of his borrowing this year to 15 crores. The figure was entered in his budget as an estimate only. If the actual amount received should prove to be widely in excess of this figure this will be all to the good. The problem would be on the way to being solved.

7166. I asked that question because it has occurred to me that the lender of the money in India is so much better off than the lender of the money in England. The lender of the money in England at 7 per cent. gets only a net 4·9 per cent. after income-tax has been deducted, whereas the lender of money in India at 7 per cent., after the Indian rate of income-tax has been deducted, gets approximately 6½ per cent., which is a much more attractive figure, and one which I should have thought would have been more likely to attract large sums in India than the figure of 4·9 per cent. in England?—The investment habit in India has so far not been developed to anything like the same extent as it has in Western countries, though I certainly believe it has increased very considerably as a result of the intensive campaigns that we had for the purpose of getting the Government of India's loans taken up during the war, and I hope that as time goes on, and with the improvement of banking facilities, it will be possible to tap an increasingly wide field of investors; but I fear that the extension of that field can only be gradual, that we cannot at once break down the habits of a great many years past.

7167. Supposing companies of Indian domicile were formed with rupee capital, to take a considerable share in, say, four undertakings which I will mention, namely, the East Indian Railway, to which you have referred, the Great Indian Peninsula Railway, also the East Indian Railway might eventually absorb the Oudh and Rohilkhand Railway, and a separate company be formed for the Eastern Bengal Railway; such capital being raised over a period of years up to an aggregate of 70 or 80 crores of rupees, which would give a reasonable share or interest in those four companies, to be expended for construction—capital expenditure—do you think that that would materially assist the general financial difficulty?—I do not particularly wish to particularise individual companies, and in particularising certain companies I did so primarily with the object of illustration. I certainly feel that any amount that can be raised by companies by direct borrowings of that kind must largely tend to relieve the burden which Government might otherwise be expected to bear in respect of the financing of new capital expenditure on railways.

7168. The interest, I presume, would of course be guaranteed by the Secretary of State, and be at a lower rate of interest than money could be raised at at that time, and the shareholders would participate in a proportion of the profits in excess of the guaranteed rate?—I think I dealt with that particular point in answering Sir R. Mookerjee.

7169. (*Mr. Tuke.*) There is one question of general interest which I should like to ask. By whom are these short-term loans held at the present time?—We have got two classes. There is the Treasury Bill or Floating Debt, of which I said there are about 60 crores. I think the Banks must be among the large holders of those. I fancy, however, that a good deal even of Treasury Bills are held by private investors, including business firms, or important Indian concerns and private like the Marwaris. When you come to the other short-term debt, including short-dated War Bonds and similar issues, a portion of those is possibly held by the Banks, but the bulk of the issues, I imagine, is held by private investors in various forms. Certain large blocks of them were taken up by industrial concerns as a matter of patriotism during the war. I do not know how far they have got rid of them since and passed them on to the general public, or how far they still hold them.

7170. What occurred to me was this, that the funding, say, of 100 millions was nothing like so difficult as raising a new 100 millions, because those people who hold the present loan may exchange it into a new loan, and therefore I do not think it is quite so black as, perhaps, you paint it?—I quite agree it is not so difficult to raise a funding loan of 100 millions in replacement of old debt as it would be to raise a new 100 millions; but at the same time it is not an easy proposition, in the present state of money markets, to raise a large amount of new capital in addition to the funding of your present outstandings.

7171. Of course they are not all due in one year. They are due gradually, are they not—the 100 millions?—That is so. We have an embarrassingly large figure this year, and again next year. We have 25½ crores within a few months from now, and another 11½ crores next year.

7172. I think it is not quite the same as new money?—It is not quite as bad as if we had to raise all that in new money as well.

7173. (*Chairman.*) I just want to clear up one or two points before we separate. Has the attention of the Finance authorities ever been called to the inconvenience of paying off capital in the form of annuities at a time when you have difficulty in borrowing the new money? Has anything ever been thought of on that subject to

see whether something could not be done to make it worth the holders' while to continue them?—To compound with them for some permanent debt, do you mean?

7174. No. I mean to say to postpone the repurchase of the capital and merely pay the interest. You would clearly have to give them better terms. Has that ever been in contemplation?—I have never actually seen that suggested. On the other hand, though I have not seen it discussed, I imagine the amount of the capital portion of the annuity payments has been looked upon as relatively inconsiderable as compared with our total requirements. It is about 1 million a year.

7175. Ever since the beginning the Railway Account has been debited with the paying off of a million of capital for the benefit of the ultimate position of the State?—Yes. On the other hand, there is one consideration (I do not know how far it has carried any weight), and that is in our Railway Account we show nothing of any kind for depreciation, and this might be held to be, as it were, a depreciation fund on our railway asset generally. I do not know that that is any justification, but I have heard it mentioned as a consideration bearing on the point.

7176. I do not know whether you can answer this. If you cannot, would you mind getting it for us from the proper authority? Is there any objection caused by a provision in the Government of India Act, or anything else, so that legislation would be needed for a separation of the budget? Perhaps that is not a fair question to ask you off-hand?—I think it is. So far as I can ascertain, no legislation would be required. The Secretary of State might have to pass some separate rules which were subject to the approval of Parliament, but I do not think there would be any legislative difficulty. Of course, it would necessarily be the case that the Railway Vote under a separate budget would come before the Legislative Assembly in exactly the same way as if it were included in the whole budget.

7177. That is statutory clearly. By cutting the budget into two you cannot deprive the Legislature of the control of one half. While you were answering Mr. Purshotamdas about the guarantee to the companies, you said you thought that in view of their participation in the profits they would take a guarantee a good deal lower than the total interest on the Government loan?—That was my general idea.

7178. This is what I want to ask you; it came into my head as you were saying it. Do you appreciate that since the 1st March there is a new risk to the guaranteed company? Whereas hitherto it has been the interest of the Government of India that the earnings of a Guaranteed Company should be large, because they took nearly the whole, in future they may take the whole by a traffic tax, and under this system the interest of the Government clearly is that the Guaranteed Company should not earn more than its guarantee?—You are putting that question on the assumption that this traffic tax in its present form will continue?

7179. I am assuming it might continue. They have got a warning that there is something they did not expect before?—I do not think that that is the intention, and to the best of my recollection Mr. Hailey in his financial statement said that that was not the intention. I understand that the intentions of Government as regards the future of that tax had been made clear.

7180. You see my point? It is really a new risk to a guaranteed company. I think I ought to say this to you. In all the evidence we have had on the advantages of separating the two budgets, stress has not, I think, mainly been laid on the benefit of having two strings to your bow in raising capital, but on the administrative and executive difficulties of the constant interference of an extraneous motive. We have the disadvantage of not having our Indian evidence in print, but I think it is right to say that. That I think has really been the main point of view of the witnesses. The railway men have constantly told us of the injury to their proper administration by such a battledore and shuttlecock arrangement?—I cannot speak with any knowledge on that. I do not know exactly where the shoe pinches on the side of the railway administration. I have naturally been thinking of the question from that aspect of it that interests me most.

(*Chairman.*) I think I ought to have called your attention to it sooner. We are very much obliged to you for all the help you have given us.

The witness withdrew.

P.S.—The following letter was subsequently received from Mr. Howard:—

I return herewith the proof of my evidence, and in doing so must express my acknowledgment for the admirable way in which it has been reported. I much regret that in the statement which I handed in some clerical errors crept in in respect of the totals of State outlay on State and guaranteed companies' lines. I have corrected these and also have ventured to make similar corrections in the references made to the figures in questions put to me. These do not affect the general purport of the statement or the force of the criticisms which Mr. Tuke made as to the differences between my statement and that in Appendix 5 of the Railway Administration Report. The differences may be summarised as follows:—

	My statement as it now stands.	Appendix V.	(figures in millions).
State worked lines - -	107·7	113·3	+ 5·6
Branch lines - - -	5	—	—
Company worked lines - -	252·3	267·4	+ 15·1
	365	380·7	

Firstly, then, my figures, though working to a smaller total, included branch lines, which Appendix 5 apparently does not.

The elimination of the branch line figures widens the gap requiring reconciliation to between £20 or £21 millions. As I surmised, the difference is accounted for by two causes, namely:—

(*a*) The fact that the total of my figures, as I mentioned, were "mean" figures, *i.e.*, they included only half the new capital expenditure incurred in 1919–20. The difference here involved

is nearly £5 millions, of which roughly £1½ millions may be set against State worked lines and £3½ millions against company worked lines.

(*b*) The fact that my figures were based on the original amount of capital raised by the constructing companies whose lines were taken over by the State, whereas the figures in Appendix 5 are based on the amounts paid by Government for the lines (including the premium on purchase); these latter figures, however, have a large deduction made from them corresponding to the amounts of capital already paid off by annuity payments up to date. In round figures the amounts of premium in the purchase price over the capital raised by the companies were £30 millions, including £4·8 millions in the case of the State worked lines and £25·2 millions in the case of the company worked lines.

In the case of the State worked lines, the outstanding difference of £5·6 millions represents about £1½ millions due to cause (*a*) above and the balance due to cause (*b*), viz., £4·8 millions, from which latter figure must be deducted the amount of capital already paid off by means of annuity.

In the case of the company worked lines, the corresponding adjustments are roughly (*a*) 3·5 and (*b*) 25·2 less nearly 15 millions of annuities redeemed, *i.e.*, about 13·5 millions in all, against a gap of 15 millions between the two sets of figures. The slight discrepancy remaining is doubtless due to the readjustments of capital made at the time of purchase,[1] but it would be difficult to show exactly what was done without going into great detail in the case of each individual line or to make the position clear without very great elaboration and considerable labour.

Some detailed points of difference in the case of the company worked lines, to which attention may be directed, are shown below:—

	I. My statement.	II. Appendix 5.
(1) Companies' capital	24·6	18 (column 11).
(2) Debenture Stock	33	41 (column 15).
(3) Debentures	8	
Advances.		
(4) Permanent	7·5	2·5 (column 19).
(5) Other	32	2·0 (columns 16 and 21).
(6) Other Government capital, &c.	147·2	204 (columns 7, 8, 9).
	252 in round figures.	267 in round figures.

Of the above entries, under Item (1) Appendix 5 excludes £6·5 millions deferred annuity in the case of the East Indian Railway, which is presumably included in the entry against the East Indian Railway in column 7 of Appendix 5.

Items (2) and (3) correspond.

Under Item (4), Appendix 5 includes only the advance to the Great Indian Peninsula Railway, excluding £5 millions in the case of the Bengal-Nagpur Railway and Madras and Southern Mahratta Railway, which, as also the bulk of the other advances (Item (5)), are presumably included in its column 8, State outlay. *See* for example footnote to column 8 against the Bengal-Nagpur Railway, which specifically says that the figure there given "includes *Overdrafts and Advances*, which are now treated in the accounts as State outlay." It is not clear why a differentiation of treatment is made of the relatively small figures for overdrafts in column 16 and advances in column 18, and there seems no particular reason for this. We have thus in the case of Appendix 5 to take together the figures in columns 7, 8, and 9 to obtain a comparison with those given in my statement of State outlay, *plus* certain advances, &c. The total of these columns in Appendix 5, namely, about 204 millions, includes the following items in my statement (the reference numbers are those taken from the table immediately above).

	£ millions.	
(1) East Indian Railway deferred annuity	6·5	
(4) Permanent advances to Bengal-Nagpur Railway and Madras and Southern Mahratta Railway	5·0	
(5) Other overdrafts and advances	30·0	(32 *less* 2)
(6) Other Government capital	147·2	
(*a*) Above half new outlay in 1920–21	3·5	
(*b*) Above premium on purchase, *less* annuity payments	10·2	
	202 (in round figures).	

The small difference remaining is due to the cause already mentioned. I cannot, it is true, offer any explanation of the particular form of grouping adopted in Appendix 5 of the Railway Report, and, so far as can be judged, its classification of overdrafts and advances is purely arbitrary, viz., some of them are shown in separate columns, some under column 8, State outlay, with a footnote, and some without a footnote. But I hope that the above reconciliation is sufficiently close to give Mr. Tuke what he requires. I am afraid that it would not be possible for me to get any nearer without going into very intricate and elaborate details, which it would take a good deal of time and labour to get out, and which presumably Mr. Tuke will not want.

[1] It is, I believe, partly covered by the item of £1·1 millions in column 17 of Appendix 5, which is not deducted in arriving at the total in column 22 of that Appendix, though the heading of the latter column might be understood to imply that the deduction had been made.

SIXTIETH DAY. (LONDON.)

Monday, 23rd May 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

SIR A. R. ANDERSON, KT., C.I.E., C.B.E.
SIR H. P. BURT, K.C.I.E., C.B.E.
SIR G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
SIR H. LEDGARD.
SIR R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
THE HON. MR. V. S. SRINIVASA SASTRI.
MR. J. TUKE.

MR. T. RYAN, C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

MR. HARTLEY WITHERS called and examined.

7181. (*Chairman.*) You are, as we know, Editor of the *Economist*?—Yes.

7182. I believe I am correct in saying that before you occupied that position you were for some time Assistant Financial Editor of the *Times*?—I was City Editor of the *Times* for some years.

7183. I remember that during one period of the war you occupied the temporary position of Financial Adviser to the Treasury?—That is so.

7184. So that you have been for a good many years in close touch with the city?—Yes, since 1890 or 1891.

7185. Since you left Oxford, in fact?—Yes, as a journalist or in other capacities I have been in close touch with the city all the time.

7186. We want you to be kind enough to give us an impression, so to speak, derived from a long experience, on the question of the interest that the city takes in Indian finance, and especially Indian railway finance. If I may explain what I mean, I see in the *Economist* week by week an article on city doings; one sees that there has been a good deal of business done in this, that and the other class of securities?—Yes, we have a weekly review of the stock markets.

7187. I did not remember for the moment what you called it. Do you often have anything there about India?—Very seldom.

7188. Can you tell us why?—India has been chiefly an investment market. As investments Indian securities are of very great importance. They are largely held by trustees, and the Indian railway debentures, those "floaters" that the Indian railway companies used to issue, were largely held by the professional dealers in money.

7189. You are speaking of debentures which are of short currency, as distinct from debenture stock which is permanent?—Yes. Those short-dated floaters were naturally a very convenient holding for people who wanted to have their money in something which they knew to be easily realisable. The short date makes a great difference to a market in the security. The securities which interest the public and the city are, of course, the speculative securities, and the market for Indian securities has suffered to a certain extent from being too respectable. As investments the Indian Government and railway stocks were very comfortable, but the markets which interest people are those which jump about—that is what it comes to—and also those in which the public gets what it calls a run for its money. The Indian railways have been financed in such a way that the Government always retained a considerable share of the profits, or very nearly always. The public was not interested by the fluctuations in the fortunes of the companies, not as much interested, for instance, as it has been in the railways of America or Canada or of Argentina. The Australian railways, of course, are never heard of at all, because there are not any railway securities that are dealt in. The Government borrows the money and puts it into the railways; there are thus created Australian Government securities which are among the gilt-edged variety and which consequently do not interest the speculator or the man who wants to have a fair run for his money as a speculative investment. That is, I think, the chief reason why one never hears of Indian railways as an interesting item in the day's history. They do not fluctuate, and there is no public interest in them; there is little market in them. One never heard of Indian railways ever being carried over from one account to the other in the old days when that system was in vogue, whereas in American railroads there was a huge account, and in Canadian Pacific, which were dealt in with them, there was also a huge account. In the Grand Trunk market there was a very big speculative account, and in the Argentine railways to a certain extent the same thing, though not certainly as free, because the Argentine railways were in the old days rather steadier than either the American or the Canadian. In America you used to get receiverships and all kinds of wickedness, and Canadian railway finance you know a great deal more about than I do; it more or less has a past. Whether it is desirable that India should get a market in its railway securities by having a future of that same kind I leave to the Committee, but there is no doubt that to get public interest in a market you must have fluctuations. You must have ups and downs; you must have an arrangement by which the public gets a real chance of making money out of the market or as investments out of the securities. I think that is really the reason why one has heard so little of Indian railways in the past.

7190. I follow very much what you say so far as the Canadian and the United States railways are concerned; but taking Argentina, the Great Southern and the Central and so on were most respectable, steady-going concerns from year to year, were they not?—Quite so, but they had very great seasonal fluctuations. They had weather and they had locusts. If interest in the market were dull, it was always

very easy to stimulate it by means of a telegram about locusts, because locusts came every year.

7191. So do monsoons in India?—Yes, monsoons occur in India. If you had the same public that you had in Argentina, you would, I think, have had a considerable amount of interest in speculation at the time of the monsoons.

7192. In India, as you understand, all these companies had a fixed guarantee?—Quite.

7193. They only depend on weather, and so on, for a margin—it may be big or it may be small—but they had a certainty. I suppose that very much tended to steady them, because it made them trustee securities?—Quite. You see the same principle coming in in foreign Government securities. The Argentine Government securities used to have a considerable public interest in them because they were speculative—Egyptian Government securities likewise at the time of the Mahdi revolt. Brazilian Government securities, at one time, were quite speculative. It is, I think, true that directly you get a security too stable and the public not making anything out of it, you cannot get public interest in it. It was the same thing in home rails. There used to be a most interesting market in Dover A and Brighton A and Little Chats., and things like that which were gambling counters. In London and North Westerns there was always an account open, but there was not the same speculative interest in it.

7194. That is, so to speak, from the public point of view. There is another point of view, which is what may be called the professional city point of view. Were the Argentine issues underwritten as a rule; was there a turn for the market in them; that is the point I am at?—My recollection is that they were underwritten, but I should say, though I do not know, that most probably you would find that the dealers in the market were fed in the same way as the dealers in the railway market were fed by the home railway companies, which used to make issues of ordinary stocks simply through the dealers.

7195. The point I want to get at is this. Was there a greater inducement to the class of dealers, jobbers or brokers, as the case may be, to deal in Argentina, which is perhaps the best comparison, than there was to deal in England?—Do you mean as supplied by the people responsible for issuing securities?

7196. What I mean is this. Was there a satisfactory commission on the flotation of an issue and that kind of thing? Was there any difference in that respect?—Not that I have ever heard of, but on that point I should think your technical witnesses can tell you much better than I can.

7197. We have had evidence from one gentleman, who I think was the secretary of an Argentina railway company and who told us that, as far as he knew, there were only three jobbers who dealt in Indian securities, and there were certainly nine, at any rate, who dealt in Argentina; that is the point I am on?—Whether that was owing to the greater business on the part of the public, or because they were more judiciously fed by those responsible for the securities, I am afraid I cannot tell you.

7198. Turning to another point, you have been good enough to give us a table of the actual amount of money raised in London over a series of years for Canadian railways and Argentine railways?—Yes.

7199. You may remember that the Mackay Committee sat at the India Office in 1907 and reported in 1908. Taking first the Canadian railways, if you look at the figures in your table you will find that the Canadian railways raised over 13,000,000*l.* in 1908, 8,000,000*l.* in 1909, £6½ million in 1910, £19½ million in 1911, 8,000,000*l.* in 1912, £9½ million in 1913, and £18½ million in 1914. The Argentine railways had been raising 11,000,000*l.* each year before the Mackay Committee sat. In the year the Committee sat they raised nearly 10,000,000*l.*, and in the following years they raised respectively 13,000,000*l.*, 12,000,000*l.*, 12,000,000*l.*, 10,000,000*l.*, 9,000,000*l.*, 6,000,000*l.*, 9,000,000*l.*, and so on. When that was happening in those two countries, Lord Rothschild and Mr. Daniells of Mullins and Marshall told the Mackay Committee that they did not think they could raise more than 9,000,000*l.* for India. Do you understand the reason for that?—I can only suppose that it is owing to India having adopted the wrong system of getting money out of the British public. It seems to me there is no reason why Canada and Argentina should be able to get any more money out of the British public than India—in fact, rather otherwise. India has always been regarded by the British public as a place where there is a great deal of wealth and a great deal of promise, and in which it is very much interested by means of the Imperial connection. Argentina has no connection of that kind at all, and Canada is much more modern. India takes one back to the time of Burke and so on, as we all remember. I should have thought that India ought to be a name to conjure with in the Stock Exchange, if proper use were made of that sort of glamour which exists in the mind of the ordinary Englishman on the subject of India. So far as the facts of the case are concerned, you have in India an enormous population, not rich per head, but the possibilities in India should surely be very great if they were properly worked and if there were real co-operation among all the parties to the necessary arrangements.

7200. Investors had the guarantee of the Indian Government, and that Government before the war had no debt practically except debt that was actually earning much more than it was costing?—Yes.

7201. It seems a strong position?—Immensely strong.

7202. You have referred to the wrong system adopted by the Indian Government. Will you say what you think would have been or would be the right policy?—That is much more difficult, Sir William.

7203. We want your help in regard to the matter?—It is easy to say that there must have been something wrong and that it ought to have been easy to get the money. I should have thought the line of enquiry would be to see what is the difference between the methods employed by the three countries that have been mentioned. The obvious difference is that in Argentina and in Canada the railways were owned by the stockholders, who were consequently interested and who got all the profit that was to be had after the Governments had taken their due share—or, as the shareholders sometimes thought, their undue share—in taxation. The Argentine Government must have done extremely well out of the railway companies by leaving them in private hands. In Canada much of what the public got from the Grand Trunk was loss, but even there there were speculative debenture stocks which made an

appeal to a man who liked to feel that he had an investment and at the same time it had a spice of speculation. That is, I think, the psychology of the investor. He always likes to believe that he is an investor, though he is really a speculator at the same time. If you issue securities with a Government guarantee and either no share in surplus profit at all or very little, you do not attract your speculative investor, and I think he is the person whom you want to get. That seems to me to be clear from the different results obtained by these three countries by these two different methods, because, as you say, the advantages from India's point of view seem to be very much on the side of India. I cannot suggest anything else except that if you really want an interested railway market in the city you have got to start a quite new system of financing Indian railways. Of course, it may now be too late, but I do not see why it should be. The opportunities for railway development in India you know much more about than I do. I should have thought they are very great, and that if railway companies could be formed on the lines of the Central Argentine or the Canadian Pacific there ought to be a considerable public for them.

7204. That is to say, if the existing guaranteed railways—with the details of which I will not trouble you—which are almost creatures of the State, were very much freer, with the State as a partner and that kind of thing, you think then they would have no difficulty in raising money, with a prospect in front of them?—I should think not.

7205. Turning it the other way round, supposing the Government does it direct, do you think the Government would have had any difficulty if they had put their case in this way: we have no debt except on railways, and they are abundantly profitable, and we want the money to go on keeping them profitable?—You mean to say that the Indian Government could itself have borrowed much more than it did if it had put its position more clearly before investors?

7206. That is my point—if it had appealed on a prospectus, so to speak?—I think it certainly could have borrowed a great deal more than it did, but of course there is rather a limited market for strict trustee securities, and these appeals from Governments in the years before the war were very general. There was a good deal of competition with Governments like Argentina and Brazil, which had considerable prospects, and in which there was always a very well organised market outside the trustee circle and rather speculative, but consequently rather more interesting because there was a higher rate of interest attached to it.

7207. The speculative money—not the trustee money?—Yes.

7208. Australia, as you have said, borrowed direct and spent it on its railways?—Yes.

7209. We have not any figures showing how much Australasia as a whole did borrow, but clearly the amount would be very large?—Certainly.

7210. Did the fact which one often sees stated in the utterances of public men in Australia that the Australasian Government loans were to a very considerable extent for productive purposes, help them to get the money, or was it merely lent on the credits of the respective Governments?—I should say almost entirely on the credits of the respective Governments, and the fact that they are trustee securities.

7211. You do not think the fact that it was being spent on development really helped the sale of the securities?—Of course, it must have among reasonable investors, there is no question about that; but investors are extraordinarily happy-go-lucky and rule-of-thumb. If they are told a thing is a trustee security, that is good enough for them, but of course it must have had some effect.

7212. It must have been a factor in contrast with Brazil or some countries of that kind where you never knew where the money went?—Yes.

7213. There is one other point I want to put to you. You know, of course, that the Indian Government issued £7½ million the other day at 7 per cent., and the money was subscribed in a few hours; the lists were closed?—Yes.

7214. Can you tell us anything about the atmosphere of that? Clearly that loan went very easily?—Yes.

7215. Was that trustee money?—I am afraid I cannot tell you about that. The fact is that there have been such a lot of things for an unfortunate financial journalist to look after in recent weeks, as you know as well as I do, that I am afraid I cannot tell you anything about that particular point. I should think the Indian railway dealers and stockbrokers, whom no doubt you are asking about these things, will be able to tell you. I should be inclined to say that it would be practically entirely trustee money.

7216. And you regard the fact that it promptly went to a premium as evidence that there was more money available?—More money available for India?

7217. If the loan had been for a bigger amount, they would still have got the money? I am asking this question because it is the sort of thing that I thought you might be familiar with. If an issue is immediately over-subscribed and goes to a substantial premium, does that imply that more could have been got?—Yes.

7218. Does it imply a special effort?—I think it may imply a special effort, but it surely shows that the special effort was very successful, and that they might have got more. But it is very hard to say where the marginal thousand or million comes in.

7219. Is there anything more you have in your mind that you wish to say?—No.

7220. (*Mr. Purshotamdas.*) You mentioned something about speculative debentures?—Did I use that term?

(*Chairman.*) You were referring to the Grand Trunk Railway at the time.

7221. (*Mr. Purshotamdas.*) Can you tell us what is speculative in that debenture?—It was only speculative because the dividend on the common stock had never been paid, and because the dividends on the preference stocks that came behind the debenture stocks were, to a certain extent, doubtful. Consequently, the interest on the debenture stocks was not nearly as well secured as in the case of the Indian railways, and the investor got a very high return by investing in them.

7222. Because the preference stock and the ordinary stock had got nothing until the debentures were floated. Did that give any special value to the debentures?—No. I am afraid I have put the matter wrongly.

7223. It is quite possible I may not have understood you?—It was not that they had got nothing until these debenture stocks were floated. I imagine that these debenture stocks were floated when the company was first brought out, but in my recollection there was much more interest in the debenture stocks of the Trunk

Railway, because they were more or less speculative, as the prospects of the company were quite uncertain.

7224. Therefore the speculative element was due to the risk ?—Yes.

7225. They had gone to a discount ?—Yes.

7226. It was a question of touching the bottom ?—It was a question of buying a thing which was called a debenture stock, and that gave it a certain respectability in the eyes of investors who do not look very closely into things. The rate of interest was 4 per cent., and the price went to about 90 in 1913. People thought that the Grand Trunk Company was going to pull round, and that there was a great future before it. Anybody who bought these debentures might have seen them go up to 110 or so when the prosperity which the Grand Trunk Company hoped to secure was once brought about. The consequence was that these Grank Trunk stocks had a good deal of possibility about them.

7227. The debenture by itself had no particular speculative "catch" about it ; it was because it had gone to a discount, and there was some sort of prospect of the company improving, that there was a speculative interest about it ?—Yes.

7228. That is not the sort of thing you would recommend in connection with any railway organisation nowadays, is it ?—No ; I should not suggest that railways would be likely to be in default.

7229. Just one more point. With regard to the Indian loan that was floated at 7 per cent., do you not think it was popular because of the options that were given for conversion at various stages during the next five or seven years ?—Yes, certainly that was part of the attraction.

7230. And perhaps the most valuable part of it ?—Perhaps.

7231. Since then I dare say you have seen the prospectus of the Norwegian Government loan, issued at 6 per cent. at 88*l.* odd, giving a return of £6 16 per cent. ?—Yes.

7232. In that case the options are all with the borrower, and there are none with the lenders ?—Quite.

7233. And the rate of interest is not as high as in the case of the Government of India loan ?—That is so.

7234. So that if the Government of India loan went well, it was because very full terms were given ?—Yes.

7235. (*Mr. Hiley.*) The Norwegian loan went very well too ?—Yes.

(*Mr. Purshotamdas.*) The Norwegian loan gives a return of £6 16 per cent. ; no options are given to the lenders ; all the options are with the Government, the borrower.

7236. (*Mr. Hiley.*) I think that loan was closed quite early, was not it ?—Yes, that was closed in quite a few hours.

7237. (*Mr. Purshotamdas.*) If the Norwegian loan was a success, no wonder then the Indian one was ?—My recollection of the Norwegian loan is that it was for a comparatively short period. It was a 40-year loan.

7238. The Indian loan is for 10 years ?—The Norwegian loan is for 40 years ; the issue price was 88, and the loan is to be redeemed at par. That is the sort of thing that people like, because they think they will escape income tax.

7239. Putting it all together, it brings in a return of £6 16 per cent. ?—Yes, but it is only on the 6 per cent. that you pay income tax, and you escape on the 12*l.* capital increase during the course of the loan.

7240. You pay at the end when you get the capital ; they do not let you off then ?—As thing are at present they let you off.

7241. That is a loophole they have left at present ; they may close it at the end of 40 years ?—They may.

7242. (*Mr. Tuke.*) You rightly pointed out, I think, that the railways in Canada until quite recently and the Argentine railways really belong to the companies themselves, but the railways in Australia belong to the Government, which is practically the same position regarding the big lines in India ?—Yes.

7243. The money required for the railways in Australia has been borrowed by the Government, but if you are going to increase the speculative interest in Indian railways you practically require to form new companies ?—Is that quite so ?

7244. If they belong to the State, the State would have to divest itself of a portion of its interest, would it not, if you are going to have joint partners ?—Yes, I suppose that is so. I was wondering whether ingenuity could not produce a security, even in connection with a State-owned railway, which would give the public something ; but it would be very difficult.

7245. You see the difficulty there ?—Quite.

7246. That is just the point where the difficulty of dealing with the Indian railways comes in, the question of reorganising the system ?—Do you suggest that I should find a way out of it ?

7247. That is one of the difficulties we are up against ; it alters the position very materially, to my mind ?—Do you mean to say that you practically cannot get out of the present system, by which the Indian railways are too respectable for public interest ?

7248. That is the position in which we find them. It is not as though we are starting a new system. We find a certain system in operation ?—I should have thought that with ingenuity such as the India Office and this Committee have at their disposal, it ought to be possible to provide new securities which would give the public at any rate a much larger share in the fortunes of the railways.

7249. If you make them shareholders ?—Yes.

7250. If the Indian Government is going to give up its share, would it not require to be paid for it ?—If the Indian Government wants to attract a different kind of money from London, it ought to be able to issue securities which would prove attractive to that kind of money, without asking to be paid anything for so doing. It is the shareholder who has to be attracted by the prospect of payment. I think it ought to be possible to do it.

7251. (*Mr. Hiley.*) Have you in mind the Government issuing a sort of profit-sharing security ?—Yes, that is one obvious way of doing it. Is not there some analogy we can find, something like the participating preference securities of rubber companies, or some such issue on those lines, more or less ?

7252. (*Chairman.*) I believe some company has recently issued a profit-sharing debenture ?—If they have not, they are pretty sure to soon.

7253. (*Sir Henry Burt.*) I rather gathered that, in your view, a fixed guarantee with no speculative inducement must always tend to limit the market ?—Yes.

7254. With reference to Mr. Tuke's questions to you, the existing companies have a small capital in the undertaking; sometimes only one-twentieth, but still they have some capital in the undertaking?—Yes.

7255. You would see no objection to that capital being increased?—No; I think that would be the way to do it.

7256. On the same footing that it is now, with profit-sharing?—Yes.

7257. The Government of India still holding the property as its own?—Yes.

7258. That is the position at present?—Quite.

7259. The money is, in fact, lent to the Government of India?—Yes.

7260. (*Chairman.*) Would it be possible for you to get out for us, on the same lines as the table you have already sent in, another table relating to Australasia as a whole?—Certainly.[1]

7261. If you can do that for us without going to a great deal of trouble, we shall be exceedingly obliged to you?—I will do that.

(*Chairman.*) We are very grateful to you. Thank you very much for your evidence.

The witness withdrew.

(Adjourned for a short time.)

The Hon. C. W. BIDDULPH called and examined.

7262. (*Chairman.*) We are much obliged to you for coming. May we have on the notes the name of your firm?—Gordon, Askew and Biddulph.

7263. You are jobbers, are you not?—Yes.

7264. Do you specialise in any particular market?—The War Loan, the Colonial and the Indian railway markets.

7265. You have not a written statement, I take it?—No. I have here a few lists which I can give you if you care to have them.

7266. I think you know what we want. There is no doubt that a great deal of money has been wanted in the past which has not been found, and a great deal of money is wanted at present, for Indian railways. What we want you to tell us is why it was not found in the past, and also with regard to finding it in the present. First of all will you tell us about the pre-war circumstances?—Indian railways have gradually become rather unpopular for several reasons.

7267. You are speaking of pre-war?—Yes. One reason was the Great Indian Peninsula case in 1900—the unfavourable terms on which the annuity was based.

7268. That was the case where there was a law suit and where the Secretary of State obtained a verdict to the effect that the contract meant something different from what people believed it meant. Is not that roughly the story?—Yes, that was roughly it. It was a complicated case. The annuity was very unfavourable, and the interpretation of the annuity was unfavourable.

7269. Did you ever understand the contracts yourselves?—Some of them.

7270. Can you mention those which you did understand?—The Bengal North-Western—that is not a Government line—the East Indian to a certain extent, the Great Indian Peninsula, the Bengal-Nagpur and the South Indian.

7271. Can you carry in your head the difference between the A, B, C and D Indian annuities?—Yes, I think so, as far as they concern the investor. As far as we are concerned I understand them, I think.

7272. You agree, I take it, that they are complicated; they are rather a special study?—Undoubtedly. That is one of the reasons which make Indian railways a little unpopular. They are so complicated that the ordinary investor will not trouble to listen to the difference between a B and C annuity or an East Indian D annuity, especially the latter.

7273. What about the ordinary broker? Does the same thing apply to him? I suppose that if he recommends an English debenture or an Argentine debenture or an American bond he knows what he is talking about and can explain it without much trouble?—Some of them know what they are talking about. Some of them make a study of it and they know pretty well all about it, but a great many of them will not take the trouble to explain it to their clients. They say, "This is too complicated and I would rather you had something more straightforward."

7274. Are there many jobbers who make a speciality of Indian railways?—No, there are only two of us; there is only one other firm besides my own.

7275. How many jobbers do you suppose there are in the Argentine market?—I have not been there for some time, but I should think there are half a dozen or perhaps ten. [P.S.—The witness subsequently wrote that he had ascertained that there are six firms.]

7276. These complications with regard to Indian railways do tend to restrict the buying by and selling to the public?—Yes, but if there was more business there would be more jobbers dealing in Indian railway stocks. There were three jobbers, I think, about two years ago, and then one dropped out; he found he could not do any good at it and he went to another market.

7277. Then it is the fact that the number of people who know the business is small?—Yes.

7278. Now I will come to the brokers. Do the big investment firms understand the A, B, C and D annuities?—Not without being coached in them. A few of them come and ask us the details of an investment, and then they very soon pick it up.

7279. There again to some extent that tends to restriction. It is more natural for a man to recommend a North-Western debenture, which he does understand, than to recommend an East Indian annuity which he does not understand; it saves trouble?—Yes.

7280. Now I come to the investing public. We will imagine that they look up the Stock Exchange Year Book and see what is said about A, B and C Indian annuities. Is it easy and intelligible?—No. I think very few of them study it. There are just a few people who follow it very closely indeed.

7281. Supposing I went to the Stock Exchange Year Book for the first time; do you think I should be able to satisfy myself precisely what the security was and what its conditions were?—If you were accustomed to studying that sort of thing, you might.

7282. You will not put it higher than "might"? I will frankly say that I have on

[1] Reproduced in Chapter II. of Committee's Report.

several occasions as a trustee looked down the trustee list and I have seen that some of these appear to pay a somewhat higher rate of interest, and I have then gone to the Stock Exchange Year Book and found out that I could not understand them, and I have never bought any. That has been my own personal experience. Do you think that would fairly represent the experience of the more or less intelligent investor?—I should think so—those who would study the book—and they would not be very many.

7283. That presupposes a certain amount of intelligence?—Yes.

7284. What happened in fact when new money was raised—I am still asking you about pre-war—either directly by Government loan or by debentures or by debenture stock, or, in an earlier day, by ordinary stock of the companies? How was it got out?—Generally, Mullins and Marshall did the Government loan and Indian railways. The ones I remember best are the East Indian debenture stocks. They were generally at fixed prices according to the rate of money of the day, but occasionally I think in some of them they were by tender price. Most of them, however, were at fixed rates, and they were underwritten generally—1 per cent. for underwriting.

7285. They normally were underwritten?—They were all underwritten, yes, and as a rule I think they went. With some exceptions they were all taken up by the public.

7286. Would it be accurate to say that the price was cut fine?—It was generally about the right price.

7287. Mr. Withers said—I forget what his technical phrase was—that there was nothing in it for the subscribers?—No, there was no big premium afterwards.

7288. That again of course restricts it to investors who, putting in their own money, are willing to leave it there?—Yes.

7289. There would be no interest to people to take up a loan with the knowledge that they could probably make a turn of it?—Only to a few of what we call "stags." In some of the loans, a little bit more favourable than these perhaps, there were a few people who applied in order to sell at a premium, but not to any great extent.

7290. Did they get out satisfactorily?—I should think so. There were not many which went to a discount, anyhow.

7291. I think you said none of them went to a premium worth talking about?—No.

7292. It was placed in fact then at the price at which you could get that amount of money?—Yes, that was it.

7293. Supposing the price had been somewhat more favourable and had left a turn for somebody; would you have been able then—I am talking of pre-war still—to get considerably more money?—No, because the thing is that the trustees, who are the chief investors, have not got the money ready. The stock has to be underwritten because the trustees have money to invest but they have never got it ready at the actual moment. They have either to sell something or money has not come in or they are waiting for somebody to die or something of that sort.

7294. The loans were not restricted to trustees?—No.

7295. Is it true that practically nobody but trustees invests in these loans?—Very few people, I should think, invest in them except trustees.

7296. Supposing it had been on a little better terms, would you have got any more money?—Yes, if the yield had been better you would have got other people's money besides trustees' money.

7297. Either the yield or the price?—One is dependent on the other.

7298. You think you could have got more money?—If the terms had been more favourable?

7299. Yes?—Yes.

7300. I wonder if you could answer this question. Supposing you can get *x* millions for 3½ per cent., how much would you get by putting it up to 3¾ per cent.?—Supposing the issue was at par?

7301. Yes, assuming it is issued to pay 3½ per cent.?—At the moment you would not get anything at all.

7302. I am asking strictly pre-war?—As long as it was a trustee stock it would be based on the yield of the day of trustee stocks, that is to say, if trustee stocks were yielding 3½ per cent.——

7303. Then you could issue trustee stocks enough to take up the trustees' floating balances at 3½ per cent.?—Yes.

7304. But supposing you went to 3¾ per cent., would that bring in a lot of fresh money?—It would bring in a certain amount of additional money, but not a great amount, for the reason I have already stated, that trustees have not got the money ready.

7305. Leave out the word "trustee." Supposing you went to 3¾ per cent., would you attract non-trustee money?—No. An extra ¼ per cent. would not do it.

7306. What would? What difference would you have to make if you wanted to get a lot?—Nowadays?

7307. No, pre-war. Carry your mind back 10 years?—I suppose the ordinary stocks of Indian railways were paying then round about 6 per cent.

7308. I am assuming it was a debenture or Indian Government stock?—Guaranteed stock by the Government?

7309. Yes, or that in some shape or form it was a secure 3½ per cent. and you put up the security to 3¾ per cent?—It would bring in a certain amount of additional money, nothing to any great extent, I think.

7310. What would happen if you went to 4 per cent.?—Pre-war you would have brought in a good bit of money then.

7311. Two or three times more, or something of that kind?—Yes.

7312. We had evidence about the very large amounts that were obtained for Argentina and for Canada and so on. Of course a great deal of that was ordinary stock, but there was also a great deal which was bonds and debentures. Why was there a so much freer market in those stocks than in Indians?—I suppose they were at a considerably higher yield.

7313. Am not I right in saying that the Great Southern debentures were round about 4 per cent. as against 3¾ or something of that kind? Was it purely the difference in rate or was it partly the freedom of dealing or keeping the thing before the public?—I should think it was partly the freedom of the market.

7314. Should we represent you accurately if we said that if there had been more publicity Indian stocks would have gone better?—I can hardly say without testing it. I rather doubt

whether you would have got a great deal more money.

7315. But you think you would have got some ?—You might have.

7316. Then you think the difference in popularity of Canadian bonds or Argentina debentures and Indian railway stock was very largely a question of price ?—Yes.

7317. Was there then any hesitation about investing in India from the point of view that it was not a white man's country, broadly ?—Yes. There is always that feeling amongst some people. They go back to the Mutiny when they come to invest their money. There is a certain prejudice against Indian securities amongst a certain set of people, and that of course has increased very much with the trouble during the last few years.

7318. Do you think that has a serious effect on London investment ?—Undoubtedly, on Indian investments it has.

7319. Would that apply more or less to Government stocks as compared with railway stocks ?—It would apply much less to the Government stocks.

7320. In other words, if India wants to sell, that is the thing that sells ?—Yes.

7321. Will you tell us about the loan the other day ? What was the city feeling about that ? Did it do better than it was expected to do or as well as it was expected to do ? You people know when you see a prospectus what the public will say about it ?—The Indian 7½ million loan the other day went very well indeed. I think it was considered rather a cheap loan. It has gone now to 4 premium.

7322. (*Mr. Hiley.*) It was a cheap loan with good interest, you mean ?—A high yield. It has the highest yield of any of the Indian stocks—much higher than India 3's. It had the effect of putting the Indian Government stocks up.

7323. (*Chairman.*) It was a proof of confidence in India ?—A successful loan like that draws attention to Indian stocks.

7324. That loan was closed within a few hours, was it not ?—It was closed the same day. It was closed at 3 o'clock in the afternoon.

7325. Does the Stock Exchange close at 3 or 4 o'clock now ?—At 3 o'clock.

7326. That means, I assume, that they had got all the money and something more ?—Yes.

7327. May we assume that if the loan had been for a good deal more money it would have been got ?—I should think it would have been got.

7328. I gather your feeling is that at a price they have been able to get with ease a considerable sum, and in your view they could have got a good deal more ?—Yes.

7329. But you also say you think it would have to be a Government security ?—Yes.

7330. We have had a good deal of evidence in India—some of it English and some of it Indian evidence, mostly English—in favour of rupee companies in India; either a transfer of an existing English railway company to an Indian company or a sort of dual company, with one half of its capital in India and the other half in England. Would either of those arrangements in your view be able to get money in London ? Would you get money invested in rupee capital in any shape or form ?—I do not think so, no. We have had one or two rupee loans—not Government securities—in our market and they have never been at all successful. I do not think the public would look at a rupee loan, unless it was very exceptional.

7331. Were those cases where you got your dividend in rupees and brought it home at your own risk, or was the exchange taken for purposes of dividend at a fixed amount ?—The rupee was fixed at 1*s.* 4*d.*

7332. But in spite of that it did not go ?—No.

7333. Do you think there is any prospect of getting any money in London that way ?—I should say not. I should say the rupee loan would not be popular here.

7334. Not loan necessarily, but an investment in a company, in stock that would earn a dividend ?—Dependent on the exchange, would it be ?

7335. I suppose it would be—either fix the rupee or leave people the pleasure of speculating about it ?—I have had no experience of that, but I should think not.

7336. You would not recommend it as a convenient way of raising money ?—I should not think it would be a popular way with the English investor.

7337. I do not think anybody has told us it would be, but I just wanted to get your view. That is really all I want to ask you. Do you wish to add anything on any of my questions ?—No, except with regard to the yield of an Indian railway loan now. The yield of the Indian railway debenture stocks is about 6*l.* 10*s.* now. The stocks we are offering always stand lower than the Indian Government stocks, although there is no reason why they should. They are not quite such a free market. The Indian 3½ Government loan stands at about 57, and the Indian 3½ railway debentures, which are guaranteed, now stand at about 55. Sometimes there is a bigger difference than that.

7338. That difference is due partly to people thinking that they want the unadulterated article instead of the electro-plated article, so to speak, and partly to the fact that there is a smaller market ?—Yes, and it is registered stock. It is not transferred at the Bank of England like Indian Government stocks.

7339. Is that an advantage or a disadvantage ?—They like it transferred at the Bank of England, where you can deal up to a pennyworth of stock. They can invest up to a pennyworth as a rule in the Indian Government stocks.

7340. On that I would like to ask you this. As you know, practically the debentures are issued at the request, as I will put it, of the Secretary of State. The company cannot do anything on its own account. In other words, the Secretary of State is borrowing through an intermediary. Does he gain anything ? He loses something in interest—some trifle—but does he gain anything in tapping a different class of investor ?—No. Some Indian railways are more popular than others; the better known names are more popular. For instance, you would find it more difficult to bring out a Bengal Dooars guaranteed stock than you would a Great Indian Peninsula.

7341. Is there any difference between East Indian and South Indian ?—Yes. The East Indian is more popular than the South Indian. It is a bigger line.

7342. And it is better known ?—Yes.

7343. You and I quite understand that there is no difference in risk between the two investments, because we know the security is the same, and we would save 2*l.*; but what, on the other hand, has the Secretary of State gained by giving us the 2*l.* ?—I do not think he gains anything, does he ?

7344. That is what I want to know. Does he gain anything ?—I should not think so.

7345. You do not think he attracts a new lot of investors?—No. You would get a bigger lot of investors for a Government loan than you would for a railway loan.

7346. It has been put to us by some people that, if the Secretary of State issued a direct loan at a somewhat lower price than he had issued one at five years previously he would be damaging his credit, but that on the other hand if he issued an East Indian debenture he would not damage the credit of India?—Every loan would have to have a yield a little better than the existing one. That applies both to a Government loan and to a railway loan.

7347. Do you follow why, market price being what it is, it should damage the credit of the Secretary of State to issue a direct loan at 57 more than it would be damaged by the issue of a loan guaranteed by him at 55?—I should not think it would make any difference.

7348. (*Sir Henry Ledgard.*) I should like to ask your opinion regarding two distinct and separate forms of loan. We will suppose, for instance, that at the present time the price of money for trustee loans is 5 per cent. We will take that as a basis. The Government has before it two schemes, one to issue a certain amount at 5 per cent., by which, evidently, the Secretary of State will appeal to the trustee lenders, and which may not offer a sufficiently high return to appeal to the more speculative markets. If, on the other hand, he decides it is better to appeal to these more speculative markets, and says: "I will issue a guaranteed loan at 4 per "cent. instead of 5 per cent., and will give the "lenders the opportunity of sharing to the "extent of one-half the profits that are made in "the company over and above the 4 per cent.," the companies may be making 7 per cent., 8 per cent., 9 per cent., or 10 per cent. The speculative opportunities would be that instead of getting only 4 per cent., or even the 5 per cent., they might get 6 per cent. or 7 per cent. or 7½ per cent. Which of those two forms of loan would appeal to the bigger market: would there be a larger number of people interested in the trustee loan or in the one of a somewhat speculative nature?—At the moment, undoubtedly, more would be interested in the trustee loan. We have several of the other sort—the Bengal-Nagpur, which is guaranteed 3½ per cent., plus share of surplus profit; the Madras and Southern Mahratta 3½ per cent., plus share; the South Indian and the Burma. In all those cases the yield of those stocks is from 8 per cent. to 9 per cent. at the moment, as against a yield on the trustee stocks of 6*l.* 5*s.* per cent. to 6*l.* 10*s.* per cent., and there is very little demand for those guaranteed stocks now.

7349. You use the word "now": does that mean at the present time, or generally?—At the present time. Sometimes it has been the other way about. There has been a demand for these guaranteed stocks yielding a high rare of interest.

7349a. Covering a period of 10 or 20 years, which has had the bigger market?—I think, on the whole, the trustee stock, fixed rate of interest.

7350. Yet I think you told the Chairman there is only a very limited market for those, and that no more could probably have been put on the market than have been put on?—Not to any great extent. I said they could not have got out much more stock at the same price.

7351. But with the speculative element in it of being able to get 1½ per cent. to 2 per cent. more than they would otherwise do, does that open up a new set of purchasers who would look for the change in the market and take advantage of any favourable conditions that might exist during the year?—It might, but it does not now. The additional rate does not attract people now.

7352. Now the conditions may be a little abnormal, but I am speaking generally. I want to take a more general view than "now." Now, we know, people are looking for something very secure?—It is most difficult to say what will happen, or what the feeling of people will be.

7353. What has happened? — They want security more than a high rate of income now—trustees do.

7354. I quite believe they do now, but has that been your experience in the past?—Not always. Sometimes there has been a bigger demand for these high yielding stocks which share in surplus profits than there has been for the fixed rate stocks. The Madras and Southern Mahratta, for example, is a particular instance. That is paying 9 per cent. at the moment, and the yield is about 9*l.* 12*s.*, and there is no demand for the stock, which is a trustee stock.

7355. I know that trustee stock at the present time is in greater demand?—That is a trustee stock. It is yielding about 9*l.* 12*s.* The Bengal Nagpur is yielding about 8*l.* 12*s.*

7356. (*Sir Arthur Anderson.*) Last year these stocks were quoted 110*l.*—112*l.*?—The Madras and Southern Mahratta stood at 110*l.*—112*l.*, yes.

7357. For about the same return as they are getting now?—Yes.

7358. (*Sir George Godfrey.*) When you say there is no demand for the stock, I suppose you mean there is no market for it?—Yes; you can deal in it.

7359. There are no sellers really, are there?—Yes; I should be very glad to sell some.

7360. I thought the amount was so small that perhaps there were not sellers. I thought the quantity of stock available was so small, and that probably they were so little known, that you had neither buyers nor sellers?—I have not got the Bengal Nagpur details with me, but we are offering 20,000*l.* of them now at 94. It is an 8 per cent. trustee stock at 94, and we are also offering 5,000*l.* or 10,000*l.* Madras and Southern Mahratta at 95 and South Indian at 95.

7361. Those are sellers?—We are offering the stock, yes.

7362. (*Chairman.*) Is the market all that way?—In those particular stocks it happens to be.

7363. Have you got any substantial amounts of the guaranteed debentures?—No, we are very short of the debenture stocks.

7364. But of these guaranteed ordinary stocks, have you got any railway in which you want to buy only?—No, none we are really very short of. We want to buy Burmas at the moment, but only to a comparatively small amount.

7365. (*Mr. Hiley.*) You are short in debenture stock?—Yes; there is a great demand for the debenture stock.

7366. (*Sir George Godfrey.*) About 1914, before the war, I was trying to buy, for a certain purpose, about 20,000*l.* worth of Bengal Nagpur railway stock at different times, and could not get them on the market. Occasionally a small lot would appear?—There was a pretty good demand at that time for those stocks.

7367. So that the condition now is a sort of after-war condition. It is not the normal position?—Yes, I think it is caused by the political trouble, probably. People like the guaranteed interest—a fixed interest rather than the uncertainty of the other.

(*Chairman.*) We are very much obliged to you for your evidence. Please do not think that because we have not asked you many questions we are not grateful. You have really told us just what we wanted to know, and we are very much obliged to you.

The witness withdrew.

SIXTY-FIRST DAY (LONDON).

Monday, 29th May 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

SIR A. R. ANDERSON, KT., C.I.E., C.B.E.
SIR H. P. BURT, K.C.I.E., C.B.E.
SIR G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
SIR H. LEDGARD.
SIR R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
MR. J. TUKE.

MR. T. RYAN, C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

SIR CHARLES CAMPBELL MCLEOD called and examined.

7368. (*Chairman.*) I think you have spent most of your life in India?—Yes.

7369. What was the name of your firm?—McLeod & Co., Calcutta.

7370. I think you are now resident in England?—Yes.

7371. I believe at the present moment you are chairman of the Eastern Section of the London Chamber of Commerce?—That is so. May I make a very short statement before you proceed to ask your questions?

7372. Certainly?—Previous to the war I was in fairly close touch with what was going on in the railway world in India. The advent of the war and the work that I was doing elsewhere have made me feel rather rusty, and I therefore want to warn you that I may not be able to answer questions just as I could have done then. I would also like to say that in the second statement I handed in, I omitted to say that my remarks did not apply at all to State-managed strategic railways.

7373. You have started your memorandum of evidence by saying that you are not in favour of direct State management, except, as you have just said, for strategic railways?—That is correct.

7374. You give various reasons for that opinion. You say first of all that it removes the element of competition. Where is there competition in India at present?—There is a certain amount of competition. There is competition between the Great Indian Peninsula and the East Indian Railway.

7375. For traffic to Bombay and Calcutta respectively?—Cawnpore mostly.

7376. That is to say, for traffic carried in different directions?—That is so. I would add to competition, emulation.

7377. Assuming that the Great Indian Peninsular and the East Indian were both in the hands of the State, do not you think the respective agents would still be moved by what you have accurately called emulation?—I very much doubt it.

7378. You put that in your memorandum in another form. You say: "The State railway "loses the vital force which raises company-"managed lines from the dead level of State "management." So far as it is what we may call a general desire to do one's best, that applies to both?—Certainly. See Written Statement Nos. 85 and 85A, Vol. IV.

7379. So far as it is a desire to show that you are an efficient person in order to get on, it applies to both?—Yes, to a certain extent.

7380. Where does the precise difference come in?—I look upon it in this way. In company managed railways they are not tied down by any "red tapism," if I may so call it, to select their managers and their staff; and the railway being out for commercial purposes to make profits, they can afford to pay those men, so long as they get the right ones, any reasonable salary. I do not think the State can do that.

7381. We have just heard in the last few days of the agent of one of the big railways leaving because he was not paid a reasonable salary, which his directors desired to pay, but if they had done so they would have had to pay it out of the shareholders' pockets, because the State, which owned the line, refused to allow it. The State fixes the salary for the agent of the railway company, does it not?—That is so.

7382. How can the company pay higher then than the State?—Take, for instance, directors of companies; the State does not fix their remuneration.

7383. The State allows the company a certain amount for directors' fees. If the directors get any more, it comes out of the very small share of the shareholders in the total profits; the State will not pay its share?—Might I ask if the State would go as far as to regulate the salaries of directors absolutely?

7384. Not absolutely, but take the case of the East Indian. In the East Indian Railway the shareholders get 1 per cent. of the profits. If the shareholders put up the fees of the directors beyond what the Secretary of State is prepared to pay, the whole of the addition has to come out

of their 1/100 of the profits?—It might pay them to do so.

7385. I am only saying that that is the position?—Quite so.

7386. Were you talking of a company such as one is accustomed to in this country, say the London and North-Western Railway Company, where they pay the directors what they like, or were you talking of a company such as exists in India, where the Secretary of State or the Government of India interferes in fixing agents' salaries and everything else, because there is a difference?—Yes. Clearly, we are talking of Indian railways.

7387. Under those conditions can there really be a difference in salaries?—From what you say, there is not.

7388. Do you know of any case where an agent of a railway is paid out of the shareholders' pockets more than the Secretary of State is prepared to participate in?—No; I cannot answer that question now.

(*Sir Arthur Anderson.*) I think at the same time it must be accepted that the companies' lines pay their agents a higher salary than the State railways do.

(*Chairman.*) Do they in fact do so?

(*Sir Arthur Anderson.*) Yes. They have always been willing to take the lead.

(*Chairman.*) There is one case within my knowledge where the agent gets Rs. 3,500 and Rs. 500 as a special allowance.

(*Sir Arthur Anderson.*) There are several.

(*Chairman.*) No doubt there may be others, but is that the extent of the difference?

(*Sir Arthur Anderson.*) It has generally been about Rs. 500 a month more on the principal companies' lines than on the Government.

(*Mr. Hiley.*) That is not so now.

7389. (*Chairman.*) Except where there are special allowances; the normal salaries on the railways are the same. However, we will leave that point. (*To the witness.*) Is there anything more you desire to say on that particular point?—No.

7390. Do you attach any importance to the argument that with regard to a company which has a terminable contract it is to its interest to make profits during its tenure, whereas the State continues and its interest is the permanent welfare both of the undertaking and of the country? Do you attach any importance to that argument?—No.

7391. You think the temporary and the permanent interest are identical?—I do. I would rather like to put it in this way, that I do not think the directors and managers of the terminable arrangement would be any less keen than if it was a permanent arrangement as a State railway, or any less careful of the company's future.

7392. You make another point. You say a company managed line is less likely to be influenced by political considerations, or rather, putting it the other way round, that a State line is more likely to be influenced by political considerations?—Yes. The State line is more likely to be influenced by political considerations.

7393. Will you explain what you have in your mind there?—I do not want to enlarge on any political part of this argument, but what I say is this: that the State management, being in the hands entirely of the Government of India, is more apt to be influenced by political considerations than if it was in the hands of a body of directors under company management.

7394. What are the sort of conditions that you have in your mind that might influence the Indian Government contrary to the interest of a railway?—I do not know that I have got anything very pointed in my mind, but there have been questions raised in the Legislative Council in India that to my mind were inimical to a well-conducted railway, that might interfere with it, and I think that would be accentuated if it was State managed.

7395. Will you give us an instance?—I am afraid I cannot, but members of the board will remember the questions that were raised in Simla, I think it was three or four years ago, by Sir Ibrahim Rahimtoola.

7396. (*Sir Rajendra Nath Mookerjee.*) I think the question was raised at the Council in Bombay?—I cannot say exactly where it was, but that is what was in my mind when I made this statement. I think Government of India State-managed railways are more likely to be influenced politically than railways managed by a board of directors in London under company management.

7397. (*Chairman.*) I take it that that would be common ground?—Yes.

7398. Because the point the Indian witnesses have made to us is (I am putting it not as my view but as their view): "What we object to is "that we cannot get at these English directors; "we cannot influence them." That is their view. That is the other side of the picture. What I want you to tell us is: Can you give us any instance in the past where political influence has been exercised injuriously?—No, I do not think I can. It is merely my opinion.

7399. Then you deal with another point in your memorandum. You say that in State railway management there is no continuity of officers, which is so essential to the success of a railway, and you mention the Eastern Bengal Railway taking away a man just when he had proved himself useful?—On that point, sir, I am very emphatic. During my residence in Calcutta the Eastern Bengal State Railway was managed by a considerable number of men. In one instance, the gentleman sitting on your right (Sir Henry Burt) got the railway into first-class order. It was well managed, he was in constant touch with the commercial community and with the Indian trading community. He knew exactly what they wanted, and did it. He was removed because, as his record showed, it was so good that they wanted him elsewhere.

7400. He was removed to a larger sphere of usefulness, where a larger number of the public got the benefit of his sterling qualities: is that correct?—That is so. The sequence was this. I do not know whether it was his immediate successor or the following one, nor can I remember names very well, but I know that subsequently another man, the late John Manson, was appointed and did exceedingly good work on the Eastern Bengal State Railway. In fact, we all said "We are coming back to the days of Burt again." But no sooner had he got a thorough grasp of the thing than he was removed to what you have called "a larger sphere of usefulness."

7401. Let me put two points to you on that. Supposing instead of the Eastern Bengal we take the East Indian, which is a company; there is an extremely efficient District Traffic Manager at Allahabad, and he is promoted to be District Traffic Manager at Calcutta: must not that happen everywhere?—Certainly.

7402. You would not have taken the gentleman you have mentioned, and said that he was to be tied all his life to the small concern, would you?—No. The real point is that it was too frequent—much too frequent.

7403. I do not disagree with you. We know it exists. We have had a great deal of evidence, I may say, that people are moved too freely on the State railways. Is that any necessary part of State management?—I do not quite understand you. Do I take you to mean this, is it necessary that that should be done in the future, that State management recognises that it is a mistake?

7404. Yes?—No, certainly not.

7405. The Railway Board told us: "We agree that it has been done too much; we are trying to check the practice"?—If it was really changed, of course that would meet this argument of mine.

7406. It is done on the State railways, and I am trying to see, is it necessary it should be done because it is a State railway? Must this system of promotion by seniority always be regarded as something sacred?—No.

7407. Do you think it is necessary?—It generally does happen in State management, whatever it is.

7408. So that if you had State management, it would be a thing you would have to fight against?—Yes.

7409. Would not you agree with me that to promote a very efficient man to a bigger job is right?—Certainly.

7410. It is right, in your view, to have promotions on the ground of efficiency?—Certainly.

7411. That was the case in the instance that you have alluded to?—I do not object to that at all.

7412. I think your objection really is to promotion on the mere ground of seniority, because that is what has caused a great many shifts?—That may have been the cause of it in some cases, but my objection is that it is too frequent.

7413. So far as it is promotion to a bigger post for an efficient man, you would not object; that is commercial business?—No, I would not object.

7414. Supposing the English North Western takes away the General Manager of a small railway because it can offer him a bigger salary, you would not object?—I could not object, but I should say it was up to the company which let him go away to see that an equally efficient, or as nearly as possible equally efficient, man was put in his place. That is where the failing has been.

7415. You cannot help it that the bigger posts which can afford bigger salaries tend to get the best men: you agree that that is right?—Yes.

7416. Do you wish to say anything more about your objections to State management? I think I have dealt with all the points as you have put them in your memorandum?—There is just this last sentence which has some bearing on the question that I should like to quote: "The State "cannot be a business concern, and in placing "the management in the hands of companies it "commands the services of keen and capable "business men, who have been trained on "commercial principles." I think that is a strong point.

7417. You are now referring to the directors in England?—Yes, and the people whom they appoint, the whole staff.

7418. Let us keep them separate, if you do not mind. Would you put it that the staff of the railway companies, from the agent downwards, are, generally speaking, more efficient than the staff on the State railways?—That is a very difficult question to answer. I would put it in this way. I think the railway directors of companies take more care to produce more efficient staffs than State management does. They are commercial men and they are out to make a profit.

7419. You think they take more care?—I do.

7420. Do you think their care produces that effect—that they do get a more efficient staff?—I do.

7421. So much for the staff; now take the directors. Would you describe them as keen and capable business men?—I would.

7422. Do you think they are really useful in managing the concern?—I do.

7423. You have said that it is useful to have them to select the local staff. What other special points do you think they are useful for?—The other special point comes in under the question of finance, or rather comes in under the domicile of the company. These men, if you take them now in connection with several railways here, are men well known in the city of London; they command respect from their experience; they are efficient in dealing with these railways; they have a following in the market when they want to raise money. That is all important, I think.

7424. Just take the point you have mentioned last—when they want to raise money. Can they, or do they, raise money? How long is it since an Indian railway company has raised money?—They are not allowed to raise money.

7425. Quite so. In order to get the benefit of their keenness and capability in financial matters you would need to emancipate them from their present trammels?—Not altogether, because I think the fact of their being there has enabled money to be raised where it otherwise might have been difficult.

7426. Do you mean to say that the loan which has been issued in the past fortnight, which was a loan to the Government of India, was helped by the existence of the keen and capable business men on the boards of the Indian railway companies in London?—Yes, I think I can say that had some influence on it.

7427. Not great?—Of course, that loan was unique. It was a loan floated on extremely favourable terms, more favourable, I should think—certainly in my experience—than those on which any other loan has ever been floated.

7428. I am afraid that is the tendency of loans nowadays?—It is; I agree with that.

7429. Is there any other point where their qualities are of value?—No.

7430. I do not deny the existence of the qualities?—I think that is all I can say on the subject.

7431. You have dealt, in the next place, with the different kinds of companies. I will take first, if I may, the ones you do not approve of, as mentioned in (*c*) on page 2 of your memorandum, and when we have cleared the ground there I will come back again. You say that management through a company domiciled in India, with a board sitting in India, is not feasible or desirable?—"Is not a feasible or desirable departure." That is rather different.

7432. If I understand you aright, it might be a good plan if it were new, but you do not

want to change to it; is that the meaning?—Not quite; it is partly. The following sentences, I think, bear out exactly what I wish to say on that subject.

7433. I wanted to understand what the special point of the word "departure" was?—Because it has not been done.

7434. Will you give us the reasons?—I give the reasons here. "There are few Europeans "who can devote sufficient time, outside of their "own work, to what would be required by a "large railway company." That, I think, is one very strong reason. There are members of the Committee here who know perfectly well that those of us who go out to India do so to manage our own business, and if we attend to it it takes all our time, and we can devote very little time outside of it—I mean real time, real energy and real push, and getting to know the facts. There are many business men in the big towns in India who are directors of companies, but they are probably not called upon to have such an extent of knowledge as is the case with railway boards.

7435. Forgive me, but you would agree, would you not, that most men who are well-to-do and have made their position in England regard it as their duty to devote some part of their time to public service?—I am very glad to know, sir, that there are more men who regard it as their duty to do so now than they did in the past.

7436. You do not suggest that the Englishman who goes out to Calcutta thereby becomes less patriotic than his brother who stops at home?—No, I do not suggest that for a moment, but they are so wrapped up in their own business that I do not consider they have the time to devote to a domiciled large railway company. Then I come to the second point. "It might be "difficult at present to find a board of Indian "gentlemen who have the experience of such "work." I am quite willing to stand corrected here if men like Sir Rajendra Nath Mookerjee tell me that that is not the case now, but I should think there are very few Indian gentlemen who have studied this question and are capable of dealing with it in such a manner as, for instance, Sir Rajendra Nath Mookerjee, who is an expert in these matters.

7437. You could not make a board out of him?—No; that is just my point—I could not make a board out of him. He will be able to tell you far better than I can how many colleagues he could raise with anything like the knowledge that he possesses himself. I do not know them, and I do not think there are sufficient of them yet. It will come, no doubt.

7438. You would hesitate to let them go into the water until they had learned to swim?—No, I would not go quite as far as that. I think there are other ways of bringing them forward than putting them straight on to railway boards. I think they have to learn the business.

7439. I gather from clause (*b*) that you would be inclined to put it in this way—that if you were satisfied there were enough competent Indians and enough Europeans who would sacrifice their own business, you would then be prepared to accept the Indian domiciled company?—I could not object to it. I might put it like that; it is a new departure. But might I suggest this? In your questionnaire, with regard to your terms of reference, you inform witnesses, like myself, that "In con- "sidering the question of the East Indian "Railway, the Committee will take note of the "decision to remove the management of that "railway to India, which was arrived at when "the contract with the present company was "extended on the amended terms in 1919."

7440. That is not our questionnaire, it is an instruction to us?—My view at present would be—without the knowledge, as I have explained to you—that here you are making a new departure. Give it a chance to show that it is a success. Then, if it is, there is no objection whatever to going on with it in the case of the other railways.

7441. You will appreciate that that is not our doctrine; that is an instruction from the Secretary of State—that we are to take note of the fact that he has decided in that way. It is competent to this Committee to say: "We "understand you have so decided, but we think "you are quite wrong." It is not our document at all?—I see. I did not look at it in that way. I looked at it that that was settled. There is a splendid opportunity.

7442. I suppose it is settled, but it still would be competent to us to say: "You have settled it wrongly." I do not say we shall do so; I only say it would be competent to the Committee to do so. Assuming the domicile is to be transferred to India, which would you prefer, a local Calcutta company subject to the disadvantages you have spoken of or State management?—You ask me which I would prefer, State management or a local board in Calcutta managed by merchants and Indians.

7443. Such people as you could get in Calcutta?—I should prefer to have it in Calcutta.

7444. As a company?—As a company.

7445. That deals with your para. (*c*); that is what you say about the company. You see great objections to it, but if the East Indian is to be managed in India you would like it to be managed by a company of that kind and see what the result was before dealing with any others?—That is my point.

7446. Para. (*d*) is a proposal for a double company, an affiliated Indian company retaining the English board, and in some method apportioning the responsibility between them. What is your view about that?—What I have stated here in one sentence embodies my view, that if you had dual control one side or the other would constantly be jibbing. There would be friction between them, and I do not honestly see how it could work.

7447. Who do you think would have to have the deciding voice?—I do not see who could have the deciding voice. Supposing you had an equal board in Calcutta and an equal board in London, unless the Secretary of State had a deciding voice I do not see who else could have it.

7448. Then you would have a permanent system with compulsory arbitration?—Exactly.

7449. And that does not commend itself to you?—Not a bit.

7450. Do you think it would satisfy Indian aspirations to have such a position that the Indian domiciled board really could not do anything—that the London board could stop them and refer them to the Secretary of State? Do you think that would satisfy Indian aspirations?—Would you kindly repeat that again because I did not catch your question properly.

7451. Supposing a condition such as you have suggested, with two boards, who, if they could not agree, would refer the matter to the Secretary of State in London, do you think that would satisfy Indian public opinion? Indians,

as you know, are demanding a larger share in the management of their own affairs?—It is very difficult for me to say. I should think it is the only alternative, if I may put it like that.

7452. Now let us go back; you have given us your objections to the other two schemes. We now come back to para. (*b*), in which you say: "Management through companies domiciled "in England is calculated to meet all that is "essential for the best and most important "considerations railway undertakings have to "face." That is your view?—Yes.

7453. You began your evidence by saying: "I have been out of India for some years and am "rusty." Would that remark apply to the London boards?—Not to the same extent, because I have been out of India for some years and am rusty. But I am rusty not so much because I have been out of India but because I have been out of touch owing to the war and the amount of work I have had to do otherwise. I have not kept in the same close touch that I did up to 1913. These boards are in constant daily touch with what is going on in India.

7454. You think it would have been possible for you not to have become rusty if you had confined your attention in the last few years to Indian matters?—That is so; I do not think I would have become rusty under those conditions.

7455. You say the directors are responsible business men who have acquired ripe experience in India. You would not sympathise, I suppose, with the view that has been put to us by some witnesses that the experience is over-ripe?—That the experience of some of the directors on this side is over-ripe?

7456. That is the view that has been expressed to us?—Does that mean that they are not progressive enough, or that some of them are too old?

7457. They are the different views that have been put before us. I think "over-ripeness" rather represents the view that has been put to us?—No, I would not consider that it was over-ripe.

7458. You say that they are "in a position to grasp the many difficulties that occur from day to day and deal with them promptly"?—I do.

7459. Later on you speak, on another subject, of the waste of time in obtaining the financial sanction of the Secretary of State?—That is under the heading "Railway Board."

7460. Yes. If it takes time to refer to the Secretary of State in London, will not it take time to refer to the board in London?—It takes a certain amount of time, undoubtedly.

7461. Is not "promptly" a little strong?—What I meant was that it was promptly dealt with when it came before them. It is not a question of how quickly they were able to get any particular thing through, but the moment it came to them they were in a position, from their knowledge, to deal with it promptly. That is what I meant.

7462. You have already made the statement that "they are in touch with the financial world, "and can command the use of capital from share-"holders who have faith in their conduct and "management." I think you will agree that you cannot put much weight on that if they are not allowed to command the capital?—No, but they would command the capital if they were allowed to do so.

7463. You are aware, no doubt, that there is no Indian guaranteed company at this moment whose shares stand at par?—I believe that is so.

7464. If there had been a certain jump I think we should have heard of it, but they were certainly below par, although they are paying very substantial dividends. Supposing the Secretary of State withdrew his inhibition, do you think you could raise much money on the share capital of the guaranteed companies?—I think so. You mentioned just now that the shares were not at par, but what is at par? Everything has gone down tremendously. They have been at par, I think I am right in saying, but everything has gone down. If you asked these railway company directors just now to get finance for the railways without the help of the Secretary of State, they would be able to get it, but the terms would undoubtedly be onerous at the present moment.

7465. What do you think they would have to pay? What do you think people would expect as a return on share capital in an Indian railway?—On ordinary shares?

7466. Ordinary shares, with or without a guarantee. There would clearly be a little difference?—I should say that with the guarantee they would expect 7 per cent., and without it they would expect 10 per cent.

(*Chairman.*) I think the Bengal North-Western pays more than 10 per cent., does not it?

(*Sir Henry Burt.*) 11 per cent.

(*Chairman.*) And that has gone to 102, I think.

(*Sir Henry Burt.*) 107.

7467. (*Chairman.*) That seems to bear out what you say. There is a very substantial line with a long record behind it paying 11 per cent. and standing at 107; it was lower. That seems to bear out your view. Supposing, however, a guarantee were given, you think 7 per cent. would be about the right figure?—Yes, I think 7 per cent. would do it.

7468. Then how do you account for the fact that at present the companies pay much more, some of them 8 per cent. and 9 per cent., and yet their shares stand below par?—Some of which companies?

7469. (*Mr. Tuke.*) Some of the guaranteed companies?—It is very difficult to say why it is just now, because everything in the share world is so upside-down. People have to sell in order to pay income tax.

7470. (*Sir Arthur Anderson.*) Has not the drop in exchange also had an influence, because the profits remitted home this year will thereby be less?—That is so.

7471. (*Chairman.*) The point is this, that as a very experienced man of business you recommend as a convenient way of raising money for Indian railways at present the issue of guaranteed shares?—The issue of shares guaranteed by Government.

7472. You recommend that the company should issue guaranteed shares?—At the present moment?

7473. Yes; we all know that money is urgently wanted?—Yes, I would recommend that because I think money is so urgently wanted that you must get it.

7474. And you would pay 8 per cent. or 9 per cent. to get it through guaranteed companies?—No, I do not think it would be necessary to pay 8 per cent. or 9 per cent. with

the guarantee; I think 7 per cent. would command it.

7475. Why, then, do not the existing shares stand on 7 per cent. basis?—They are in the market, and they have been in the market for years. People, no doubt, have been forced to sell them as being a thing they can realise. I do not think that is a true criterion just now.

7476. You would agree with me surely that it is a sort of axiom that if you are issuing a new batch of the same security you have to offer a little better terms?—I think if you asked a well-known man in the Stock Exchange he would tell you that there are cases, just as you have stated, where it would be better for a man to buy the shares that were paying 9 per cent. at a discount than to subscribe for new shares or new bonds or new debentures, whichever you like to call them, at 7 per cent.; but all the same the fact remains that they will subscribe for new things and ignore the value of the old.

7477. Take the case of a company AB, whose shares, which are paying 9 per cent., are standing at 97; do you think a man will subscribe at par for new shares?—The same man who holds them might not, but I think the public would.

7478. If a member of the public gave such an order to his broker, would not the broker say: "Do not subscribe for the new shares, buy the old?"—As a matter of fact a very small demand for the old would soon send them flying away above par; you could not get them.

7479. Then you say, "the State is fully "protected by its contract with such companies "against mismanagement." The companies appoint their own staffs?—Yes.

7480. Assume for the sake of argument that they appoint an inferior man and that he does mismanage the property, has the State any power to get rid of him?—I think it is part of the contract that they can call upon the company to get rid of him.

7481. I do not think that is so?—I understood it was so.

7482. We did not so understand from the Railway Board?—What I understand is that in all these contracts between the companies and the State there is a clause by which they can either cancel or bring them to an end if they are satisfied that the companies are not managing them properly. It is on broad lines.

7483. You would not seriously argue that the State would cancel the contract with the XY railway because they did not like the agent?—No.

7484. It would have to be for something very broad and patent, would it not?—Undoubtedly, but still it is a protection.

7485. Some. Do you think the State is fully protected against mismanagement? Let me put this to you. In your time did you never hear it said, "The XY company is very badly managed"?—Oh, yes.

7486. Was the State fully protected?—I do not know what the terms of the State contract were with the XY railway.

7487. It was a common saying, was it not, in various parts of India, "The XY company is very badly managed"?—That is so.

7488. That means to say, does it not, that the State was not fully protected?—We do not know whether they took any notice of it.

7489. Then it was not protected? You mean it might have protected itself but did not?—That is my point.

7490. You think that if it chooses to exercise the powers it has they are sufficient?—Yes, to protect it against what I have previously said in para. (*d*).

7491. Now let us come to the Railway Board. There you say you think they ought not to have to wait for the Secretary of State's interference; you think the real control ought to be in India?—I do.

7492. You do not offer any suggestions as to the constitution and that kind of thing?—All the suggestions that I offer are that the Board should consist of experienced men versed in all the different phases of railway work, such as traffic, engineering, rates, finance and so on. I should like to go one step further and say that a member of the Board should be on the Council.

7493. That is to say the railways should rank as a full department of Government instead of as a subordinate department?—Yes. As I understand at present, while the Railway Board official or a member of the Railway Board can attend and hear what is said, he is not allowed to speak. I may be wrong there, but I think that is so.

7494. That is correct; the chairman of the Railway Board has the powers of a Secretary to Government; he is not a member; but he may attend. Practically your opinion is this, is it not, that the machinery is right, broadly speaking, subject to your point about the chairman being a member?—Yes.

7495. Broadly speaking, you say that the machinery seems to be right, but the experience is that it has not worked as well as it might have been expected to; that is, broadly, your statement?—That is so.

7496. You go on to say that finance is really the burning question, and you quote some of the points you placed before the Currency Commission. You emphasised the very great importance of the railways and the need as it existed then for a policy being adopted of spending a liberal amount of money on the railways?—That is so, and there is a much greater need now.

7497. There was a policy of starvation of the railways before the war and naturally through nobody's fault the war has made things worse?—Yes.

7498. You say in your statement: "The "railway finance policy has for many years past "been very far behind the times. Traffic has "overtaken the railways and left them behind "it. The demands of Indian railways have "quite overgrown the provision made for their "betterment and extension, and it appears to me "that if a very drastic change is not made in "the arrangement for the regular provision of "funds for railway expenditure, India will "suffer and her rapidly increasing industries be "throttled"?—That was seven years ago.

7499. Nobody will question that her industries have been throttled?—Her industries have been throttled. The throttling of them is no doubt a much more serious question than previously, because India herself has taken her industries in hand to a very large and increasing extent. Money had been put into industries in India by Indians to a very small extent when I read this before; money has now been put into those industries in a very large way.

7500. This Committee have heard quite enough from one side of India to the other about that throttling of industries, so that I need not ask you about that question at all; there is no question it is terribly serious. You say that if a

very drastic change is not made in the arrangement for the regular provision of funds for railway expenditure India will suffer. What is your view of the drastic changes that should be made?—There are one or two points connected with that question that I should like to mention. The drastic change is that more money must be provided. That is the first one. Then there is the question of providing money by Government for one year, and if it is not spent it lapses. That to my mind is a very bad arrangement. I say in my memorandum: "To enable the "railways to arrange a comprehensive and "economical programme of development, it is "necessary that they should have an annual "allotment fixed over three or five years of the "minimum amount they would have, with such "additional amounts given each year as Govern-"ment may find possible."

7501. If you were going to say anything in favour of the lapse policy it would be very interesting?—In favour of it?

7502. Yes?—No, I do not want to say anything in favour of it.

7503. You need not say anything against it, because we have heard 150 witnesses, and they have almost all spoken against it, so that you need not enlarge on that?—I will not say anything more about it. I will say this, however, that the question of finance is the burning question. Without finance nothing can be done. Without finance these railways that are now working in India cannot do anything like the work they ought to do. They are not equipped; there is no provision to carry anything like the traffic that is offering.

7504. Two things are required—more money and more continuity?—That is so.

7505. How are we to get them?—The first question is, how are we to get more money? That is only possible in two ways. The Government must continue to raise special loans for the railways, or you must allow the companies to raise their own money for expenditure on their railways. I think the companies can do it, but if they are not allowed to do it you cannot say that they cannot do it until they have been tested.

7506. You have said that you think the guaranteed companies could get new money possibly on a 7 per cent. basis?—I think so.

7507. Supposing they could not? Supposing they wanted more, how far would you let them go? Would you let them raise it on a 9 per cent. basis?—I do not know that that would be very wise, but I think I should be very elastic. I would not confine it to exactly 7 per cent., because there is a great difference when you get above 7 per cent. to 7½ per cent., 8 per cent. and so on.

7508. Would this be a fair statement, in your view, that you would be inclined to raise money through the companies as well as by the Government, provided it could be obtained at only a small cost above the Government loan cost?—Yes.

7509. (*Mr. Hiley.*) With a guarantee?—Yes.

7510. (*Chairman.*) You would offer terms which, by the combination of guarantee and share of profits, would probably yield something more than the interest on a direct Government loan, but not very much more?—That is so.

7511. I have been asking you questions about how the money is to be raised. Now how are you to get continuity?—Continuity of money?

7512. Continuity of providing money, so that the railways can make an adequate programme and stick to it?—It would have to be done in exactly the same way. If the Government made an annual grant for, say, five years they would have to undertake that they raised that money for five years. There is no other way of doing it except to allow the companies to do it, and, of course, that has to be proved. I think they can do it, but I am only giving a personal opinion.

7513. A very great many witnesses have said to us: "We have tried this dependence on the "budget year by year; it has broken down, and "here is the result. We want the railways "cut adrift; we want the railways to have "a separate budget of their own, and only "carry the net income on the capital to the "credit of the ordinary Government, and inside "that leave them to run their own show." Have you thought of that?—Yes, I have thought of that. I think that would be feasible. I think if you gave the companies a free hand to arrange for their own finances, with the Government behind them, they would be able to do it in a satisfactory manner. For instance, I understand there is a railway which requires a very large amount of money.

7514. Is there only one?—I was going to mention one particular case that I have heard of, in which a railway has been offered a very substantial part of what it wants by a large firm in India.

7515. In what form?—It does not exactly say what form.

7516. A subscription to their ordinary capital?—In the form of a subscription to whatever scheme is put forward. For instance, supposing the railway was putting forward a scheme for several crores, these enterprising people (there is no necessity to have any secrecy about it; it is Tata's) have offered to raise a very considerable sum of money. It has not come to so close a matter as terms yet, but their ability to raise the money is, I think, undoubted, and they recognise the fact that it must be raised.

7517. That offer would be to subscribe to a Government loan?—Well, sir, what is railway finance but a Government loan, if it is guaranteed by the Government?

7518. If any given investor would subscribe to a Government loan at 7 per cent., would you encourage him to invest instead in shares where he could get more?—I do not know; I do not think I can answer that, because to give encouragement like that or advice like that would be a very difficult thing.

7519. One does not see why, if the Government, which is responsible for the Indian railways, could get the money at 7 per cent., they should encourage people to put it in a form where they would get 8 per cent.?—No, but the Government guarantee is a very valuable thing. It is looked upon, especially in India, as a most valuable thing.

7520. But yet people do expect a higher rate of interest and a higher return if they put it into guaranteed shares than if they put it into a direct loan?—That is so, because presumably it is earmarked for a certain purpose.

7521. Then you say: "With the increased "cost of material and labour it will be seen by "comparison that anything less than a grant of "20 to 25 million pounds per annum would not "meet the present needs." That is double the Mackay Committee figure of £12½ millions?—Yes.

7522. That is to say, you would only get what the Mackay Committee said was needed in 1907?—That is so.

7523. Do you think £12½ millions would have been enough in 1907?—I think that if from the date of the report of the Mackay Commission they had given £12½ millions a year, I think it was for several years, things would have been very different later on.

7524. You think that if they had spent £12½ millions they would have about kept going?—Yes, I do.

7525. Therefore, you would want on the same basis to-day £25 millions to keep going?—Yes.

7526. But since 1913, anyway, a terrible amount of arrears has accumulated?—Yes.

7527. So that your £25 millions makes no provision for catching up arrears; it only provides for current expenditure?—I have not the arrears so much in mind as current expenditure. My figure was entirely based on current expenditure.

7528. I quite follow, but you see my point?—Yes, I do.

7529. I am not suggesting that they could get more, or that they could spend more, but more wants spending?—Yes.

7530. In fact, I take it you are not in the least afraid that if the Government could raise £200 million it could not spend £200 millions?—That is so.

7531. (*Sir Henry Burt.*) Supposing an Indian company were formed in Calcutta, do you think you could raise money in India with a guarantee something below the rate which Government has to pay for its own direct loans, and with some share in surplus profits?—It is very doubtful at present. Two or three years ago it would have been more feasible; at present it would be difficult. It may come again.

7532. The Chairman has already put to you the statement you have made in your memorandum, "With the increased cost of material "and labour it will be seen by comparison that "anything less than 20 to 25 million pounds per "annum would not meet the present needs." Having regard to what you have said with regard to the companies being given power to raise money, I take it you hold the opinion that Government will not be able to raise that money itself by loans?—This £20 to £25 millions?

7533. I think it will probably be £30 millions, having regard to what the Chairman said?—That is my fear.

7534. That they will not be able to raise it?—Yes. I do not say they will not be able to raise it, but that is my fear.

7535. (*Mr. Hiley.*) "Will not" or "cannot"? Do you think they will not be prepared to raise it, or cannot raise it?—Both, perhaps. I think it will be very difficult for you to convince them on the larger sum, and I think it may be a little difficult for them to raise it straight off.

7536. (*Mr. Purshotamdas.*) In the third line of para. 1 (*a*) of your memorandum you say that "State management removes the useful element of competition." Is there any competition at present?—I have already dealt with that point, and you will be able to read it in my evidence. There is competition. For instance, there is competition between the Great Indian Peninsula and the other railways coming down to Calcutta.

7537. At whose expense?—At the expense of the lines themselves.

7538. The owners of the Great Indian Peninsula and the Bombay, Baroda and Central India Railways are the State. Where is the competition? Competition is between competitors who have a stake in a different capital. Here it is done at the expense of the same capital, namely, the Indian Treasury: 95 per cent. of the Great Indian Peninsula and Bombay, Baroda and Central India Railways are owned by the Indian Treasury. Is that competition?—That is true, but you were not here at the beginning of my evidence, when I informed the Chairman that competition, in the sense that I used it, was qualified by the word "emulation."

7539. If you qualify it by the word "emulation," that is a different matter, but there is not competition in the sense in which the word is understood in England?—There is not competition in the sense that there are two different companies working for separate interests.

7540. If there is any sort of cutting of rates it is at the expense of one common proprietor?—It is at the expense of the shareholders of either company.

7541. Who represent 5 per cent. of the total?—More.

7542. It is mainly at the expense of the common proprietor, the Indian Treasury, who own the majority of the shares?—Entirely.

7543. Then you say that State management is apt to get into a system of "red tape grooves." I suppose while you were in Calcutta you had something to do with the Port Trust there?—No, I had not.

7544. You must have heard a good deal about it?—I know all about it.

7545. Do you think the Port Trust suffers from "a system of red tape grooves"?—No, I do not think they do.

7546. And the Port Trust has no proprietary interest?—No.

7547. Therefore there is no reason why the Indian railways should suffer from it, because the Port Trust has no proprietary interest. Is proprietary interest a necessity to keep out of red tape grooves?—Yes.

7548. Lower down you say, "It is also much more likely to be influenced by political considerations." Do you mind telling me what political considerations you are referring to?—I have gone over all that in the answers I have already given.

7549. Perhaps, as I was absent then, you would not mind repeating them for my benefit?—I shall only be too delighted to if I can; but I am afraid I cannot quite recall my answers beyond saying this, that State-managed railways in India are more likely to be influenced by political considerations than company-managed railways. That is the point.

7550. What is the meaning of "political considerations" there?—It means this. You have seen questions raised in the Legislative Council in India with regard to railways, which I hold would not be raised if they were company managed; and I think these questions would be raised much more frequently and pushed more than they are now, if they were State managed and not company managed.

7551. Do you think it is to be regretted that these questions were raised, and that something should be devised to stop them?—No, I do not think that. It is a free world, and I think every person has the right to give their opinion on any subject; but there is that point. That is the only point I want to make, and, as I previously explained, I do not really want to enter into any political question.

7552. The questions that are raised in the Legislative Councils and Assemblies reflect the

opinion of the public in the ordinary course, do they not?—I do not know that they did. I hope they will do so more now.

7553. Up till now you do not think they reflected the opinion of the public?—I do not say that they do not reflect the opinion of a part of the public, but I do not think the public were really very much concerned with some of them.

7554. In the future, under any State-managed scheme, it would mean that there would be more questions about it in the Councils, which you think is not desirable?—You can put it in that way.

7555. I am trying to get at what you have in your mind. I do not want to put it in any way that you do not want to express?—I have informed you in quite a careful way that a State-managed railway in India is more likely to be influenced by political considerations because of the political conditions in India at the present time.

7556. Is it wrong that the Legislative Assembly should raise questions about the railways in view of the fact that the share of the Treasury is so big in the capital of the line?—Oh, no.

7557. Then any method that is devised to make the Legislative Assembly not discuss these questions is a method which is not desirable?—You can put it in that way if you like.

7558. That is the Indian view that has been put before us, and I thought I would put it before you?—I am not against the Indian view.

7559. This is the Indian view that has been put before us, and therefore I say that any scheme by which you prevent the Legislative Assembly from discussing the railway question is a scheme that is not desirable, because so much of the Indian taxpayers' money is invested in it, so that the question of political considerations would hardly be an important point against State management; in fact, it would be a very desirable point in favour of State management, and would not be a handicap in any way. Lower down you say, in reference to State railways, that there is no continuity of officers, and you explain how that has been brought about. Is it impossible to get continuity of officers under State management?—It has been, so far.

7560. But is it impossible?—Oh, no.

7561. It would be possible with a separate railway service, with rules and regulations like the company railways have adopted up till now?—Certainly.

7562. It is not a difficulty which cannot be got over; it is only a question of a change?—I am very sorry you were not here at the beginning of my evidence, because I gave certain answers in connection with that which you will be able to read afterwards.

7563. If you do not care to repeat them, I will not press you?—They are very long.

7564. With regard to para. (*b*), if the boards of the companies are in London there can be no persons on the boards who are in touch daily with Indian trade and commerce. With the boards in London, you cannot have on them people who are in touch with Indian trade and commerce and their requirements from day to day. You can only have gentlemen who have retired from work in India and are at present in London?—That is so.

7565. Do not you think that is a handicap?—No, I do not.

(*Sir George Godfrey.*) I do not think we ought to ask witnesses to repeat answers that they have already given, simply because one of the members of the Committee was unfortunately absent. I can the more readily say that because I was absent part of the time too.

(*Mr. Purshotamdas.*) I was not away on private business; I was paying my respects to His Majesty the King.

(*Witness.*) I do not for one moment object to the questions.

7566. You have been very good to me so far?—The only point is that the chairman has put questions to me, and has followed them up along many different avenues which I cannot possibly remember, or give you intelligent replies.

7567. I came in when you were dealing with para. (*b*), so that I have heard your evidence on that point, and there is no fear of my not knowing what the chairman asked and what you answered. In a Committee like this there is some little repetition, which I am afraid cannot be helped. If you have boards in London it means the complete absence of Indian members from the boards. That has been so up till now, and will be in the future?—I would not like to say that.

7568. It has been the case up till now?—Undoubtedly.

7569. And probably will be so in the future?—I would not like to say that.

7570. You could only have retired Indians, and retired Indians would not be here?—Why not?

7571. Retired Indians? Are there very many Indians who retire who come to stay in England?—A good many of them.

7572. Still, you would not have the workingmen?—Oh, no. I understand what you mean.

7573. The handicap with the boards in India is that the European there is not available freely, and when available there is not a continuity of office?—That is so.

7574. Both are handicaps; which is the lesser of the two?—You mean, which is the biggest handicap; there being no retired Indian gentlemen in London who can go on to a railway board, or, on the other side, that those who are fit to go on railway boards have to leave India. Is that it?

7575. Yes?—And you ask which is the lesser of the two?

7576. Yes?—It is impossible to say at present, for a reason that I gave, which is this. Up till now there are few Indian gentlemen who have studied railway questions and who have been connected with railways in the same way that the directors on the boards in England are at present. I think you will admit that, and until that takes place I say that the lesser evil of the two is to have the railway boards in London.

7577. Shall we follow that up a little further? Railways have been serving India for the last 70 years. If up to now there are not many Indians who can participate in the management of the railways, what is the reason?—What is the reason for it?

7578. Yes?—They must answer that themselves.

7579. Shall I answer it for you, as it has been put to me in India—that Indians had no opportunity of getting in touch with the administration of railways? For 70 years the boards were here; they had no voice in the matter. If the same is to continue for 100 years more, the same complaint will hold good. Is it not time

they began ?—I think it is full time they began, but they have to learn first.

7580. And in learning perhaps a little leniency would not be out of place, would it ? They have learned English banking, they have learned about the ports, they have learned about the mills and about iron and steel ?—And they have learned about railways. Sir Rajendra Nath Mookerjee is a splendid specimen for you.

(*Mr. Purshotamdas.*) You say in para. (*c*): "Moreover, and this is important, capital in India "could not be raised under such conditions to "any very large amount." I suppose you mean under present circumstances, when the money market is tight ?

7581. (*Chairman.*) That is to say, through a company domiciled in India. It is not that capital could not be raised in India, but capital could not be raised in India through a domiciled company ?—I do not think a domiciled company in India could raise capital on such a large scale as this.

7582. (*Mr. Purshotamdas.*) On such a large scale as it could be done in England ?—Yes. There are not the same facilities.

(*Mr. Purshotamdas.*) Did you ask the witness any questions with regard to No 4, the present system of control by Government of rates and fares ?

(*Chairman.*) No, and, if I may suggest it, I do not think Sir Charles McLeod would say that he is an expert on that point. I do not think there is any difference of opinion on the Committee on that point.

7583. (*Mr. Purshotamdas.*) Then I will pass to para. 5, the last sentence particularly : "Under "existing conditions I think encouragement "should be given to Indian companies producing "wagons and other railway accessories." You mean only for the time being ?—No. The important point is this : The chairman did not ask me any questions about the feeder lines, and I would like to say something on that point, because I think feeder lines are very necessary to the trunk lines in India. I put the figure here at 5 per cent., but that is only just a figure. It used to be 3½ per cent., but there is a lot of money in India for feeder lines with a Government guarantee. Then I go on to say that I think encouragement should be given to Indian companies producing wagons and other railway accessories. You are quite well aware that during the last—what shall I say—10 years there has been a tremendous increase in Indian industries themselves in the way of making wagons, making carriages, and making all sorts of railway accessories which might be done in India on the spot without having to wait to get them out from here, and which support these industries in India which you want to support. That is my point there.

(*Mr. Purshotamdas.*) You mean from hereafter.

(*Chairman.*) There should be a full stop after the words "under existing conditions."

7584. (*Mr. Purshotamdas.*) There is just one more general question I should like to ask, if you do not mind. It has been admitted practically by all, at any rate of the non-official world, that Indian railways until now have been starved for capital by the Government. But the companies here say that they have pressed the Government to raise more capital themselves, that is, that the Government themselves should raise more capital for railways, and give it to the companies, or allow the companies to raise capital. Perhaps you know the attitude of non-official members in the councils of Delhi and Simla as they existed before 1920; there was a sort of opposition to much capital being raised for railways. If Indians had opportunities to know from within the conditions and the great necessity for capital in railways, do you not think that the country as a whole would have benefitted, and the Indian non-official members in the Viceregal Council would perhaps have been a great source of strength to the railways in getting more capital ?—If what you say is correct, it would.

7585. If what is correct ?—If so and so and so and so have taken place.

7586. I am only giving you the facts. Gokhale and everybody else said : "You are spending too much on the railways." I am talking about what happened before the year 1914. It is on the records of the councils, and you can take it that that is correct. The railway boards asked for more money. The Government of India or the Secretary of State did not budge. Do not you think the non-official Indians would have been a source of great assistance to the railway boards in getting more money from the Government if they had had any inside knowledge ?—Of what was going on ?

7587. Of what was going on, and how the railways were being starved or the development being kept back ?—I think that is quite possible.

7588. (*Chairman.*) There is one question on feeder lines which I missed that I should like to ask you. I suppose there is no dispute that a very large new mileage of branch and feeder lines is required ?—No, I do not think there is.

7589. I do not think there can be any argument about that. Assuming that the parent company or the State, where it is a State railway district, could find the money themselves, which do you think would be better, that it should be built as a part of the parent line or that it should be built by a separate feeder company ?—By a separate feeder company.

7590. Do you think that is an advantage ?—Yes, I do.

7591. Will you tell us why ?—I think it has several advantages. You see, branch lines are privately managed.

7592. They are mostly operated by the company with which they connect ?—The money has been found by private companies. The branch lines benefit the Government in its revenue, as you are aware, and the populations of the district which they serve and the district boards and the main lines which they feed also benefit. There are only the shareholders of the branch line company left, and they provide the money. The railways have not to provide the money at all.

7593. That was not my question. My question was : if you can imagine a state of things in which either the big companies or the Government were in affluent circumstances and prepared to find the money for the necessary branch lines, would you still prefer that it was found by a small independent company ?—I am afraid I cannot answer that question, for this reason. I would like the private companies myself, because they have been successful so far, and they have opened out a great deal of country. My great fear would be that the big lines would not open anything like the country that the private lines would.

7594. That is not quite my question. Assume that a branch line from A to B is wanted, and that it is going to join up with the Great Indian

Peninsula. The Great Indian Peninsula is prepared to make it, and a branch line company is also prepared to make it. Which, if you were the Government of India, would you employ for the purpose, the Great Indian Peninsula or the new company?—That is a very difficult question to answer; there are so many points attached to it. If the main line were going to make the line themselves, that means a lot more money which is not procurable even for the main lines. I have not considered that point of view.

7595. (*Sir George Godfrey.*) There are just one or two questions I would like to ask you. I must apologise for having been absent at the beginning of your evidence, but I have followed it very closely since I came in. I think I have correctly caught your view, which is mainly that Government has failed over the course of many years to raise sufficient money for the railways, that we cannot rely on Government doing so, and that therefore company sources should be exploited: that was practically your argument?—Yes.

7596. You said that it would be quite impossible at present, with financial conditions as they are, to lay down a hard and fast policy which might hold good for several years, but you think that the companies could, under certain conditions, raise the money?—I do.

7597. Independent of Government, but with Government guarantee?—Yes.

7598. I suppose it may be necessary to pay high rates at the present time, and in that case, probably, short-term loans would be advisable?—That is what I would advocate if I had anything to say about it.

7599. (*Chairman.*) Loans?—Bonds.

(*Chairman.*) So far you have only discussed the question of shares.

(*Sir George Godfrey.*) That is the point I was about to clear up.

(*Chairman.*) Do not let us get mixed. We have not mentioned the question of debentures.

7600. (*Sir George Godfrey.*) In that case, would it, in your opinion, be possible or advisable to raise money by short-term debentures?—I think it would, if you cannot get the money otherwise from Government.

7601. In view of the conditions of the Indian railways at present, I suggest it would be advisable to pay any price to get the money?—Any reasonable price, I should say.

7602. Any reasonable price. It might be necessary to go above what the Government is paying?—Yes, it might.

7603. And it would be worth doing even then?—Yes.

7604. There is only one more point I wish to refer to, and that is with reference to what Mr. Purshotamdas said just now, in which he rather gave the impression that competition between railways might result in loss of revenue. It is not an important point, but is it not within your knowledge that competition may result from attractiveness of service, which may even mean an economy in working? It does not necessarily mean a loss of revenue to the State or to the railway combined?—No, it does not.

7605. I think you qualified your remark in that connection. You said that what you really meant was a sort of emulation?—That is so.

7606. (*Chairman.*) I would like to go a step further in what Sir George Godfrey said about debentures. What is the security for an Indian railway debenture?—I do not think I could tell you offhand.

7607. Will you take it from me that broadly the security is not the property, because the property does not belong to the company; the security is the guarantee of the Secretary of State?—Yes.

7608. So that the position would be this. If the Secretary of State can borrow at 7 per cent. on his own flat promise to pay, he might borrow at 7½ per cent. or some other figure, certainly higher, through the office of the company?—Yes.

7609. And you think that would be worth while?—I do.

(*Chairman.*) Thank you very much.

The witness withdrew.

(Adjourned for a short time.)

SIR GERALD H. RYAN, Bart., called and examined.

7610. (*Chairman.*) You are Chairman of the Phœnix Assurance Company?—Yes.

7611. Which you modestly describe as "one of the larger companies"?—It is as well to be on the safe side.

7612. We will leave it in the way you describe it. As you say in your statement, you are very large investors and therefore you are constantly considering questions of suitable investments?—Yes.

7613. I suppose one may say that the great bulk of your money is invested in what are, or closely approach, trustee investments?—The majority of it would not be in trustee securities.

7614. But your investments are of the class of trustee securities; not technically, but they are high-class securities?—Yes.

7615. There is no limitation on your powers of investment?—No.

7616. You do return them, as a matter of fact, to the Board of Trade?—Yes.

7617. You mention in your statement that the return which you furnish includes Indian and Colonial railways under the same heading?—Yes. The Parliamentary Return includes them together. See Written Statement No. 86, Vol. IV.

7618. You are not able to help us as to the division between these two classes of investments in the case of other companies?—No.

7619. But you do know that, in the case of your own company, 10 years ago you held 8 per cent. of your total funds in Indian railway securities as against 4½ per cent. at the present moment. In order to be quite sure that I understand it, may I ask whether, in taking Indian railways, you mean investments in railway stock so called?—The percentage given includes all Indian securities, including Indian Government.

7620. Can you tell us why there has been that reduction?—The falling off in the percentage of investments in Indian securities would arise mainly from two causes. In the first instance, we are dealing with the period from 1910 up to the present time, with the war period, when there was a very great demand on the part of all capitalist bodies to support British Government loans. That would in itself have led to a larger proportion of the investments being in British

Government securities and consequently a smaller proportion in other classes of securities.

7621. We are talking about Indian railways proper, and, as I understand your statement, you held 8 per cent. of your total investments in Indian railways, but now it is 4½ per cent.?—The 8 per cent. includes Government securities

7622. There might be two things. Rupee paper might be sold to invest in sterling loans, and Indian railway debentures might be allowed to run off?—That I should say was commonly done. That is one reason—what you may call the general effect of war finance. Another reason is that in seeking suitable channels for investment, Indian railway securities are not as popular as they were, say, 20 or 25 years ago.

7623. On that I should like to ask you this. One always thought that the advantage of people like yourselves over the rest of us outsiders was that you were able to choose things that were not popular and therefore were relatively cheap, having regard to their intrinsic merits?—That is so, certainly.

7624. You say they are less popular. I should have thought that, if a security was of a given quality, the fact of its being unpopular would rather encourage you to invest?—I would say in answer to that that India has not had a very good name during the last 10 or 12 years. There have been a good many disturbances. People have shrugged their shoulders at the internal position of India, and so on. I have found, generally speaking, people less inclined to regard Indian railway securities as an attractive form of investment than before.

7625. That reason has influenced you?—Yes.

7626. You see my point in distinguishing between the scientific investor and the man outside?—Yes.

7627. That is one of the reasons you have given under the head of unpopularity. That is your reason (*d*), political and social conditions?—Yes.

7628. That really has affected you to some extent?—Yes.

7629. Now may we go back to (*a*)?—If you please. In dealing with (*a*), as you say, we are scientific investors, and we do not mind a whole lot of these things which are very potent reasons and causes for the attitude against Indian railway investments taken up by ordinary investors and other people; but it often has been pointed out that the guarantee of the Government of India is not the same as the British Government guarantee, and people do not know exactly why it should not be and what constitutes the difference. If there is a difference they do not know how to assess the importance of the special guarantee of the Indian Government, and that in itself is a reason militating against the acceptance of these Indian railway loans. They say: "We under-"stand the British Government guarantee, but "the Indian Government guarantee, that is, the "guarantee of a dependency of the British "Government, we do not understand. We do "not see exactly what it really means."

7630. You know what a Canadian Government stock means or a New South Wales Government stock. It means the responsibility of that Dominion or that State or whatever it is and not of the British Government. The same is true of India?—I agree.

7631. There is my point. Before the war, say 15 years ago, the price of India 3's was roughly the price of English 2½'s. There was a recognised ½ per cent. for an extra risk, or for what was regarded as an extra risk?—Not only extra risk, but relative unmarketability.

7632. I agree, but there was that sort of standard difference between them for various reasons. Has that changed?—I should think it has.

7633. We know it. Why has it changed?—It has changed because of a variety of reasons which are not exactly assessable, but which do exist.

7634. The reason you give in (*a*) is ignorance as to the effect of the true nature and value of the guarantee of the Government of India. That would affect the outsider; it would not affect you?—Quite so. My only point there—I do not attach very great importance to it; I only put it down as it occurred to me—is that you do not seem to me to get full value for the guarantee which you give in the market price or in the market estimation of your stocks. You do to insurance companies and those who know thoroughly, but to the outside investor I doubt whether you do.

7635. We may sum up (*a*) as being want of intelligibility in effect?—Yes.

7636. And (*b*) is really another form of the same thing?—No, I should like to dwell a little more on (*b*). In (*a*) we are dealing with the constitutional position. When we come to (*b*) we are dealing with shortcomings or weaknesses in the appeal of your securities which are not constitutional, which you have chosen yourselves in past times very likely for good and sufficient reasons, but which remain to-day as a difficulty in the way of the attractiveness of Indian Government railway securities.

7637. If you will forgive me, you have put (*a*) as difficulty of understanding the guarantee ——? —— appreciating the value.

7638. You might of course have put something in front of (*a*). The guarantee is not a guarantee of the British Government. That is a fact?—Yes.

7639. The other is a misapprehension of the fact. So far it is want of understanding. That is the difficulty—that the thing is puzzling. Now we will go on to (*b*)?—The difficulty in (*b*) arises from the fact that, owing to the conditions under which your stocks were issued ——

7640. I think I must be allowed on behalf of this Committee to disclaim the word "your" which you use. We are pure outsiders invited to consider what "they" have done?—I beg your pardon. The position is this. In the past, owing to the peculiar conditions under which capital was raised for Indian railways in India, a form of investment was devised which I have no doubt at the time was excellent (I have nothing to say against that), but which, when we come down to the present day and consider it as a form of investment which has to compete with other forms of investment, one is bound to say is very complicated, very unpopular, difficult to understand, and not calculated to produce full value to the Government. Take, for example, the East Indian Railway Company, with its A, B, C and D annuities—a terribly complicated thing.

7641. We had a witness before us a few days ago who told us he understood them?—I understand them, but I do not think it makes them any the more popular for all that. The system finds itself in a position where its obligations are of an unusually cumbersome and unattractive form.

7642. We may assume, as you have put it, that each stock as it was issued was calculated to

get the money on the lowest possible terms—on the best possible terms for the borrower?—Yes, I think so.

7643. But would it not be better to issue 50,000,000*l. en bloc*, at a price that was slightly more expensive to the borrower, rather than to issue 20 different stocks, getting a slight advantage in each but making them afterwards unmarketable or less marketable?—I doubt very much whether they got any advantage by adopting this method of finance. I do not think they would get any advantage whatsoever. It may have been fair and proper at the time. Let me put as an illustration this point. You are going to raise money for a new railway, the future of which is uncertain. You say: "Very well. We "cannot get investors in unless we guarantee a "certain rate of profit, say 3 per cent. We will "guarantee 3 per cent. We do not know what "profit it is going to make. 3 per cent. is a fair "guarantee and we can get money if we put that "guarantee on." Very well. Say in the course of time you find that the profit realised by the railway is 5 per cent., 6 per cent., 7 per cent., or 8 per cent. You have still got that form of investment in which a portion of the interest is guaranteed. If you take that as a system of raising money to-day, with the results of the railway and the possibilities of the railway well established, it would be a different thing altogether. My view is that it would be a very undesirable mode of attempting to raise money, because, unless the Government guaranteed right up to the rate yielded by the railway, you would not find the guarantee worth much. If the State guaranteed right up to the yield it would obviously be running risks in respect of its guarantee. Take the terminable annuities again. Those terminable annuities, as I understand, were granted to the shareholders of the railway companies, on the assumption of the railway companies, by the Government. It may have been a right and excellent way of doing it at the time. Eventually the annuities terminated; and the fee simple, as it were, remained with the Government. It may have been very good, but when you come to regard that as a possible form of appeal for new money, or when you come to consider whether those securities are or are not popular, you arrive at the conclusion at once that they are unpopular, although they may have been the best mode of dealing with the situation as it then existed.

7644. Let us go into the question of the guaranteed shares a little further. I think it is correct that the India Office has not allowed the companies to issue any new guaranteed shares for a good many years past. It has been suggested to us, money being immediately needed, that the companies should be allowed to issue new guaranteed shares now, and that that might be a suitable way of raising the money. I gather your point would be this—that if the company is already earning 7 or 8 per cent. you are throwing away your guarantee?—Quite so.

7645. On the other hand, you could not be expected to guarantee 7 or 8 per cent., because you could raise the money at a lower price straight away. That is your view?—Yes, that is my view.

7646. To sum up, it does not pay to have so complicated and multifarious a system?—I have no doubt about that myself.

7647. If all the companies had had similar stocks, and it was understood that, whether you bought one company's stock or another company's stock, the conditions were substantially similar, you would have had a freer market?—Yes.

7648. Now we will deal with (*c*)?—I want to go into (*c*), with your permission, a little bit more fully. I did not attempt, when I produced this very rough memorandum, to do more than, as it were, pass the thing rather casually through my mind; but I have since had some figures brought out which I think will be interesting. If you approve, I should like to hand them in. (*The following statement was handed in*):—

INDIAN RAILWAYS.

Total Amounts.	Present Amount.	Stk. Sh.	Dividends. Prev.	Dividends. Last.	xd or x in.	Name.	—	—	—
£	£								
1,500,000	1,500,000	Stk.	3 %	3 %	30 Dec.	Assam-Bengal Ry. Co., Ltd.:— Guar. 3 % + share of surplus profits	100	73	44 — 49
519,000	26,000	10	14/	10/	14 April	Barsi Light Ry. Co., Ltd.:— No. 1 to 26,000	10	13	10 — 11
	140,000	Stk.	4 %	4 %	30 Mar.	4 % Debenture Stock, Redeemable	100	86	52 — 57
	119,300	100	4 „	4 „	1 Dec.	4 % Latur. Extn. Dbs. Rd., wthn. Nos. 1–1250.	100	86	52 — 57
6,022,000	3,000,000	Stk.	6/.	6/.	25 Feb.	Bengal and N.-W. Ry. Co., Ltd.:— Ordinary	100	152	104 —109
	1,362,777	„	3½ %	3½ %	12 May	3½ % Cumulative Preference Stock	100	82	40 — 45
	1,419,140	„	4 „	4 „	12 „	4 % 2nd Pref. Stock (Cumulative)	100	92	50 — 55
	239,829	„	3 „	3 „	13 Jan.	3 % Debenture Stock, Redeemable	100	79	78 — 82
760,000	400,000	„	20/	60/	14 April	Bengal Dooars Ry. Co., Ltd.:— Ordinary	100	105	93 — 98
	360,000	„	4 %	4 %	27 Jan.	4 % Cumulative Preference Stock	100	90½	52 — 57
5,000,000	3,000,000	„	80/	80/	15 Dec.	Bengal-Nagpur Ry. Co., Ltd.:— Guar. 4½ % + share of surplus profits	100	113	91 — 96
	2,000,000	„	4 %	4 %	15 „	4 % Debenture Stock, Redeemable	100	97	57 — 62
3,000,000	2,000,000	„	90/	50	15 „	Bombay, Baroda and Central India Ry. Co.:— Capital Stock (Guaranteed 3 % + share of surplus profits).	100	106	81 — 86
	1,000,000	„	3½ %	3½ %	30 Mar.	3½ % Debenture Stock, Redeemable	100	87	52 — 57
16,801,060 Carried forward.									

INDIAN RAILWAYS—*cont.*

Total Amounts.	Present Amount.	Stk. Sh.	Dividends. Prev.	Dividends. Last.	xd or x in.	Name.	—	—	—
£	£								
16,801,000	Brought forward.								
						Burma Rlys. Co., Ltd. :—			
4,250,000	3,000,000	Stk.	70/	90/	15 Dec.	Guar. 2½% + share of surplus profits	100	107¼	96 —101
	1,250,000	,,	3 %	3 %	12 May	3 % Debenture Stock, Redeemable	100	75	41 — 46
						Delhi, Umballa, Kalka Ry. Co., Ltd. :—			
1,298,000	800,000	,,	6/.	8/.	25 Feb.	Guar. 3½% + surplus net earnings	100	186½	130 —135
	200,000	,,	4 %	4 %	27 Jan.	4 % Cumulative Preference Stock	100	90	52 — 57
	298,000	,,	5 ,,	5 ,,	30 Mar.	Debenture Stock, 1890 (5 %) redeemable 1926.	100		82 — 87
						East Indian Ry. Co. :—			
	107,034	Ann.	7/8·368	7/8·55	11 ,,	Annuity Class "A" (1953) *p.* 1*l.* of annuity.	—	17¾	9½— 10½
	117,232	,,	6/5·368	6/5·55	11 ,,	Annuity Class "C" (1953) *p.* 1*l.* of Annuity.	—	21¼	12½— 13½
	624,900¾	,,	7/0·368	7/0·55	11 ,,	Annuity Class "B" (1953) *p.* 1*l.* of Annuity.	—	22½	14 — 15
*37,204,000	1,580,554	Stk.	44/9·9	42/11·437	27 Jan.	Deferred Annuity Capital (Guar. 4 %+ share of surplus profits).	100	98½	45 — 50
	4,969,446	,,	39/2·4	37/3·937	27 ,,	Def. Ann. Cap., Class "D" (1953)	100	122	57 — 62
	1,435,650	,,	4½%	4½%	2 Mar.	Irredeemable 4½% Debenture Stock	100	111	62 — 67
	8,000,000	,,	3 ,,	3 ,,	14 April	3 % New Deb. Stock, redeemable	100	73	43 — 48
	7,000,000	,,	3½ ,,	3½ ,,	14 ,,	3½ % Debenture Stock, redeemable	100	87	53 — 58
	3,500,000	,,	4½ ,,	4½ ,,	12 May	4½ % Debenture Stock, 1935-55	100	—	65 70
						Eastern Bengal Ry. :—			
	41,914	Ann.	7/7·272	7/7·441	2 Mar.	Annuity Class "A" (1957) *p.* 1*l.* of Annuity.	—	17¼	9½— 10½
* 1,742,000	74,936	,,	6/9·201	6/9·370	2 ,,	Annuity Class "B" (1957) *p.* 1*l.* of Annuity.	—	22	13½—14½
	348,666	Stk.	4 %	4 %	2 Dec.	Irredmble. 4 % Deb. Stock. (Guar.)	100	97	58 — 63
						Great Indian Peninsula Ry. Co. :—			
	242,847	Ann.	8/3·5	8/3·7	15 ,,	Annuity Class "A" (1948) *p.* 1*l.* of Annuity.	—	16¾	9½— 10½
	1,025,669	,,	5/5·5	5/5·2	15 ,,	Annuity Class "B" (1948) *p.* 1*l.* of Annuity.	—	18¾	13½ — 14½
*24,539,000	2,575,000	Stk.	5*l.* 10*s.*	30*s.*	15 ,,	Guaranteed Stock, 1925 (3 % + 1/15 of surplus profits).	100	96½	86 — 91
	2,701,450	,,	4 %	4 %	2 ,,	Irredeemable 4 % Debenture Stock	100	99	58 — 63
	3,500,000	,,	3½ ,,	3½ ,,	30 ,,	3½ % Debenture Stock, Redeemable	100	86	52 — 57
						Madras and Southern Mahratta Ry. Co., Ltd. :—			
	5,000,000	Stk.	3*l.*	6*l.*	15 ,,	Capital Stock (Guaranteed 3½ % + share of surplus profits).	100	114½	91 — 96
8,698,000	1,198,000	,,	4 %	4 %	30 Mar.	4 % Debenture Stock, Irredeemable until 1936.	100	98	57 — 62
	2,500,000	,,	4 ,,	4 ,,	30 ,,	4 % Debenture Stock, 1938	100	99	57 — 62
						Madras Railway :—			
	67,855	Ann.	7/9·68	7/9·86	11 ,,	Annuity Class "A" (1956) *p.* 1*l.* of Annuity.	—	17¼	9½— 10½
* 6,145,000	420,526	,,	5/7·68	5/7·86	11 ,,	Annuity Class "B" (1956) *p.* 1*l.* of Annuity.	—	19½	12¾ — 13¾
						Rohilkund and Kumaon Ry. Co., Ltd. :—			
	400,000	Stk.	5*l.*	5*l.*	10 Feb.	Ordinary Stock	100	154½	85 — 90
1,600,000	400,000	,,	4 %	4 %	30 Dec.	4 % Cumulative Preference Stock	100	90	52 — 57
	800,000	,,	4 ,,	4 ,,	27 Jan.	4 % Debenture Stock, Redeemable	100	96	54 — 59
						Scinde, Punjab and Delhi Ry. :—			
	71,097	Ann.	7/6·975	7/7·129	2 Dec.	Annuity Class "A" (1958) *p.* 1*l.* of Annuity.	—	17¾	10 — 11
* 4,614,000	300,264	,,	6/8·904	6/9·058	2 ,,	Annuity Class "B" (1958), *p.* 1*l.* of Annuity.	—	22	13 — 14
						Shahdara (Delhi)—Saharanpur Light Ry. Co., Ltd. :—			
200,000	200,000	Stk.	4½%	4½%	15 ,,	4½ % Debenture Stock, Redeemable	100	93	49 — 54
						South Behar Ry. Co., Ltd. :—			
670,000	379,580	,,	50/	50/	27 Jan.	Ordinary Stock	100	101	54 — 59
	290,000	,,	3½%	3½%	15 Dec.	3½% Debenture Stock, Redeemable	100	90	47 — 52
						South Indian Ry. Co. :—			
	425,000	,,	4½ ,,	4½ ,,	2 ,,	Guar. Perp. 4½% Debenture Stock	100	109	63 — 68
3,743,000	1,000,000	,,	75/	85/	30 ,,	Capital Stock (Guaranteed 3½% + share of surplus profits.	100	102	91 — 96
	2,318,248	,,	4 %	4 %	30 ,,	4 % Reg. Deb. Stock, Redeemable	100	—	59 — 64
						South Punjab Ry. Co., Ltd. :—			
	1,000,000	,,	6/.	10/.	11 Mar.	Ordinary Stock	100	166	140 —145
4,300,000	2,300,000	,,	4 %	4 %	26 Nov.	4 % Cumulative Preference Stock	100	92	52 — 57
	500,000	,,	3½ ,,	3½ ,,	30 Mar.	3½ % Debenture Stock, Redeemable	100	81	45 — 50
	500,000	,,	4 ,,	4 ,,	30 ,,	4 % Debenture Stock, 1929	100	98	78 — 83
115,804,000	Carried forward.								

* For this purpose the annuities have been capitalized at the rate of :—

10*l.* per annuity of 1*l.* per annum (Class "A").
13*l.* ,, ,, (Classes "B" and "C").

INDIAN RAILWAYS—*cont.*

Total Amounts.	Present Amount.	Stk. Sh.	Dividends. Prov.	Dividends. Last.	xd or x in.	Name.	—	—	—
£	£								
115,804,000	Brought forward.								
						Nizam's Guar. State Ry. Co., Ltd. (H.E.H. The):—			
5,498,000	2,000,000	Stk.	90	5%	14 April	Stock	100	97½	58 — 63
	757,500	"	4 %	4 %	3 Jan.	4 % Mort. Deb., Bearer, Redeemable	—	90	58 — 63
	740,700	"	4 "	4 "	3 "	4 % Mort. Deb., Regd., Redeemable	—	89	57 — 62
	1,044,000	"	3½ "	3½ "	3 "	3½ % Mortgage Debentures, Bearer, Redeemable, Nos. 1-20000.	—	78	42 — 47
	956,000	"	3½ "	3½ "	3 "	3½ % Mort. Debentures, Registered, Redeemable, Nos. 1-20000.		77½	41 — 46
						West of India Portuguese Guaranteed Ry. Co., Ltd.:—			
1,350,000	800,000	"	55/	55/	13 "	Guar. 5 % by Portuguese Government + half surplus profits.	100	91	47 — 52
	550,000	"	5 %	5 %	13 "	5 % Debenture Stock, Redeemable	100	99½	49 — 54
122,652,000 (21 Railways).									

TOTAL (in round figures), *say*, £122½ millions.

Total Capitalisation of (in round figures) :—

	£	
(1) Canadian Pacific Railway	128,000,000	($1 = £·207)
(2) Central Argentine Railway	58,000,000	

I say in my rough statement:—"(*c*) The large "number and often small subscribed capital of "Indian railways present an obstacle in the way "of popularising these investments. In many "cases the capital is very small," and so on. You cannot have a free market. I have an official list here, and I have summarised the Indian railways as shown in that list, with the capital dealt in against each railway. There are 21 railways here. There are 63 different securities and the total amounts of capital at present subscribed and outstanding amount to 122,652,000*l.* I should like the Committee to take a note of that figure, because some comparison may be made.

7649. (*Sir Henry Ledgard.*) It is an average for each railway of 6,000,000*l.*?—Yes. The 21 railways include a railway where the investments on the market are of eight different denominations; that is, the East Indian Railway Company, split up into annuities A, B, C and D, deferred annuity capital, deferred annuity class D, debenture stocks, and so on. It also includes various small lines where the capital is of a twofold or of a threefold nature. I would ask the Committee to consider how they can expect a system of investments—£122½ million amongst 21 railways, subdivided into many different denominations and groups—to be anything like as popular as, let us say, the Canadian Pacific Railway, which has 128,000,000*l.*, or more than the whole of the Indian railways put together, and where the stocks are in two or three groups.

7650. (*Chairman.*) I think I am correct in saying that the Midland Railway Company has a capital of, roughly, 180,000,000*l.* nominal in 5 per cent. stocks, 2½ per cent. debentures, 2½ per cent. guaranteed, 2½ per cent. preference shares, 2½ per cent. preferred ordinary, and deferred ordinary. That is the same point?—I should like to hand this statement in, because I think it does illustrate in a concrete form one of the causes of the present unpopularity of Indian railway securities. The Central Argentine has 58,000,000*l.* of capital, which is about half of the total Indian railways' capital, and their denominations and subdivisions of capital are not very numerous. You cannot possibly have Indian railways popular if you deal in handfuls of stock. If you turn to your daily paper any day you will find a very large number of people buying and selling Canadian Pacific and Central Argentine shares. The element of speculation is there, whether it is a debenture stock or whether it is an ordinary stock. There are optimists and pessimists. There are people who, whether they are holding their stock or wishing to dispose of their stock, like to see it moving about, who like to see what it is worth. How can you expect some of these Indian railway companies, which you scarcely ever see mentioned as being dealt in on the market, to have anything like the popularity of these mobile stocks of the great trunk systems outside India? I submit you cannot have it. It is one of the constitutional difficulties.

7651. Mr. Withers of the *Economist* spoke to us about this question of the few dealings in Indian railway stock. He was rather inclined to tell us that you could not expect to have a brisk market in a stock unless it had a considerable speculative variation?—I do not agree.

7652. You do have, for example, a brisk market in Consols and War Loan, where it is only a question of what the price will be to-morrow. It is not a question of whether the interest is safe?—I would say that the element of speculation in regard to securities is twofold. It is either the uncertainty of income or it is the uncertainty of price, and I think there is just such a speculative element—I will not say the speculative element is equal—in buying the Central Argentine 4 per cent. debenture stock at 63 as there is in buying some of the ordinary stocks at some other price. I do not think the point sought to be made has very much to do with this question of popularity, but Mr. Withers is a man whose opinion I very highly esteem.

7653. He took me so aback by his answer that I forgot to put him the question I have just put to you?—I differ from him there, with

deference. The popularity very largely turns upon the frequency in dealing and upon the ease with which you can buy and sell. If you have a very large number of shareholders in a stock, there will be people who want to get in and there will be people who want to get out. There will be people who simply want to see whether they can get out or whether they can get in. All those elements go to make the popularity of a stock. All those elements are absent and always will be absent from Indian railway securities.

7654. The fact that the stock is constantly quoted tends to get it in front of the ordinary person?—Yes.

7655. And when a new issue of old stock is put on the market you have a number of people, so to speak, with interest in it?—Certainly.

7656. Do you think the effect of a stock being frequently dealt in is to cause its value to be increased?—Oh, yes.

7657. Taking two stocks of equal security, if one is frequently dealt in, which means a free market, it will be worth a little more than the other, which you have to sell at a margin of three points?—Yes. Marketability is an element in price.

7658. And that depends on free dealings?—Quite.

7659. (*Sir Henry Ledgard.*) And it depends upon the amount as well? The bigger the amount the greater the number of shareholders and participators?—Yes. Take Central Argentines, for example, with 58,000,000*l.* of capital. They have 51,000 shareholders. That means that the stock is known to 51,000 people and a lot of their friends. Some of those 51,000 want to buy more or want to sell from time to time.

7660. In other words, it is difficult to have a commodity in ready sale that is only for a small amount and with a limited number of holders?—I am sure of it. You referred just now, Mr. Chairman, to the insurance companies. Supposing somebody were to bring to us an out-of-the-way new Indian security, we would look at it and we might be perfectly satisfied with the security, but we would say, "Well, we want a "considerably more favourable price for this, "because it does not appeal to many people." It is not competed for by others at the present time and if we wanted to sell we might have a difficulty in selling. So that non-marketability —a limited market, let us say—very directly controls the terms upon which capital can be placed.

7661. (*Chairman.*) You deal with a different point in No. 4 of your statement. You have been dealing so far with, so to speak, the attractiveness of the security?—The popularity of that class of investment.

7662. In No. 4 you come to the methods of attracting the public—assuming the security to have a certain value—the methods of selling it for all it is worth. What do you say on that?—In the past no attempt has been made to popularise Indian railway securities any more than any particular attempt has been made to popularise Consols, we will say. The thing was taken for granted. The Government was behind them and they did not want any of the adventitious aid of advertisement or anything of that sort. That is all very well as far as it goes, but it meant that the man in the street, the small investor and hordes of medium investors, did not understand the matter. They had no pamphlets. No explanation was given of the strength of the financial position of these railways. Their merits were left alone to be dug out just as the investor or his adviser chose to do it. It is impossible to make anything attractive or popular on those lines. I think you could have made out for these Indian railways a very excellent tale, but it has never been done. That is so far as the advertising goes. I quite well understand that in the old days, if we go back 25 years, it was looked upon——

7663. Carry your mind back, not 25 years, but, say, 15 years, when the railways of Argentina and Canada were borrowing very largely in the London market. Did they advertise their wares more energetically?—Fifteen years ago, yes.

7664. Say the period between 1905 and 1910?—I imagine so. The Canadian Pacific Railway Company had a great office in King William Street with maps of its lines and all sorts of things.

7665. With brokers coming in for information and all the rest of it?—Yes, I daresay. That is one of the factors in the case. It was, I dare say, considered rather beneath the dignity of the Government to go and explain how very excellent their railways were as an investment. If people wanted them, there they were, and if they did not want them it did not matter.

7666. It is very much the same as the difference between the methods of insurance adopted by the Post Office and the methods adopted by the private companies, is it not?—Yes, very much indeed, with very much the same results.

7667. Now we will turn to the future needs and methods of raising capital?—I have passed this through my mind again and I want to put forward a variation upon the suggestion which I have made in my rough memorandum. I do not know whether it will be within the sphere of the terms of reference of the Committee or whether it is a matter that I should not deal with here, but, if not, you will probably correct me. It occurs to me that, inasmuch as the railway system of India requires 10,000,000*l.* or 20,000,000*l.* a year, I suppose, for some years to come——

7668. You will be safe in assuming that figure?—You have got to see how that can be easily and cheaply obtained. Therefore it may be desirable for you to consider whether there are any new means of doing it, and not necessarily bind yourselves to the precedents of past methods of finance. I mention here the analogy of our Local Loans Stock, which avoids the difficulty of small municipalities coming forward to borrow money, and where the Government borrows on the authority of the State and applies the proceeds to such good purposes as they think a case has been made out for. I wonder whether it would be possible for a new body, a controlling and financing body, to be raised in India in connection with Indian railway investments. I suggest something like an Indian Railway Board. Upon that Indian Railway Board might be represented—of course the idea is hypothetical —some of the directors of the various lines, some Government nominees and some of the Finance Members of the Council or other persons in close touch with the finances of London.

7669. This is a board in London?—An Indian Board attached to the India Office here.

7670. It is a body sitting in London, not in Delhi?—Yes. If it were feasible to raise a body of that kind, the control of the railways might eventually pass under the Secretary of State, to such a body. Instead of 21 boards of directors you might eventually have perhaps a smaller

number of boards of directors with corresponding saving of expense; but the great thing, in view of your special mission of obtaining money for the Indian railway system, is that you would have a means of getting a very large consolidated and comprehensive stock placed on the market through a body under the authority, of course, of the Secretary of State, in close touch with financial channels in London. It seems to me that that might be a way by which the large sum which you require in future in financing the Indian railway system might possibly be best obtained.

7671. This is a modification of your suggestion of doing it through the existing Secretary of State's Council?—Yes.

7672. You appreciate, I have no doubt, that the East Indian Railway Company or the Great Indian Peninsula, or whatever it is, is at this moment the property of the Secretary of State absolutely?—Yes.

7673. It is not the property of the company?—Quite so.

7674. And you have said that in your view the raising of new funds by guaranteed shares is not an economical way of raising them?—Yes, except for new concerns.

7675. By guaranteed shares in existing guaranteed companies, yes. The other way then of raising through the companies would be by debentures?—Yes.

7676. Those debentures hitherto have always been guaranteed by the Secretary of State and obviously as an indirect guarantee it is always a little less attractive than a direct obligation. It has always cost a little more to get the money that way. Do you see any advantage in raising money from debentures under the names of specific companies?—No.

7677. Then we come to this, that the money has got to be raised directly by the State?—Yes.

7678. Do I take your point to be this, that the State should raise it as a direct railway loan and not as a general Government loan?—A direct railway loan with the specific security of the State's interest in the railways.

7679. We have had gentlemen before us who rather took the other view, who said: "Do not "complicate the thing. Everybody knows what "the security of the Government of India is. "We had better have the whole security and not "a part of it"?—In my judgment much better backing would be given to a loan issued by the State with the added security of the railway interest, and it would also simplify the finance of the railways. The railway company otherwise might want money just when the State wanted money, and the railway company might have to stand aside while the State got its money for its purpose. In a railway loan there would be no competition between the two.

7680. It would all be in one hand really. One person would be doing it. There is no competition at present, because the companies cannot issue except with permission. You say, "on the security of the railways"?—Yes, the State interest in the railways.

7681. You could not have, so to speak, a trust deed assigning the revenues to trustees "for the benefit of," could you?—I have not thought of the particular machinery, but for the purpose of such a discussion as this if the State were to give as security not only its own guarantee, but its interest in the railways, in some cases, for instance, in the Great Indian Peninsula, it has already a vested interest, but in others it has not——

7682. It is the owner of all the guaranteed companies?—They only have the option in some cases.

7683. No. The position is this. They own the assets. The Great Indian Peninsula Company does not own?—I agree, but I am speaking of some of the other companies.

7684. As far as we are informed all the guaranteed companies are in the same position. The ownership of the property is in the Secretary of State. Really, the shareholders, as they are called, are a syndicate having a beneficial contract, so he can pledge them all if he likes?—If the State's interest, whatever it may be, is vested and complete, so much the better.

7685. I take it he could not assign to trustees. That would not be consonant with the dignity of the Government?—No.

7686. How could he pledge his interest in the railways?—This, I take it, would be an Indian Government railway loan, secured with Government guarantee on the proceeds of the railways. You say by what machinery would it be conveyed? That wants a little thought.

7687. My point is this. Of two things, one: either if the railways fail you go back to the Government, in which case it is Government in both cases, or it is merely on the security of the railways, and, if so, it is something less than Government?—It could never be less than the Government.

7688. If it was only secured on the railways without a Government guarantee behind it?—No. There would be the Government guarantee. There would be this additional security. I am bound to say I have not thought out how it would be conveyed. But the advantage if a scheme can be devised is by no means small, because the railway system would then stand by itself and its own needs could be dealt with. The Government's demands, from whatever cause they might arise, would have to be dealt with in the ordinary way.

7689. I think, if I may say so, the thing that is of great value in your evidence is that you think a specific loan, with a connection on the face of the documents with the railways, would be attractive?—Yes.

7690. More so, in your judgment, than a plain Government loan saying nothing about how they were going to spend it?—Yes. There is just one other thought which has occurred to me in connection with this. If we can assume such a scheme as I have very roughly indicated as feasible, by that means you are going to have a big Indian railway stock. You might get rid of some of the smaller stocks by giving them an option of conversion into this stock, so as to clear up a lot of small holdings, not so much on account of the desirability of getting rid of these individual holders as of enlarging the basis of the railway stock, which means securing an increase of marketability and of popularity. If such a thing were feasible, it does not seem to me rash to assume that you could get your money very much cheaper and very much more easily, and you would be able to make an effective appeal to the investing classes here in a measure which is utterly impossible under the present conditions.

7691. You tell us that the official list shows 21 companies with 122,000,000*l.* of capital. Can you tell us how many different quotations there are for each of the different stocks which

are quoted?—It is all in the document which I have handed in.

7692. Is there anything more you would like to say?—I think the point has been raised—I do not know whether you would like to examine me upon it—as to whether it would be better to attempt to raise new capital in India or in London. I do not know whether you would wish for my opinion on that point.

7693. Most certainly?—In regard to that, it occurs to me that it is eminently desirable that the new issue should take place in London. In the first place, London has probably a bigger reservoir of available capital for loans of that sort than any other place in the world. In the second place, we have a steadier bank rate, although it has been pretty high lately. If we leave out of account the last few war years, we find that in India the bank rate varies from seasonal causes very widely. It does not mean very much—it is something like a child's temperature going up and down rapidly—but it may interfere very much with the flotation of a loan in India. I think if your desire is to raise money, as no doubt it is, as easily and as cheaply as possible, London would be the better centre.

7694. On that I should like to ask you this. It has been suggested to us that there should be Indian railway companies which might be constituted either by transferring an existing English company into an Indian domiciled company—transposing the thing, or by having an affiliated company, with the Indian half of the company with rupee capital, or it might be even an independent Indian company. In either of those cases the company would be one with rupee capital. Do you think the rupee capital of an Indian domiciled company would be a saleable security in the London market?—It would not have such a direct attraction for English investors. I doubt myself whether you would get the money as cheaply. I suppose the idea would rather be, if you split up the capital of a company into rupee and sterling, to confine the proportions to the amount which you thought could be raised respectively in the London and Indian markets.

7695. Take this case. The contract of the East Indian Company (the present English company) runs out in 1924. Supposing the Government made a new contract with a Calcutta company with a rupee capital, and that Calcutta company wanted money that it could not conveniently raise in India, would it be able to make a good appeal in the London market?—On a rupee capital?

7696. Yes?—I should doubt it. The finance houses would be the only source of capital, I think, for a loan of that sort. I do not think the ordinary investor would go in for it.

7697. Do you mean they would take it to hold or that they might place it?—I daresay some of the big companies, the trust companies and insurance companies, and Indian banks and so on, would take it if the terms were attractive, but I do not think it would appeal to the ordinary investor. It would be a thing like a short-term loan of a very important company that did not want to make a public issue.

7698. You could not make a public issue?—I should not think so.

7699. (*Sir Rajendra Nath Mookerjee.*) Are insurance companies empowered by the Act to invest their money in securities other than trust funds?—Yes.

7700. They can do so?—Yes. Now-a-days nearly all insurance companies have power to make such investments as the board of directors thinks fit.

7701. (*Sir George Godfrey.*) You gave us your reasons for the unpopularity of Indian railway stock. There is just one question on that point which I should like to ask you. Leaving out complicated things like the different annuities of the East Indian Railway Company, if a guaranteed company whose contracts were better understood were allowed by the Secretary of State to increase its capital by double or treble under the existing terms, do you think that would appreciably popularise the stock on the London market?—So long as you have so many railway companies, and a lot of them very small, you are not going to get a popular stock, because you are going to have an unmarketable stock. If you double the stock of these railways you are still going to have a very small amount.

7702. Perhaps you are talking of the very small ones that are not of much account?—I doubt very much whether by any means of that sort you are going with all these railway companies to popularise them with British investors. Let me remind you once more of the fact that the whole of the railway companies' capital at present dealt with on the market is only £122¼ million, whereas the Canadian Pacific alone has £128 million.

7703. (*Sir Henry Burt.*) What is the smallest line you have there?—The Shahdara (Delhi), 200,000*l.*

(*Sir Henry Burt.*) That has a rupee capital.

7704. (*Sir Rajendra Nath Mookerjee.*) And it is a feeder line?—No. I have got here on the official list an entry of 200,000*l.* stock, 4½ per cent. debenture stock. Then I have the Barsi, 519,000*l.* Then there is the South Behar, 669,000*l.* Then there is the Delhi Umballa Kalka, 1,298,000*l.* Then there is the West India, 1,350,000. Then there is the Rohilkund and Kumaon, 1,600,000*l.*, and then there is the Eastern Bengal, 1,700,000*l.* They are extremely small when you divide them up into several denominations of capital. If you could get one consolidated and comprehensive stock and induce a lot of existing holders to come in on terms of conversion and advertise the security properly and explain the cheapness of the construction of your lines—(and your lines were very cheaply made; you have a lot of advertising points which are not appreciated)—I think by such means you might make the investment popular and get your money on good terms.

7705. You think that even if a few were picked out, five or six of the most important, and a combined loan raised for them, much on the same terms as the Government contract on those important lines, it would make it much better?—Yes. An amalgamation like that would certainly strengthen it.

7706. (*Chairman.*) We are very much obliged to you, Sir Gerald. We know you are a busy man, and you have taken a good deal of trouble to help us, and you really have helped us a good deal?—I have done the best I could, though I cannot profess to be very deeply learned in this subject.

7707. The whole difficulty is that the doctors disagree, and you and another doctor disagree a good deal?—I hope he is right.

The witness withdrew.

SIXTY-SECOND DAY. (LONDON.)

Friday, 3rd June 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

SIR A. R. ANDERSON, KT., C.I.E., C.B.E.
SIR H. P. BURT, K.C.I.E., C.B.E.
SIR G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
SIR H. LEDGARD.
SIR R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
THE HON. MR. V. S. SRINIVASA SASTRI.
MR. J. TUKE.

MR. T. RYAN, C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

MR. WALTER HOME, called and examined.

7708. (*Chairman.*) I think you are both Chairman and Managing Director of the Burma Railways Company, which is one of the guaranteed companies?—Yes.

7709. I have been told—I do not know whether it is correct—that you are also a director of the Egyptian Delta Light Railways Company?—Yes.

7710. And of the Jodhpore State Railways?—No.

7711. You built them, did you not?—Yes, I built them.

7712. We had evidence—I forget from whom—that you built them extraordinarily economically, and that it would have been a good thing if some of the State railways had adopted your economical methods. Have you kept at all in touch with their position at the present time?—Yes, I was there last winter, in passing through India.

7713. Are you satisfied that you were right in the method you adopted?—Yes, quite satisfied.

7714. I gather that what happened was that you adopted the same course as was adopted in the west of America; you got the line through somehow, and improved it afterwards?—My principle was to get the rails down and to put in improvements afterwards in accordance with the requirements. To commence with I put in nothing that was not absolutely required at the time.

7715. It is a narrow gauge system, is it not?—A metre gauge. I ought to say that the country lends itself to economical construction, because it is practically rainless; at least, there is a very small rainfall, and it is very level except in the northern part of Bikanir and in the southern part when you get down to Sindh. There there are small sandhills, but there is no heavy bridging.

7716. I think as a matter of fact you did not bridge the stream beds, but allowed the traffic to wait when there was a freshet?—I built causeways with narrow openings which allowed about 3 ft. 6 ins. or 4 ft. of water to pass below the rails. The line was tied down into a causeway built across the river. We used to let about 15 inches of water pass over the rails while the trains continued running; if it got deeper than that traffic had to stop. One of those bridges is in existence at this day.

7717. I suppose you saved a good deal of money in that way?—Yes, undoubtedly.

7718. Can you give us an idea of what the capital cost was when the essential part of the system was opened?—When the railway was first opened to Jodhpore—64 miles, I think—it cost 16,000 odd rupees a mile—between 16,000 and 17,000. See Written Statement Nos. 87–87A, Vol. IV.

7719. (*Sir Rajendra Nath Mookerjee.*) Including rolling-stock?—Including rolling-stock. Of course the rolling-stock supply was very small, because the traffic on the line was very light.

7720. (*Chairman.*) What was the weight of the rails?—Do you mean the axle loads?

7721. No, the weight of the rail that was put down?—36 lbs.

7722. It was done extraordinarily cheaply?—It was, because it was practically a surface line. I may add that when the line was opened through to Hyderabad, Sindh, the capital cost ran to about Rs. 25,000 a mile over the whole.

7723. We may call it 1,500*l.* a mile all through?—Yes.

7724. In your judgment, is that idea of laying a line as cheaply as possible and improving it afterwards as the traffic develops applicable to many other parts of India?—I think you must differentiate between what is going to be a through line and a branch line. In the case of branch lines I say yes, but there are very few parts of India where you can get lines with so little bridging.

7725. Leaving out the question of the cost of Rs. 25,000 a mile, the point I want you to consider is this: are there many parts in India where the principle that you applied of making the railway as cheaply as possible in the first instance, and subsequently improving it, would be a suitable principle?—I think so.

7726. I suppose one might say that the construction of an average line costs two or three times that amount before it is opened?—Yes, I should think so. There, again, it varies with the district. In Burma I am trying to bring that principle in as far as possible with the new branches that we are constructing, but the conditions there are so entirely different that you cannot work to such low costs, or anything like them, because there you get heavy rainfall and these low-level bridges are not admissible.

7727. Do not let us talk about the cost; the point is the principle. Are you adopting the same principle in Burma? Are you making branches that are adequate for the traffic of the moment, but which you appreciate will have to be improved in standard as the traffic increases?—Yes, we are just now.

7728. In your view is that the right principle to adopt?—In my view it is.

7729. Could money have been saved in the past, and can it be saved in the future, by adopting your principle, or are they adopting it

already?—I am afraid I cannot say sufficiently what the other railways are doing.

7730. You must know; you must have ideas on the subject?—I think money could be saved. I think engineers as a rule are too prone to want to make a good job without thinking what the traffic is going to be.

7731. In Burma you have had to conform, of course, to the standard that the Railway Board will accept?—Quite so.

7732. Have you found that they have put pressure upon you beyond what you think is reasonable?—No, I do not think so.

7733. It is not, then, a question of State interference? You are agreed that there have been unnecessarily high standards at the outset in some places?—I think so.

7734. But that you ascribe to the individual engineer rather than to the system?—I think it is a little of both. The individual engineers probably did not know what the future requirements were, and the system was wrong in not pointing it out to them and keeping them in control from that point of view.

7735. What you would say is that the Government authority did not do what it might have done to keep down the standard, but you would not say that the Government authority has pressed up the standard?—No, not to my knowledge.

7736. Forgive me for picking your brains generally, but I should like to ask you one or two questions about the Egyptian light railways. I think we were told, at the very beginning of our enquiry last November, that the Egyptian railways had, or had had, an advisory board or a local board?—It was a local board.

7737. Was that in your time?—Yes.

7738. Can you tell us anything about it?—The local board was not satisfactory. It was called the Egyptian section of the board. It had practically the same powers as the London section. They could not pass any resolutions without getting them ratified in London and *vice versâ*; the London board had to get all their resolutions ratified by the Egyptian section. It worked very badly; it caused delay and friction of all kinds, and when the war broke out three of the members of the Egyptian section were found to be enemy aliens. Of course they disappeared.

7739. And you seized the opportunity to alter the machinery?—Quite so. The fourth member was an Egyptian Copt. He was an old gentleman who had had some railway experience. He still remains, but does not interfere in the administration.

7740. Would you say, from your experience, that the system of having two boards with equal powers living in two different places was an impossible system?—I should say it was a very wrong system.

7741. That is the result of your experience with the Egyptian Delta Railway—that the system does not work, as far as you know?—Quite so.

7742. You mentioned that three of the board were alien enemies. Did they object to things simply for the sake of objecting?—The direction in which friction occurred was very largely in regard to the purchase of materials locally in which the various members of the boards were personally interested.

7743. (*Mr. Hiley.*) Will you tell us what were the powers of the respective boards?—They were equal.

(*Chairman.*) The London board could do nothing without the consent of the Egyptian board, and the Egyptian board could do nothing without the consent of the London board.

7744. (*Mr. Hiley.*) What happened in the case of a dispute?—In the short time that the board was in existence while I was on the line no dispute reached a deadlock, but we had delays. Eventually one side or the other would give in to a certain extent, but the main trouble was the delay.

7745. Was there any machinery for coming to a final decision in the event of neither board giving way—Not that I know of. It never came to that in my time.

7746. (*Chairman.*) There was nothing in the nature of a standing arbitrator, or anything of that kind?—No.

7747. (*Sir Rajendra Nath Mookerjee.*) How many years ago did this happen?—That board practically ended when the war broke out.

7748. (*Mr. Hiley.*) It is nominally in existence now owing to this old gentleman being alive?—Yes, but he takes no part in the work.

7749. (*Chairman.*) You assume his assent?—Yes, but he was always a reasonable man. He had been employed on the Egyptian State Railways for most of his life.

7750. (*Mr. Hiley.*) What was the system of selection in the case of the Egyptian board?—Some of the members came on the board when the Egyptian Delta Railways absorbed another little railway, and took over some of its directors. But that was before my time.

7751. (*Chairman.*) Before we leave the point of local purchases, you say in your proof that there may be objections to a local board making local purchases?—I had what I have just told you in my mind when I wrote that.

7752. Suppose it was put from the other side: "Yes, there may be, but why should not "there be the same objection to a London board "making London purchases?" What would be your answer?—My answer is that the London board are in a somewhat different position to a local board. They are not connected with local manufacturers and local agencies for materials.

7753. But they might be?—I do not know of any that are.

7754. There is no reason why you should not be a director of, we will say, the North British Locomotive Company?—I do not know of any instance of that kind. I know for my own part that I refused a seat on the board of a train electric lighting company because I did not consider that one should be interested in a business which might tender for our contracts.

7755. Of course I am not making any suggestions against them. Your point is that it would be more difficult to get local directors in India who are not connected with contracts?—I should say so.

7756. Clearly that a man should contract with himself is undesirable, even though it be in the form of a limited company?—Yes, I consider it most undesirable.

7757. You have given us help in two directions for which we are very much obliged to you. Now I propose to bring you back to your own proof. You express the opinion that the guaranteed railways would not be as remunerative to the State under State management as they are under the present system?—I rather put it in the form of a question. Personally I do not think they would be.

7758. Why do you say that?—For the reasons I have given—that a large central administration has not got the same interest in giving its attention to a business as a board which is solely identified with that business has.

7759. Are you making that as an *à priori* argument, or do you find, in fact, to take two railways alongside of each other, the difference between the North-Western Railway and the Bombay, Baroda and Central India is very remarkable in the amount of attention they give to economy and efficiency? Has that been Indian experience—that the State railways are inferior in management?—I would not like to say that. The State railways are face to face with company management all round them, and the result is that there is a certain amount of emulation between them. I feel pretty sure that the State railways derive benefit from the example of the company railways round them.

7760. Let me put it in this way: do you think the Oudh and Rohilkhund Railway may not be stimulated by emulation to obtain the same results as on the North-Western Railway just as much as the results on the East Indian Railway?—I think so.

7761. In that case it does not require to have a company railway alongside, so long as you have a railway?—There are both.

7762. You see what I mean?—I see your point, but when you have all State railways, under one central administration, I do not think there would be the same emulation as at present.

7763. You would not say from your own experience that the three State railways were conspicuously better or conspicuously worse than the guaranteed railways?—I would not, but at the same time I cannot speak from experience, because I have never worked in contiguity with them.

7764. When you were at Jodhpore you must have been between the different systems?—I must say that when I was at Jodhpore I found the Bombay, Baroda and Central India Railway far easier and more businesslike in their dealings than the North-Western. I had two junctions with the North-Western and two with the Bombay, Baroda and Central India.

7765. How far do you think that is a matter of the personality of the agent and the staff?—That I am not prepared to say.

7766. Do you think the company system tends to get more energetic officials?—I think so. I think it tends to get more individual attention.

7767. You say in your note: "State management is liable to political pressure which is not "always in the interests of successful railway "working. Company management is not so "susceptible to such influence." Will you tell us what you have in your mind under the name of "political pressure"?—Pressure as to engagement of staff, chiefly. That is what was in my mind.

7768. I will tell you why I am asking the question. I can understand political pressure in England, where the local Member gets up and makes himself disagreeable in the House of Commons, but how is political pressure in fact exerted, or likely to be exerted, in India?—In the various Legislatures.

7769. You are afraid of their having too great power over details of management?—I am afraid of their having too great power in the way of—one does not quite know how to put it—in the way of their exerting pressure in the selection of staff that may not be in the interest of the railway.

7770. You think that is really a risk which must be contemplated in the near future?—That is what is in my mind as far as State management is concerned.

7771. Then you refer to the question of management by an Indian board *versus* a London board. I presume you would agree that, other things being equal, a board on the spot is better than a board 6,000 miles away?—Other things being equal.

7772. You would accept that?—Yes, I would not deny that. That is merely a question of distance.

7773. Yes, taking that point only; but that disadvantage in your view is more than counterbalanced by the advantages of London?—I think so.

7774. You say: "In the case of a board "located in India it would be difficult to obtain "the same class of railway expert, and impossible "on anything like the scale of pay now ruling." Take the case of the East Indian Railway; as you know, we are specially asked to report on that. We are told that the Government have decided that it is to be managed in India. Supposing they decided that it was to be managed in India by a company, and supposing in order to get one or two expert directors on the board it was necessary to pay them a couple of thousand rupees a month, does that matter? Is it worth bothering about in a big railway company?—Scarcely.

7775. Supposing you did offer Rs. 2,000 a month, we will say, to one or two experts with special qualifications, would you have any difficulty in getting them in India?—Not at that scale of pay.

7776. You agree on that?—I am rather doubtful whether 2,000 would be sufficient.

7777. Well, 3,000?—Yes, 3,000.

7778. It really does not matter?—Your point is that it is such a bagatelle that it is of no consequence what you pay the board?

7779. Yes?—If you put it in that way, yes.

7780. The ordinary type of director who is not an expert—financial and business men—you think you could get?—Yes.

7781. You have already raised the point that you see a difficulty about local contracts?—Quite.

7782. Because the society is small in Calcutta and Bombay and there is not the same pool to fish in that there is here?—Yes.

7783. I have put that clearly, have I not?—Quite.

7784. I will not ask you about the detailed work of Railway Boards in London because we have had evidence on that from many people. You say the London boards are in touch with the Secretary of State. Looking at that from the point of view of the people in India, whether it be users of the railway or whether it be the Railway Board, do you think there is anything in their point of view that it is not quite fair that, while they can only write to the Secretary of State, you can go and talk to him, so that you get an unfair advantage? Is there anything in that point of view?—I do not think so.

7785. Would not you rather, if you wantto persuade a man, go and talk to him than write to him?—Yes, but you are arguing——

7786. I am not arguing; I am only putting the point to you?—You are putting it on the supposition that the interests of the two are opposed.

7787. No; I am putting it from the point of view that two competent people, you in London and the president of the Railway Board in India, differ, and you appeal to the Secretary of State to decide between you. You have an advantage because you can talk to the Secretary of State and the other man can only write?—I was not thinking of that so much as questions relating to the contracts and agreements with the Secretary of State. I was not thinking of appealing against the Railway Board or against the Administration in India at all. That was not in my mind.

7788. Let us clear that point up first. Can you understand why they should grumble in a case like that? If you did appeal against the policy of the Railway Board, can you understand why that would be regarded as a hardship on the Indian side?—I do not think so.

7789. With regard to the contracts, if you in London have a contract with the Secretary of State in London, of course you deal with him; that is obvious. Then we come to the question of capital. You say the companies are in touch with the Secretary of State in the matter of the raising of capital?—Yes.

7790. Do you raise capital?—We have, but not lately.

7791. Have you ever raised any share capital since your original contract?—Yes, we raised one million share capital.

7792. When?—In 1909 I think it was.

7793. What is your total share capital?—Three millions. When the company was originally formed it was two millions That was in 1896 or 1897, and in 1909 we raised an extra one million of share capital.

7794. I have not the Burma contract so much in mind as some of the other contracts. Was it part of the original contract that you were given a right to raise that capital *pari passu* with the Secretary of State?—We did not alter the contract, so I presume it was.

7795 It was a right and not a thing that you asked from the Secretary of State?—No. It was a thing arranged with the Secretary of State, so far as my recollection goes, by verbal discussion.

7796. "But shall at his option enable the company to raise"—then he did give you permission to raise one million?—Yes.

7797. How much capital has been raised for the undertaking since then?—None. Since then the Secretary of State has exercised his right to supply capital.

7798. You misunderstood me. I do not mean how much capital have you raised; I meant how much has been raised for the undertaking: how much has been supplied?—Something like 1½ millions.

7799. And that has all been supplied by him?—Yes.

7800. Have you asked to be allowed to have a share?—No. What we have asked is whether the Secretary of State desires us to raise capital or not, and the reply has been "no."

7801. I imagine that that is the last share capital that has been raised for any of the Indian railways so far as we have heard. I do not know of any that has been raised since the report of the Mackay Committee?—I have not heard of any other share capital being raised since.

(*Chairman.*) Does any member of the Committee know of any other case since the Mackay Committee Report where one of the guaranteed railways has been permitted to raise share capital?

(*Sir George Godfrey.*) I do not remember one.

(*Sir Arthur Anderson.*) I can give you an instance in which the share capital has been increased, but it was really due to the absorption of an existing company.

7802. (*Chairman.*) That is a different point. If you are not to raise capital, if the Secretary of State confines it to himself, that advantage of the contact of the board with the Secretary of State disappears?—Yes.

7803. With regard to contracts, materials and rolling-stock, those are points that have been dealt with by other representatives of the Indian railway companies, and I do not think I need ask you about them. If any member of the Committee likes to, he will of course do so. You say that the placing of contracts and arranging for shipping and insurance could not be done at all without the establishment of an office or agency in London?—Yes, some agency.

7804. Would not the High Commissioner's office be quite capable of doing all that?—That would be an agency in London. You would have to have some arrangement. I daresay it might be done in that way.

7805. Presumably it would be cheaper and easier to fix the contracts for the eight companies through one organisation than to do it through eight organisations, and that organisation is in existence at present?—I can only speak from my experience of that organisation, which is not a happy one. After the war our contracts were let through the Stores Department of the India Office. I may not be quite fair towards it, because it was rather snowed under, but we were very glad when we were asked to take up the work again ourselves.

7806. It was taken over during the war, was it not?—At the close of the war the Secretary of State asked us to permit the India Office to arrange the contracts, with the idea, I suppose, of properly distributing them, as they were very numerous. At any rate the actual experience was that the India Office department got snowed under.

7807. Was that a failure of organisation in the India Office or a failure of the manufacturers to carry out the contracts?—I think it was a failure of the organisation in the India Office. I am not complaining here against the organisation; the fact is that it was not sufficient to cope with the work. There was a large amount of extra work put on them which their staff was apparently not sufficient to carry out.

7808. Do you see any objection in principle to its all being done by a single agency, supposing it was adequately staffed?—No.

7809. I should like to ask you a question or two more about the application of your experience in regard to the Egyptian Delta Railway Company to the Indian problem. From the experience you then gained I understand you are not inclined to recommend duplicate boards?—No, I am not.

7810. You think it would result in overlapping and disputes?—Yes. I cannot see any object in it.

7811. The unfortunate agent would not know which master he had to obey?—Quite so. We found that difficulty in Egypt.

7812. I see you say that you do not think you want an Advisory Board attached to the agent? You think contact through Chambers of Commerce suffices?—That is so.

7813. I think more evidence has been given us about passenger grievances even than traders' grievances; anyway, there is a great volume of

it. The local Chambers of Commerce would not touch that, would they?—No.

7814. The local Chambers of Commerce do not take up things like the running of a train or the alteration of a train to meet changes in or growths in passenger traffic. The Chambers of Commerce would have no special opinion on such a thing as that?—No.

7815. You would not object to an Advisory Board?—I do not quite see the point of an Advisory Board for a matter of that sort. Anything of that sort is very quickly brought to the notice of the agent by outside opinion.

7816. Supposing one outsider writes a letter, and the agent does not attach very much importance to it, and the letter is brought up before the Advisory Board and three different members say: "We know there is a very strong "public opinion about this; that man represents "a great many besides himself, and we think "you had better pay attention to him"—cannot you imagine that kind of thing happening?—I can imagine that kind of thing happening, but I think the agent is at present quite sufficiently get-at-able by public opinion. I am speaking as far as my experience goes. Possibly we may be better situated in Burma, but there are very few complaints there either from the public or through the papers.

7817. The Burmese third-class passenger may be treated better or he may be less vocal than his Indian brother third-class passenger?—We do not hear many complaints. I do not think he is less vocal. With regard to any complaints that may occur, I do not think it will require the existence of a board to bring them to the notice of the railway authorities.

7818. Assuming that for the sake of argument Indian public opinion is very anxious to get this, would you refuse it?—No. I should deprecate it, but I would not refuse it.

7819. With regard to the question of finance, of course you will agree—it is hardly necessary to ask you—that more capital is required?—That is so.

7820. Are you averagely badly off, or are you worse than the average or better than the average?—I think, from what I saw in India this winter, that we are somewhat better off than the average. As a matter of fact the Local Government, as I say in my written evidence, is financing branch lines, and we are busy constructing them.

7821. That is out of your rice profits?—Yes. That, of course, has eased the position.

7822. How much money is the Local Government finding?—They are going to find, I think, something like 3 crores.

7823. And they are going to use that as share capital?—Yes.

7824. They are not going to use it as interest; they are going to use it as capital?—I am not sure about that. First of all the idea was that they were going to use it as capital. When I was in Burma I saw there was a discussion going on as to whether they should put the whole of the rice money into a trust and invest it.

7825. Anyway, are they filling up the whole of the necessities of the province?—As far as new construction at present goes, yes, but there was a line that we were very anxious to make which we could not get money for, and it has rather fallen out now. It was to be made for the Burma Corporation traffic. They have large zinc and lead mines, and we have been trying, unsuccessfully, to get capital from the Railway Board for constructing a line to the mines. They admitted that the line ought to be made, but could not supply the money. The Burma Corporation have informed us lately that they have reduced their operations, so that I do not think there is any call, at least any great call, for this line now.

7826. (*Sir Henry Burt.*) They have reduced their operations because they cannot get the line?—That is what they say. We telegraphed to them a few months ago about that, and they replied that, owing to this line not being made, they were reducing their operations.

7827. (*Mr. Hiley.*) Is it not part of the scheme that they are transferring some of their operations to Jamshedpur?—That is knocked on the head entirely. They were going to smelt zinc at Jamshedpur. What has happened I do not correctly know.

7828. It has fallen through?—It has fallen through completely.

7829. We went to Jamshedpur; they have spent a great deal of money there?—So I am told.

7830. (*Sir Henry Burt.*) The point I wanted to get at was whether development was arrested because they could not get the line?—Certainly, I should say it was.

7831. (*Sir Arthur Anderson.*) Is the existing line being worked to its full capacity?—I believe it is. It certainly was last year when I was there.

7832. (*Chairman.*) So that the position is this, that you do not need extensions, except of lines that are being provided through the Local Government?—That is so for the present.

7833. But for the existing lines provision is short all round—rolling-stock, workshops and so on?—Yes. For open line capital.

7834. What grant are you getting this year—can you tell us?—I cannot tell you offhand; I can let you know.

7835. Have you got the figures for the separate phases, the forecast, the provisional grant and the final grant? I think you probably have, and perhaps you would kindly let us have them. Can you tell us whether you got what you wanted?—Do you mean for this current year?

7836. Yes, the amount for the year now commenced?—It is a little difficult to say, because it is so mixed up with what your carry-over is from the last year. So far we have not had to curtail any orders.

7837. You are speaking now of rolling-stock and supplies from England?—Yes.

7838. But what about, for instance, the remodelling of station yards? That is very largely a question of the expenditure of money in wages on the spot?—Yes. I cannot say that we have had any difficulty this year in that way, but that must be qualified by this, that we have just got a very large estimate home for remodelling station yards, which has not been sanctioned yet. Whether we shall get the money or not is open to question.

7839. Would you mind letting us have a little memorandum showing what your forecast was and what you have in fact got—showing if the forecast has been considerably cut down, and what works have been cut out. You see what I mean?—Quite. I will get out particulars of that for you. (*P.S.*—The witness subsequently informed the Committee that the demand for capital works was Rs. 65 lakhs, the provisional grant was Rs. 42 lakhs, and this was subsequently increased to Rs. 57 lakhs.)

7840. Some parts of India told us that the Railway Board do not take much interest in them because they are a long way off. Can you tell us when you last had a visit from any member of the Railway Board?—It is a long time ago. I think it was before Sir Henry Burt's time. Was not Sir Stephen Finney the last member who visited us?

(*Sir Henry Burt.*) I visited you as President.

7841. (*Sir Arthur Anderson.*) I was there, too, and Mr. Couchman was there?—Mr. Couchman?

7842. Yes; I rather think he came twice?—Mr. Couchman never visited Burma, did he, when he was on the Railway Board?

7843. I think so. I certainly did?—Yes, certainly you did. I think you were the last member. Mr. Couchman came to Burma last year, but not as a member of the Railway Board, nor did he go into any railway questions at all.

7844. I may be wrong, but I was under the impression that he had gone there?—He went there last year as a member of the Stores Committee, but he did not go over the line, or make any enquiries of any kind. I think you were the last member who visited us.

7845. That was during the war some time?—That was some years back.

(*Chairman.*) Can you tell us the date?

(*Sir Arthur Anderson.*) I think it was about 1916. Certainly it was during the war.

7846. (*Chairman.*) If this visit took place in 1916, you do not think there has been a member there since?—I think not—I am pretty sure not. There was one occasion on which the Chief Engineer of the Railway Board came, but that was in connection with a particular question of a river.

7847. The important point is this: do you think that you are left out in the cold?—I cannot say that I do.

7848. You are happy without them?—We are quite happy as far as that goes.

7849. You have no grievance on that head?—No, I cannot say that we have.

7850. From the other point of view, it has been said by the public: "If the Railway Board came here, they would keep the company in order"?—Quite.

7851. Have you got a public that would be inclined to say that about you?—I do not think so. I have been in Burma the last two winters, and I do not think there are any complaints—none that I have heard of. Of course, you will always find small complaints.

7852. You have not got an indignant public in your neighbourhood?—Certainly not.

7853. You say that funds for what you call "open line capital" should, in your opinion, be provided by the Secretary of State or by debenture loans raised by the companies?—Yes.

7854. Not by share capital?—I would not like to dogmatise about that. I have no doubt there are cases in which share capital could advantageously be raised. At present, as far as Burma is concerned, I would not suggest raising fresh share capital.

7855. You think it should, therefore, be provided either by the Secretary of State or by a debenture?—Quite so.

7856. What is the advantage of a debenture over a direct State loan?—None that I can see. The Secretary of State, however, may not want to put so large a loan on the market as would satisfy everybody, in which case the companies might be used as a second string.

7857. With the disadvantage that if he raises a debenture loan he is equally responsible for the money, and he has to pay a good deal more for it?—Yes, something more.

7858. You would not do it if you could help it?—I think the Secretary of State can raise it at a lower rate of interest. I should prefer that, provided always that he did not overdo the market.

7859. There is no special advantage that you can see in a debenture?—No.

7860. With regard to branch lines, branch lines have found capital that otherwise would not have been found in the past?—I believe so.

7861. Assume this situation. The Burma Railways are ready to find the money for a given branch; a separate company is also ready to find money for the same branch; which do you think would be the better way to do the work?—I should prefer to make it on the part of the Burma Railways.

7862. Is there any advantage in a branch line company, unless it be that it does find money that the main line company cannot find?—I do not know of any advantage, but I must say that I have had no experience of branch line companies.

7863. Some people have told us, for example, that it stimulates local interest, and so forth?—That may be so, but, as I say, I have had no experience of branch line companies.

7864. The last point you mention is that the system under which capital is doled out for expenditure in accordance with the exigencies of the Government of India's finance is detrimental to the interests of the railway?—I think so.

7865. We have been looking for somebody who would tell us it was advantageous?—I dare say.

7866. I wonder if you can tell us anything new on that subject?—I am afraid I cannot.

7867. From the railway side, can you see any possible advantages in that system?—I cannot.

7868. From the railway side, can you see any difficulty in making the railway finance independent?—No. I cannot say one way or the other. That is a question that Government has settled from its own point of view. I merely say from the railway point of view that I think it is harmful. May I give you a very recent instance?

7869. Please?—We had a line in Burma that was being constructed by Turkish prisoners. The earthwork and part of the masonry of the bridges was being done by the Turkish prisoners. At the beginning of 1919 the Turkish prisoners were withdrawn, and Government stopped the work. Our people in Burma were very averse to stopping the work, because it meant getting rid of the staff.

7870. The supervising staff?—The supervising staff. But money was not forthcoming, and the staff all had to be got rid of.

7871. Can you tell us in what month the work stopped?—In the early part of the year. In December the Railway Board suddenly gave us 5 lakhs of rupees to spend, and, of course, we could not spend them. We had to struggle to collect the staff and start the work again. That is obviously not a business nor sound arrangement.

7872. Could you have gone on without any difficulty with local labour?—Yes. It was local labour that we used eventually.

7873. You could have got the local labour at that time?—Yes. There was no question about the possibility of getting labour.

7874. That is a concrete instance of the way in which the thing works?—It is a very recent instance.

7875. You say you could not spend the money. Did not you start to spend it?—Yes, we started at once. As a matter of fact, the line is open now.

7876. But you could not spend the whole 5 lakhs?—We could not spend the whole 5 lakhs at the time. Of course, we did our best.

7877. Some part of it lapsed?—Again I cannot give you the figures, because I do not know exactly, but I know we could not spend it all within the financial year.

7878. Will you kindly make a note of that, and give us the particulars a little more in detail?—I shall have to find it out from Burma.

(*Chairman.*) I am afraid, then, that will be too late.

7879. (*Sir George Godfrey.*) What year was this?—The beginning of 1919. We got the grant in December.

7880. (*Chairman.*) Did you get a re-grant in the following April 1920, that enabled you to carry through?—Yes.

7881. The line was not again interrupted?—No. There was an interruption for about eight or nine months, roughly. As I say, we had to get rid of the staff, and then re-engage a fresh staff.

7882. (*Sir George Godfrey.*) From your experience you would not describe the Indian railways, the bigger lines, as being over-equipped or over-capitalised, would you?—As to capital, I cannot say, but they are certainly not over-equipped.

7883. Why did you say that you thought, in many cases, construction engineers in India had spent money without paying any regard to the traffic-earning capacity of the line they were building? Those two things seem to me to be inconsistent?—I said the traffic exigencies of the line. I can give you an instance on the Rajputana-Malwa Railway. That was built in the ordinary way by an engineering staff. You will find, if you go down the Rajputana-Malwa Railway, engine changing stations that were built at the beginning on a large scale that have been abandoned because they did not fit in with the traffic working. I was on another section once in its early days, where they built ordinary water-tanks at every station and sunk wells at every station, which were never used afterwards. Money was wasted in that way.

7884. Those things do not represent a great deal of money, do they?—No.

7885. As a general proposition you would not say that the railways were over-equipped?—Oh, no. I did not suggest for a moment that the railways were over equipped. What I suggested was that in the early days of a railway you should begin it—especially on branch lines—in the way that I mentioned.

7886. My opinion is that we have been over-economical in India?—I quite agree with you; we have been over-economical. But you are dealing with trunk lines, and I am referring more to the construction of branch lines and lines that are not through lines, such as the Jodhpore-Bikanir Railway originally was. What I think is that there has been a want of sense of proportion between the requirements of a trunk line and a branch line.

7887. That has happened in some cases, at any rate, within your knowledge, but it has not happened generally?—No, not generally.

7888. (*Chairman.*) May I ask a question trenching on a subject that we really have nothing to do with, except indirectly. The Jodhpore-Bikanir line has now become a through route, has it not?—Yes, it has been now for a pretty long time.

7889. Had you known that, would you have made it 3 ft. 3 ins.?—Yes, because it was in connection with a 3 ft. 3 ins. line at the northern end.

7890. If you had known what you know now, that it is a part of a big through route, would you have made these hundreds of miles of narrow gauge, or faced the alteration of a little bit of narrow gauge and made it a broad gauge line?—I would not have made it a broad gauge line under the circumstances. Had the Rajputana Railway been a broad gauge line I might have made it a narrow gauge line, because it would not have paid as a broad gauge. It would have been obviously absurd to commence a broad gauge line as a branch line off a metre gauge.

7891. Of course, but what was the length of the narrow gauge line starting from Agra? As a matter of fact, did the narrow gauge line with which you were connected start from Agra, or where?—It started from Agra and Delhi.

7892. How far from Agra and Delhi was it before you picked it up?—I picked it up at Phalera—I suppose about 250 miles.

7893. To have made it broad gauge would have meant widening quite a large section?—Precisely.

7894. (*Sir Arthur Anderson.*) With further reference to the point that Sir George Godfrey was speaking about, if you take the case of the line in the Southern Shan States, which is a branch off the main Burma line, what percentage of saving would have been effected by building that branch to a light standard instead of to the ordinary standard?—On a branch of that sort you would not save anything. It is quite a different kind of proposition. That is a mountain railway.

7895. (*Chairman.*) You have no broad gauge in Burma?—No; it is a metre gauge system from beginning to end.

7896. (*Sir Henry Burt.*) You have answered one of the questions that I intended to put, but I want to be clear on one point. Assume for the sake of argument that the London board ceased to exist; from your knowledge of Indian railway administration would you definitely advocate State working or company working, with Indian boards, I mean?—That is a very difficult question to put. You see, there is nothing to compare with. *Primâ facie* I think a company-managed line is better than a State-managed line, but now you are putting the position of all the London boards being transferred.

7897. I am assuming, for the sake of argument, that they ceased to exist at some time; then would you advocate universal State working or company working in India, with boards in India?—I should advocate both systems.

7898. You would like the present system, some of one and some of the other?—Yes, I think it is useful. I would not abolish State railways, and I would not abolish company lines.

7899. In order to keep up the emulation to which you have referred?—Precisely.

7900. (*Chairman.*) What would be your solution in regard to the East Indian Railway, which has got to be faced?—I have no personal experience of the East Indian Railway.

7901. But you have a large experience of India. What would you say if you had to answer

the question which I suppose we have to answer: do you recommend the Secretary of State to hand over the East Indian to a company or to the State?—I should personally leave the East Indian as it is.

7902. Assume that is ruled out?—Then you ask me, would I hand it over to a company or to the State?

7903. A company in India or the State?—On the whole I should hand it over to a company, I think, although I do not like to say definitely.

7904. (*Sir Rajendra Nath Mookerjee.*) With regard to your statement that it is difficult to find Indian directors who have no personal interest in contracts, are you aware that, according to the Indian Limited Companies' Act, if a man joins a board of directors he has first of all to declare his interests in any other concern, and, secondly, that he is not allowed to vote on any question decided by the board in which he has an interest?—No, I was not aware of that.

(*Chairman.*) What is the name of that Act?

(*Sir Rajendra Nath Mookerjee.*) The Indian Limited Companies' Act. According to that Act, if anyone joins a board of directors he has first of all to give a declaration stating his interests in all the concerns with which the board may have to deal. Secondly, if the board wants to purchase anything from a concern in which he is interested, he is not allowed to vote; if he does he is liable to be criminally prosecuted. That prevents anyone in India using his personal interest to vote for the purchase of things from a firm in which he has an interest.

(*Chairman.*) This is new, and it is rather important. Can you tell us whether that would apply to a director of the East Indian buying from the X. Y. Company, Ltd., in which he is a shareholder?

(*Sir Rajendra Nath Mookerjee.*) If the directors of the East Indian Company were in India, then the Indian Act would come into force.

(*Chairman.*) Supposing the company is domiciled in India, can a director buy from a limited company of which he is a shareholder, because in England he can?

(*Sir Rajendra Nath Mookerjee.*) Yes, he can, provided he declares beforehand that he has an interestin it.

(*Chairman.*) We had better get a copy of this Act.

7905. (*Sir Rajendra Nath Mookerjee.*) The next question I would like to ask you is this. From your long experience in regard to the construction of railways you admit, do you not, that a very small fraction of the capital is expended in India. The purchase of rolling-stock, rails and other such materials are made in India, and that for many years they will have to be purchased in England?—Quite so.

7906. So that in regard to the major portion of the capital of any railway company, the money will have to be expended in England and not in India?—That would depend a good deal on the kind of line. In a line like my old Jodhpore-Bikanir Railway that is so most certainly, but in a line like the one Sir Arthur Anderson was speaking about, the Southern Shan States Railways, it is the other way round, because there the subgrading and bridging is exceedingly expensive. It costs a great deal more than the amount spent on materials from Europe or elsewhere.

7907. In Burma you mean?—Yes.

7908. How is the work done there: do you call for tenders?—We generally get tenders from petty contractors. As a rule our work in Burma is done by petty contract. We do not employ large European or other contractors as a rule.

7909. Then supposing a Burman is a director of the Burma Railways Company, he will have no interest in that at all?—That is so.

7910. So that the position you have put before us, that in India the directors will have personal interests in those concerns, does not exist?—Certainly not as regards that kind of work.

7911. Assuming that Europeans who join any particular board are free from such interest in any concerns, has it not been exposed by newspapers that even Ministers of the Crown in this country had interests in concerns with which the Government had to deal?—I am afraid I do not know that. I am not able either to deny or confirm it.

7912. So that your objection to having an Indian board, because the members will have an interest in the purchases made locally, has, after all, not much in it?—I said that might be the case. We found that difficulty in Egypt, and that was really what was in mind when I made that statement.

7913. (*Chairman.*) There you were dealing with Germans?—Germans and Austrians.

7914. Not Indians?—No, not Indians. I was speaking quite generally; I was not referring to anyone in particular.

7915. (*Sir Rajendra Nath Mookerjee.*) I only wanted to clear up the point?—Quite so.

7916. (*Mr. Purshotamdas.*) Do you mind telling me how many shares the Secretary of State holds in the Burma Railways Company?—The Secretary of State has his own capital.

7917. How much is it?—It is nearly six millions—5¾ millions.

7918. And you have three millions?—Yes.

7919. Which means that the stake of the Secretary of State is almost double that of the company?—Yes. Our share is twelve thirty-fifths.

7920. In reply to the Chairman you said that the political pressure that you apprehended was, as far as the Councils are concerned, pressure regarding the engagement of the staff for the railways?—Yes.

7921. I suppose you know a good deal about other bodies in India which are under State control. Have you heard any complaints about pressure in regard to the engagement of staff owing to those bodies not having boards in London?—No. I really do not know what you are referring to.

7922. Take, for instance, a body like the Port Trust. That is a Government body. Have you heard any complaints about pressure there?—No, I cannot say that I have.

7923. Why do you apprehend then that on railways that pressure will be exerted?—I have seen in the newspapers demands for the employment of Indians without reference to their special qualifications. You see demands for certain percentages, and I do not think that is a sound way of working. I should employ the best man, irrespective of whether he was an Indian or otherwise. I do not think a fixed percentage is a business-like proposition.

7924. Not under present circumstances perhaps?—Nor under any other circumstances.

7925. Why do you apprehend that the Councils will take the same view as some of the letters you have read in the Press?—That is the view I take of it.

7926. You make the statement: "The "officers of a State railway are liable to be "transferred from time to time from one system "to another, and cannot have the same personal "knowledge of, or interest in, the particular "railway they may find themselves attached to." Is it not possible to have a special railway service under which those things can be avoided?—I daresay it would be possible; I am not prepared to say, but it certainly has not been so hitherto.

7927. Because there have been company railways and State railways, and the company railways have been more numerous than the State railways; but that is a thing that can be got over?—Possibly.

7928. Lower down on the same page you say: "The board of a railway is composed, first "of men with expert railway experience, then "of financial and business experts." I suppose you mean by that the present constitution of the various boards?—Yes.

7929. These business experts are men who are still carrying on business, are they not, or are they retired men?—On the board of the Burma Railways Company they are mostly retired men.

7930. Do you object to men actually engaged in business being on boards?—No.

7931. I suppose you would prefer business men who have had experience of Burma?—Certainly.

7932. Business experience?—Certainly.

7933. Men who may have some sort of commercial interest in Burma?—I would rather like to qualify that. Commercial interest might possibly be wrongly exercised; I am not saying that it would be.

7934. I am trying to get at what you had in your mind when you wrote this note?—There are various commercial interests that are not always agreeable to each other. A big commercial interest might want you to arrange rates that possibly would not be in the interests of the other part of the community.

7935. Practically, in your opinion, merchants who have some sort of stake in Burma should be avoided as far as possible?—I would not go so far as to say that? No, I would not say that.

7936. You would pick and choose them according to their stake in Burma?—Quite so.

7937. If a man had some sort of interest in the mining industry you would try and keep him out, because you would say that he might be biased?—Yes, I should certainly agree with you there. Take the Burma Corporation, for instance, that is a large company having an interest in the north of Burma which has to despatch its goods backwards and forwards I should strongly object to a member of the Burma Corporation being on the board of the Burma Railways.

7938. Then your board would consist of merchants who are ignorant of the commercial requirements of Burma?—Oh dear no; not necessarily.

7939. Why not?—I exclude this particular company which has a distinct interest like the Burma Corporation because they might bring pressure to bear on the board to reduce their rates, and I do not think it would be right.

7940. But surely when you look out for a merchant to sit on the board of the Burma Railways you look out for a merchant with some sort of standing?—Certainly.

7941. You would look out for a merchant belonging to a biggish firm, and not to a small one and a big firm would have big interests?—I would not take on the board a member of a firm that was so directly interested as in the instance I have mentioned. I would not object to members of firms coming on the board.

7942. Small firms?—Not necessarily small firms. This is a big firm whose whole business has to go over the railways, and I do not think it would be wise.

7943. I should have thought generally speaking any firm of considerable standing would have a good deal to do with the railways?—So it would.

7944. Generally speaking you would not mind taking on to the London board the representative of a commercial firm which has interests in Burma?—Certainly not.

7945. You do not think that he would be biased?—Not necessarily.

7946. But you think that the Indian merchants out there would be biased?—No; I have never mentioned the Indian merchants.

7947. Excuse me; you say on page 3: "The "Indian board would consist of local business "men, who might have local axes to grind"?—I did not mean Indians.

7948. You say the "Indian board"?—I was talking of a board in India.

7949. If there was a board in India the commercial men there would be biased, but if there was a board in India composed of men who might have commercial interests there it would not be biased?—No; I think that is carrying what I have said a little too far. A board composed entirely of business men who are actively engaged in India might possibly be biased. The board in London is generally composed of men who have left India, in fact is always composed of men who have left India, and who are not open to the same personal bias.

7950. When you say they have left India it means, does it not, that they may have left it physically, but they may have business interests in India?—Not as a rule, but I would not debar a man because he had business interests in India.

7951. Then you would have on your board merchants who have retired from India and have no business connections there?—I would not debar them from all business connections.

7952. In the next paragraph you say: "Financial and business experts with local ex- "perience could be obtained, but they would be "men whose time was taken up with their own "business," that is in India?—Yes.

7953. Does not the same happen with regard to commercial directors on the London boards?—As far as my experience goes, no. Our board is composed of men who have retired from business.

7954. I was referring to the English railway companies. Do not the boards of those companies contain men who are actively engaged in business?—Yes, I have no doubt they do.

7955. They manage to give a sufficient amount of time to the work, and to do it fairly satisfactorily, do they not?—Personally, I would not hold up the English railways as something to be imitated entirely.

7956. Then you say with regard to the London boards that "they must keep up to date "in all matters connected with improvements in "railway working," &c. How do the Colonial railways manage? Do not they manage to keep up to date in the working of one thing and another without a London board?—You are talking of the State railways now?

7957. Yes?—I have no doubt they have their representatives in this country.

7958. They do not need a board?—I do not know; I have no experience of them.

7959. They have not any boards?—I gather that they are State railways.

7960. We have ascertained from the High Commissioners that they have no boards here. One officer does the work, and the same might be done in the case of the Indian State railways?—Possibly, but whether it would be as advantageous is another matter.

7961. Do you remember Mr. Ryan sending to you a few questions with regard to the purchase of stores for the railways, to which you kindly replied in a letter?—Yes.

7962. You said in your first letter that when the lowest United Kingdom tender has been only slightly higher than the lowest foreign one, the United Kingdom tender is accepted?—Yes.

(*Mr. Purshotamdas.*) That was followed by another letter requesting you to let us know what "slightly higher" meant. You have very kindly given us a great deal of information, but that has not been mentioned. Could you tell us how much it represents?

(*Sir George Godfrey.*) I have not seen this letter. Is it a public document belonging to the Committee?

(*Mr. Purshotamdas.*) It was a letter sent through the Secretary.

(*Sir George Godfrey.*) Has it been circulated?

(*Chairman.*) What is the letter?

(*Mr. Purshotamdas.*) They are questions sent to the railways through Mr. Ryan with regard to their purchase of stores, and a reply has been received to that letter.

(*Chairman.*) I have not seen it.

(*Mr. Purshotamdas.*) It has gone through the Secretary.

(*Chairman.*) I am not complaining, but like Sir George Godfrey, I have not seen the letter.

(*Sir Arthur Anderson.*) I have not seen it either.

(*Chairman.*) Apparently you wanted some information. It will be alright if you will let us know what the information is, instead of assuming that we know it.

(*Mr. Purshotamdas.*) Shall I read the paragraph from the letter, or would you rather I did not do so?

(*Chairman.*) I do not know what it is, so that I have no opinion on the matter. The Committee must know, however, what we are talking about.

7963. (*Mr. Purshotamdas.*) What we are talking about is this. What I asked for was, were tenders called for by the railways from foreign countries, and if they were so called for did the contracts always go to the lowest tenderers, and the Burma Railways say in their reply: "In the cases where firms outside the United Kingdom obtained orders, it was because "their rates were the lowest. In a few cases "foreign tenders, though lower than British, "have been passed over: (1) when material "supplied under previous orders has been found "unsatisfactory; (2) when their delivery dates "have been too long; (3) when the material "offered could not be recommended by our "consulting engineers, and (4) when the lowest "United Kingdom tender has been only slightly "higher than the lowest foreign one." I was asking Mr. Home to tell us what "slightly higher" meant?—We have no percentage rule. Since the war, as far as I know, we have given one contract abroad, to Belgium. Before the war we gave a considerable number. For instance, there is a large bridge at Rangoon which went to Germany; it was completed just before the war On various occasions we placed contracts with Krupps and other firms for steel material, tyres and wheels, when they were considerably lower than the lowest English tender. The highest bridge in India was built in America, the Goteik Viaduct on the Burma Railways.

7964. Have you purchased any machinery or stores for the Burma Railways from October last to the end of March last?—I cannot tell you straight off, but I could let you know if you want to know.

7965. I should be obliged if you will kindly let us know the total amount of stores and machinery bought by the Burma Railways from the 1st October last to the 31st March last?—You mean ordered?

(*Mr. Purshotamdas.*) Yes, of course. (*P.S.*—The witness subsequently advised the Committee that the contracts let by the company in London between the 1st October 1920 and 31st March 1921 amounted to 140,000*l.*)

7966. (*Chairman.*) You have said that your share of the profits is $\frac{1}{5}\frac{2}{5}$ths?—Yes.

7967. When the Secretary of State advances new capital, does he advance it in the form of loan capital at a fixed rate of interest, or does it become part of the profit-sharing capital and so change the ratio?—No, it is loan capital and it is the first charge on the earnings of the undertaking.

7968. Is that the bargain, that you shall retain $\frac{1}{5}\frac{2}{5}$ths of the profits?—We retain $\frac{1}{5}\frac{2}{5}$ths of the surplus profits.

7969. Have you a right to prevent him putting in money as share capital instead of as loan capital, because if he put it in as share capital he would dilute your ratio?—Such a point has never come before me. I do not think he can do so.

7970. (*Sir Henry Burt.*) I do not think it would happen in practice?—It never has happened in practice.

7971. (*Chairman.*) What are the rights in the matter? Anyway, he does advance money as loan capital?—Yes.

(*Chairman.*) We can see in the return whether he has a right if he choses to advance it as participating capital. We can find that out for ourselves.

7972. (*Sir George Godfrey.*) Do you know whether your $\frac{1}{5}\frac{2}{5}$ths is a fixed proportion?—Yes, I can tell you that. It is fixed on the ratio of the Secretary of State's capital to ours and it works out at $\frac{1}{5}\frac{2}{5}$ths.

(*Chairman.*) It is not a fixed ratio, it is a ratio depending on the capital.

7973. (*Mr. Hiley.*) It is the present ratio?—Yes.

(*Chairman.*) We are very much obliged to you.

(The witness withdrew.)

(Adjourned for a short time.)

MR. M. M. GUBBAY, C.S.I., C.I.E., called and examined.

7974. (*Chairman.*) You are now General Manager of the Peninsula and Oriental Bank?—Yes.

7975. I believe you were an Indian civil servant?—Yes, I have been invalided out of the Civil Service.

7976. You have held, I believe, all kinds of posts?—Yes, the last post I held in India was that of Financial Secretary to the Government of India. Before that I was Controller of Currency; previous to that I was Wheat Commissioner; previous to that I was Collector of Customs at Bombay, and previous to that I was Under Secretary in the Commerce Department.

7977. So that you have had a very wide experience in India of everything which touches finance?—Yes. Out of the 21 years' service which I spent in India, 19 were spent in departments connected with commerce or finance.

7978. As Wheat Controller, I take it you were a great deal concerned with the movement of traffic?—Yes.

7979. What was your experience?—We were able to secure at that time preferential arrangements for the despatch of wheat from the wheat districts to Karachi, to Bombay and to Calcutta; but I ought to explain that at the time when I was in charge of the wheat operations, which was in the early years of the war, the pressure of traffic on the railways was nothing like so great as it subsequently came to be. There was a time in Karachi when the railways brought down enough wheat practically to fill the Kiamari Yard. My recollection is that 150,000 tons came down and filled up the wharf and we had to hold up further despatches.

7980. You are talking of the early days of the war?—Yes.

7981. (*Sir George Godfrey.*) About 1916?—1915.

7982. (*Chairman.*) You said you had to get preferential accommodation?—Yes.

7983. That naturally means that other people would have to get deferred accommodation?—I was not in the least concerned with what other people got.

7984. Can you tell us anything from your own knowledge as to how much the deferred people suffered?—I could not say that at all.

7985. But you had to claim priority in order to get through?—Yes, I claimed priority on the ground that it was Government traffic.

7986. I am not arguing the point; I was trying to see whether you could help us on the point of what happened to the other people. I do not know whether we may take it as accepted that the railways are short of facilities?—You may take that from me, certainly. That has been my experience both then, subsequently, and prior to that.

7987. Prior to the war?—Prior to the war too.

7988. Can you say whether since that time it has got much worse on account of the great development of traffic?—Yes. Prior to the war my experience was that which I gained in my position as a Government nominee on the Bombay Port Trust. There we constantly received and heard of congestion up country.

7989. What date was that?—I was on the Bombay Port Trust from 1910 to 1913.

7990. Was that equally the case on both railways?—I think so, but my recollection is that it was more particularly on the Great Indian Peninsula.

7991. (*Sir George Godfrey.*) Was not that seasonal congestion?—Undoubtedly.

7992. (*Chairman.*) And not all the year round?—Not all the year round, but seasonal congestion.

7993. Each year?—Yes.

7994. May we take it that the reason of that is insufficient capital expenditure?—I would not say that that alone was the reason. You mean insufficient railway capital expenditure?

7995. Yes, insufficient railway facilities?—I do not know whether I am heterodox in this matter, but I rather thought that the railway terminal facilities at the port in Bombay were not good and our new docks were not then ready. I am speaking purely from memory here, but I think I am also correct in saying that the Port Trust and its administration for some years before 1910 had been antagonistic to a proper system of railway facilities within their domain.

7996. That is to say, facilities for which they were responsible?—Yes.

7997. It would not be fair to say that the railways were subject to congestion if the congestion was caused through the port not being able to take its traffic?—That is my reason for making that qualification. I believe if there had been a proper development of port facilities the congestion up country could have been minimised. I do not say it would have disappeared entirely. The wagons could not be turned round quickly enough because of the situation of the docks and the way in which they were built.

7998. That was not the railways' responsibility?—No.

7999. Looking at the situation as it is to-day, from your general knowledge have you any doubt that the facilities of the railways of the country are inadequate?—As a general proposition I should agree with you that the railway development has not kept pace with the necessities of the traffic.

8000. That means inadequate capital, I assume?—I take it it means inadequate capital expenditure.

8001. What in your judgment is the reason, assuming it to exist, for the inadequate capital expenditure?—I do not think the rupee capital market in India was sufficiently exploited. I think there was a certain lateness in estimating the possibilities of that market.

8002. I suppose we may assume that the resources of that market, or at least the available resources, have increased very much in the last few years?—Undoubtedly.

8003. The authorities have not grasped it promptly enough; that is how you put it?—I have a definite recollection that in one of the years between 1910 and 1913 I was informally asked my opinion as to the possibility of raising, I think, five or six crores through a rupee loan, and my general feeling was that there would be no difficulty in raising this amount, but I think the Government loan that year was considerably short of that amount. There was a certain hesitation about going full tilt at that market.

8004. In other words, you think the Government had been a little unnecessarily timid in exploiting the Indian market?—That was certainly the case before the war—in the last two or three years before the war. During the war,

of course, that hesitation at once disappeared. I was concerned with the raising of the loans of 1917 and subsequent years right down to 1920, and on those occasions we found that our reasonably sanguine estimates of what the market would put up were always exceeded.

8005. In other words, you became a little less timid and still you kept behind the available capital?—We took it all.

8006. You did get it all?—We took all that was offered.

8007. But I thought you said you still lagged behind?—In our estimates. We issued our loans as open loans.

8008. And you got more than you hoped for?—Yes.

8009. Though your hopes had risen from what they would have been a short time before? Is that right?—That is so. I should like to qualify that by saying that with regard to the loan of 1920, the last loan in which I was concerned, the issue of the 10 years 6 per cent. Bonds of the Government of India, we got very near the mark as to what was the likely amount the market would absorb of those bonds.

8010. Those, of course were War Loans. Do you think the fact that they were, so to speak, patriotic loans made any very great difference?—Undoubtedly. That was one of the main reasons.

8011. From that point of view you would expect an ordinary loan not to bring in quite so much?—Quite.

8012. On the other hand, the financial resources are developing rapidly?—I would mention as the second of the reasons, after the patriotic stimulus of the war, the fact that we borrowed on short term, and therefore enabled a good deal of money which had been made in war profits to be invested for periods of three, five and seven years on favourable terms. Thirdly, the whole network for tapping the market in India was considerably enlarged. We had the loan open practically at every Treasury in India, and we also changed our system of receiving applications, so that anybody who wished to lend money to Government got his scrip at once, instead of having to go through the elaborate formula of application, allotment letter, and so on. Then we also must recognise—and this is part of the first consideration—that we were very materially helped by the assistance of non-official agencies such as the War Loan Committees.

8013. What is your view as to the prospects of the future for loans that will not be for war purposes?—I believe in the first place that the tendency on the part of the Indian capitalist, and I mean the small capitalist as well as the large——

8014. How low do you mean to go when you say that? Do you mean the ryot?—No. I will say the Indian investor. The tendency on the part of the Indian investor now is to put his money in investments rather than uselessly hoard it. I think there is definite evidence on that. Furthermore, I have seen industrial enterprises in Bombay and in Calcutta of a magnitude and size that would not have been dreamed of 10 years ago, now successfully floated. So that on the whole I think the basis of the investing market in India has been very largely broadened. Like all investing markets, it has its own tastes, and the question is, what is its taste for the time being? There is no more finality with regard to the taste of the investor than there is with regard to the taste of any other purchaser of commodities. He changes from time to time. Probably one of the difficulties in the past has been that our loans were stereotyped in the form of a 3½ per cent. security, in regard to which the only varying element was the rate at which the tender should be put in from year to year. I believe there is a very great possibility of finding money in India under certain conditions, and for railway purposes there are certain special conditions which will probably have to be taken into consideration.

8015. The first point is that you ought to offer various baits in various forms, instead of offering one big bait?—Quite so.

8016. The old loans were issued wholly through the Presidency Bank. You widened that during the war in various directions. You employed other banks and you issued straight to the investor, and so on. Could you go further? Did you get every agent who was likely to be useful in collecting money?—Yes. We employed almost every form of agency, with the exception of the fellow who would go round touting. We employed Indian agencies as well as European agencies and banking firms. We gave a commission on all applications which bore the stamp of any recognised broker, and we drew up a very wide list for that purpose. I imagine that possibly a non-Government loan put on to the Indian market might be applied for through other banks than the Presidency Bank, and applications might be received at all their points; but the banking development of India is still in its infancy. I believe there is great scope for future borrowings.

8017. May we put it in this way—that as the banking facilities are growing in India and are getting down to touch the lower stratum, from the financial point of view, so those agencies should be used to get in touch with the people as far as possible?—That is so. On the other side of the shield, you must provide facilities for the conversion into cash of scrip when the holder wishes to sell. Stock Exchanges in India are very limited, and the up-country seller of scrip has to send it down to Bombay or to Calcutta, and he does not quite know how to check the price at which he is told his scrip is sold.

8018. I daresay you may have observed—I very often have—in the smallest provincial towns in France you are pretty certain to see put up the price of the day for *rentes* or the local railway stock or for some other big investment of that kind. That is your idea?—That is my idea.

8019. In regard to the Government loans. Supposing Government telegraphed every morning all over India what the price of such and such a loan stood at, you would assume that any bank would take it at that price on a commission?—Yes. I think as a matter of fact we did consider and work out some very simple arrangement of that kind in connection with the War Loans, but it came to nothing.

8020. That is a thing which is difficult to provide but which can be applied. Now, you referred to men who went round to tout?—May I amplify that for a moment? I was Controller of Currency at the time, and I received a few—the number would not reach 10, but there were certainly four or five—applications, which came in a batch (it looked to me like a trial), on the part of certain people unknown to me in up-country places, who guaranteed to obtain sums varying from Rs. 10,000 to 15,000 provided they were given the brokerage which we were

allowing to recognised brokers. I had their application by the local authorities, and they advised that on the whole it would be best not to take advantage of that opportunity, for the reason that one did not know what form the pressure would take which these brokers would apply on the investor, and as it was a Government loan we thought it might be regarded as a form of levy or war contribution from people. That particular objection would not apply in the case of a loan raised for industrial purposes, but there are always certain objections to unrecognised and *ad hoc* brokers suddenly going round and securing subscriptions.

8021. Those objections, I take it, would be minimised if you prepared long in advance and, so to speak, moved your men under the local authorities. Some of them might be trustworthy and others might not?—I should say in the bigger towns the necessity is for the bringing into existence of a Stock Exchange with its attendant paraphernalia.

8022. What about the little towns, in the rich areas of the irrigated Punjab, for instance?—I do not think you need go down quite as low as that. I was thinking of such places as Cawnpore and Lucknow, which are without Stock Exchanges. I think you ought to tap those first.

8023. But you cannot put a local Stock Exchange in such places as Montgomery. How will you tap them?—I should tap them through Lahore. My recollection is that Montgomery is not very far from Lahore, and I should think Lahore would be sufficient for that purpose.

8024. But must you not have a personal appeal? It cannot be merely a notice that they can subscribe to a bank at Lahore. You want to get somebody in touch with them?—I assume that in Montgomery you would have a branch of a bank, because that is a necessary antecedent to the existence of a Stock Exchange.

8025. What about propaganda, advertising, and so on?—I have not very great faith in propaganda work with a view to the general education of the investing public. I think that ought to be left entirely to the members of the Legislature. If the Legislature approves of a policy of active railway propaganda the members of the Legislature ought to canvass their constituencies and put before their constituencies the advantages of railway development, and educate their constituents to that point of view.

8026. How are the Government going to prevent rupees from being hoarded?—That is a very complicated question, and one to which I have given a lot of personal attention. Roughly speaking, the cause of the hoarding of rupees in India is in no way unexpected or startling. It is due to the fact primarily that there is no opportunity on the part of the holder of money which has been received in exchange for commodities of putting that money out in any other way than either gold or silver. The cheque is still in its infancy. The banking system is still in its infancy, and where you have got a cheque system and a banking system you have not solved the question of vernacular cheques. Another point which ought to be taken into account is the reluctance, or in some cases the resentment, on the part of the Indian who banks with a bank to submit to the small charges which banks will make. I have been told that if the one anna stamp was removed from the cheque it would popularise the cheque. I have also been told that if banks were not to make charges for the transfer of money, which they do, people would undoubtedly use the banking system for the purpose of transmitting funds from one part of India to another, instead of transmitting them by currency notes. Roughly speaking, you can take it that a man has until quite recently had to put his rupees into silver rupees when he has received them on the sale of his wheat or jute or any other commodity. He keeps a certain amount of them for his own personal use, and if he has to transmit the rest to anywhere else he exchanges them for currency notes, transmits the note in two halves to the place of destination, and uses the currency notes in lieu of a cheque. Therefore you do not get the accumulated funds of the public in the hands of institutions which could in themselves lend them out to others for the purpose of taking up loans or for the purpose of putting them into industrial development.

8027. Clearly the railways cannot wait until the banking system has been reformed and extended. How can we get that accumulation of funds straight into Government loan?—You would like to apply a magic wand to this money and say: "Let them be brought forth and be put into a railway loan." I see no way of doing that.

8028. You cannot open a shop in the bazaar, and put up a notice: "20 rupees of scrip in return for 20 rupees down," with the statement that it carries so much interest?—I do not think so

8029. (*Sir George Godfrey.*) Do you think that those people invest their money in the Post Office Savings Bank?—Yes, I think in the industrial centres a good deal of the money which is paid out weekly and monthly to the wage earners is going into the Post Office Savings Bank.

8030. (*Chairman.*) But the total is small, is it not?—I forget the exact figure. I think it was about 18 crores. I forget the number of investors. I think it reached about 200,000.

8031. Eighteen crores out of 300,000,000 of inhabitants is not much?—You must remember the rate of interest which is paid.

8032. The amount per head is very small?—Yes. You must also realise the competition of private lending. Money in a small village can be turned over at a much higher rate.

8033. The bulk of the money that has built the railways has been raised in England?—Yes.

8034. We have now discussed the possibilities of India. Why cannot they get more in England?—As a mere business proposition I imagine Government could have raised considerably larger sums if they had been prepared to pay a higher rate.

8035. You are talking of before the war?—Yes; but, on the other hand, there are other reasons which ought to be taken into account. One is that there is a natural disinclination to hold a large amount of foreign debt.

8036. In the earlier days the American railways, and in the later days the Argentine and Canadian railways, got almost all their money in London. You say that India could have got more money if she had been prepared to pay for it?—Yes.

8037. As I read the accounts, there never was a time for many years past when the earnings of that money put into railways did not do more than carry themselves. When they were borrowing at 3 or 3½ per cent. the railways were earning 4½ and 5 per cent.?—I hope you will get evidence from Sir William Meyer on that

point. We took out for him some years ago figures for the purpose of satisfying, I think it was the Bengal Chamber of Commerce on that point. I think we found that over a series of years the general taxpayer had got little more from the earnings of the railway than he had paid out in interest or guarantee.

8038. Do you suppose we could get hold of that paper?—I imagine that Sir William Meyer may refer to it in his evidence before you.

8039. Do you remember how far back it was?—I cannot lay my hands on it, but I am almost certain he will be able to tell you.

8040. One knows that in the early days the railways had to be nursed by the taxpayer?—I am talking of the whole period, from the inception to a certain date. It must have been subsequent to 1914.

8041. I do not know whether your memory enables you to answer this question. For a good many years before the war, say, the seven years from the Mackay Committee to the war, the railways were a good deal more than carrying themselves, were they not?—I should say they were.

8042. Therefore, if you had earned 4 per cent., and you had paid 4 per cent. instead of 3½ per cent., would it, in your judgment, have been good business to do so?—I always think it is a good thing to spend 16*s.* when I know I am going to get 1*l.* afterwards.

8043. Is not that the answer? You do not refuse to apply that somewhat general principle of finance to the special case?—No. I am ready to spend 16*s.* if I am going to get 1*l.* afterwards.

8044. (*Sir Henry Burt.*) I have some sort of recollection that about 1914 Sir William Meyer, in his financial statement, put in a table which made out that the railways only returned 1½ per cent. Do you remember that?—I cannot recollect that.

(*Sir Henry Burt.*) After all charges had been paid. That was the profit.

(*Chairman.*) The profit after interest?

(*Sir Henry Burt.*) Yes.

8045. (*Chairman.*) In other words, you were investing nothing to earn your 1½ per cent. After you had paid all interest on loans, and also paid off about a million sterling of capital through terminable annuities, you still had a net surplus of 1½ per cent. (*To the witness.*) What is your view about the present as far as borrowing is concerned, assuming that you need more than you can get in India? What is your view about borrowing in England?—I should like to ask at this stage whether I am correct in assuming that it is purely as a business proposition that this question is put, and that it is not with reference to objections such as those which I have just recently mentioned to you, of holding debt in the form of sterling instead of in the form of rupees, and also the objection which I know to exist amongst Indians about borrowing in England as opposed to borrowing in India?

8046. Let us suppose that the railways are really merchant concerns?—I think you could raise more money here if you were prepared to pay for it.

8047. You think you could get what you urgently needed, at any rate?—With regard to the last Government of India loan of £7½ million, I should have imagined that that amount could have been materially increased.

8048. The city were rather surprised, were they not, at the response? It did go more quickly than people expected?—Undoubtedly.

8049. It does prove that money can be got at a price?—Yes.

8050. If you can earn 8 per cent. on it, it is worth spending 7 per cent. It is the same story?—Yes. I do not know myself the inner history of that particular operation, but I assume in that particular case the advantage of borrowing at the present moment was due to the fact that it was anticipated the rupees necessary ultimately to pay off this loan could be brought over to this side at a higher rate of exchange.

8051. One thing which has been impressed upon us, mainly by official witnesses, has been: "You must not borrow except very cautiously for fear of depreciating the credit of India." What is your view as a banker? As long as you trust a borrower's solvency, do you feel that he has less credit if he is prepared to borrow at 6 per cent., whereas 10 years ago you would lend him the money at 3½ per cent.?—The tests I should apply in a case like that are, firstly, the purposes for which the money is being borrowed; secondly, the rate at which money generally is being borrowed and lent at the time; and, thirdly, the application of his previous borrowings by the same borrower, and the use to which he has put money lent to him. There is, of course, an upper limit to the amount of borrowings by anybody. You have indicated that in a general form by your remark: "Subject to his solvency not being in doubt." Assuming his solvency is not in doubt, and it is a question of his requiring, for an immediately or very nearly immediately reproductive operation, sums in addition to those he has already borrowed, he must pay the market price for them. His credit is not affected by the fact that he is paying a higher price for his borrowing if the market has changed, nor is his credit improved if he borrows at a lower rate when the market has improved.

8052. Take this case. The London and North-Western Railway 3 per cent. debentures before the war stood at 90 something. They stand at 62 or thereabouts to-day. Would you advise them to refrain from raising new debenture money for urgently needed improvements, if they thought it would pay them directly, for fear of damaging their credit?—No, I should not give that advice.

8053. Does it seem to you a reasonable position to take? Would you consider they were damaging their credit?—No, I do not think one's credit is damaged by an operation of that kind.

8054. (*Mr. Tuke.*) In this connection perhaps I may be allowed to ask a question. We have heard from certain quarters that the paying of a higher rate is rather apt to depreciate the security: Is it not a fact that, as the result of this recent loan by the Indian Government, the old 3½ per cents., 3 per cents. and 2½ per cents., instead of being reduced in value, have actually increased in market price?—Yes. This recent loan has done a good deal to draw attention to Indian borrowings, and not an unfavourable attention.

8055. Instead of depreciating securities it has rather improved them?—Yes, I understand that is the case.

8056. (*Chairman.*) You have used a phrase that is worth pursuing for a moment. You spoke of "drawing attention." I suppose the Peninsular and Oriental Bank is as likely to be in touch with Indian investments as most people?—Yes.

8057. Do you find that much attention is paid to Indian railway investments as apart from Government borrowings?—No.

8058. Is that want of attention or want of attractiveness?—I could not say. I should say probably the competition of other securities.

8059. Which are more attractive intrinsically or which are better advertised?—I think there is a certain hesitation at the present moment about investing in India. I think there has been a certain element of—what shall I say—a desire to wait on events.

8060. Do you think in the past they have suffered from want of attention?—I could not say. I was out in India for the greater part of the last 20 years.

8061. Then I need not ask you the question. Now let me come to quite a different point. As I daresay you are aware, there is a very strong feeling in India in favour of State management, which has been expressed to us by a great many Indian witnesses. On the other hand, I think we may assume that there is a fairly strong feeling in English public opinion against State management at this moment. How do you think that sentiment one way or another will affect the investing public in India and in England? Let me put it in this way. Would an Indian investor be more inclined to invest if they were State railways rather than company railways?—Do you mean companies with a London board?

8062. Yes—or take it both ways, with an Indian board or with a double board?—We have never had a large railway company with an Indian board, but I should be very curious to learn the effect on the mind of the Indian thinker of the transfer to India of the directorate, with a view to seeing to what extent that transfer would induce him to put money into Indian railways.

8063. I think we may almost assume that if he was a believer in India managing its own affairs he would be inclined to put money into anything which served the interests of India. I think we may take that for granted?—I think so.

8064. Carry it a stage further. Do you think he would differentiate between a company railway managed in India and a State railway managed in India?—I believe there is a good deal of feeling in India in favour of State management on the part of people from whom and in places where I would not have expected to find that opinion. I have never myself found very clear or convincing reasons on their part favourable to State management. My own feeling undoubtedly is this—I have never disguised it and I have always maintained it—I should like to see company management with boards in India. It is only through that change in the system that I can see any real chance of finding more money in India on the scale on which it is required.

8065. Do I understand you think that companies managed in India would get more money than the State would get if it managed direct?—Yes, not because of the greater attractiveness of company management over State management, but because I believe you are following a sterile line of thought—sterile at any rate for the next 8 or 10 years—if you are going to rely on the State to find capital for railway development.

8066. Do you only mean from India?—From India.

8067. You are not applying that to finding money in London?—No.

8068. Is your view that you could get money in India for Indian company railways?—There would be a greater chance of your finding money for railway development if you had Indian company management than there would be if you had Indian State management, for this reason and this reason only, that the Government for the next few years must devote itself to the funding of its debt.

8069. It must devote its Indian resources?—No, it must devote itself to the funding of its debt, and an operation for a funding of a debt cannot be carried through on the same terms as an operation for the purpose of raising money for railway development. It is like having two pairs of shoes, a pair of walking shoes and a pair of dancing pumps. You cannot use your dancing pumps for walking out in the mud, nor can you use your walking shoes to dance in. That is the problem which we have to face in India. It is a problem which, as Financial Secretary, I was constantly faced with, and I had on more than one occasion considerable discussion with the present Finance Member upon it. The Government of India, Finance Department, has a difficult financial future in front of it for the next few years, and the whole of its energies must be concentrated on the funding of its debt. The Railway Department, on the other hand, is anxious to develop the railways, and is prepared to pay more in order to get money for the development of its railway property. In the one case naturally you want to fund on low terms; in the other case you are prepared to go to higher terms. If you pool the two operations, as is done now through State management of the railways, it is quite clear you cannot get enough money for this particular purpose of developing the railways.

8070. I do not think I quite follow. Does that lead to this, that if the North-Western State Railway and the Eastern Bengal Railway want a lot of money you would turn them into companies and get it in that way?—I should certainly turn the Eastern Bengal into a company.

8071. And let it finance itself?—Yes.

8072. I still do not think we have got it quite clear on the notes. The funding operation would not, as I understand, affect the London market?—No.

8073. Do I understand you correctly in this—that you would like the borrowings on the London market to be in some shape earmarked for the railways? Would you earmark the Indian Government borrowings in London for the railways?—I cannot conceive that the Government would borrow in England for any other purpose except for railways or irrigation.

8074. You are speaking of two different terms of interest?—The debt which has to be funded is a rupee debt.

8075. That keeps it clear and we may ignore it when we are talking about borrowing for railway purposes. Now I follow, I think. You say you desire company management. Does that mean you desire the present methods? I mean this. The East Indian Company as it exists in London is very closely regulated and controlled by the Government. It has very little initiative; it cannot raise capital without permission; it cannot spend that capital except in ways in which it is permitted to spend it; and it cannot appoint new officers without permission, and so on. Are you contemplating transferring that to India or are you contemplating changing the position?—I should like to see a freer hand given, subject of course to a control of rates.

8076. That of course would be done, as it is done in any country where the railways are purely the owners of their own property?—The extent of the capital they would be allowed to

raise would be a matter of negotiation on the transfer of a particular railway to a company.

8077. We know that the capital invested in the undertakings ranges from something very small in the case of the East Indian to something over a third in the case of the Burma?—Yes.

8078. Would you entrust the same amount of independence to a company having only a very small portion as you would to a company having a substantial portion of the money invested?—Yes, I do not think I would make any differentiation on the basis of the amount of the Government capital in the undertakings. The control we are discussing is a control of their expenditure, a control over their fresh capital issues. The fresh capital issues, I take it, would be limited by some automatic method.

8079. In other words, you do not attach importance to the argument, which might be put in this way:—If I own a third of the capital I ought to have a freer hand than if I only own one-twentieth?—No. I think the Government, as a shareholder in any particular railway, would be naturally entitled to be represented on the local board of directors.

8080. But surely if I held one-third of the capital of a given company and it had nine directors, I should expect a bigger representation on the board than if I held one-twentieth?—Yes.

8081. But in the case of the Indian company you would be prepared to say that the same arrangement would be suitable for both?—Yes. I do not regard the numerical representation on the board as of value, as long as Government is represented on the board.

8082. Are you assuming he is a director with a veto?—No. I am not assuming he has a veto, but I am assuming he will have powers of reference to the contract or the charter under which the railway would be operating.

8083. Supposing the charter gives the company power to appoint its own agent, and supposing they want to appoint Jones, and the Government says his salary is to be 3,500 per month, and Jones says: "I will not come under 5,000," practically the Government refuses to allow them to appoint Jones?—I would not apply control to matters of that kind.

8084. In other words, you would give them greater freedom in that matter, at any rate?—Yes; that is to say I imagine that all these questions must necessarily be approved by the legislature.

8085. You mean these alterations?—All these alterations. That is a limitation which seems to me to govern the whole of the terms of the enquiry by this Committee—that the Indian Legislature is in a position to make itself effectively heard on this question. The point was raised in my mind by your question about the appointment of an agent. There is no question that for the last four or five years considerable attention has been paid in Legislative Councils and in the Legislature to the extent to which Indians are represented on the staff of the railways, and the terms on which they are paid, and I believe you may find that the Legislature will require a very considerable control over the personnel.

8086. Then that will mean greater interference by the Government?—Yes, that is so.

8087. I was asking you whether you would be willing to relax that interference?—I gave you my opinion, but, as I say, that opinion is possibly not capable of application in practice.

8088. Supposing it be that the Legislature were predominantly in favour of State management and you did keep the companies in fact. Do you think the companies would, from the fact that they were kept on, suffer from interference by the Legislature, and always have to overcome prejudice?—I believe so.

8089. Is that a real point in deciding between the two?—I think it is a point to be taken into account.

8090. Now I want to bring you to your special point, if I may. One thing we have heard is that the railways have suffered from the power of the Finance Department to interfere inside—to alter their estimates—and that in every way the railways are really controlled by the Finance Department. What is your evidence about that?—My view as to the facts, do you mean?

8091. Let us put it in this way, in order to clear it up and see where we start from. There is no difficulty in imagining a system under which the Railway Department was entitled to say: "The Government has found 300,000,000*l.* "for us. The interest on that at 5 per cent. is "15,000,000*l.* The Finance Minister is entitled "to regard us as his debtors for 15,000,000*l.* per "annum. How we raise it is not his business." I presume you can imagine that system?—No, I find some difficulty in imagining it.

8092. Despite the fact that it does exist in so many countries?—I regard the Government as indivisible and not capable of partition.

8093. Let us get it a stage further. It is quite competent to the Viceroy's Council to say: "Under the exigencies of the present moment "the railways will please furnish an extra "2,000,000*l.*" just as it might increase the salt tax?—How do you suggest the salt tax is increased?

8094. By proposing it; by passing it as part of the budget?—The original proposal for raising the salt tax comes from the Finance Department, although the Salt Department is not administered by the Finance Department.

8095. It is a scheme agreed to by the Council. The Finance Minister submits his budget to the Council and they discuss it. The Council agree that he shall propose to the Assembly an increase in the salt tax. Why cannot the Council agree also that he shall propose the railways shall pay something more than the 5 per cent? Is not that right?—No. I regard that as quite a different proposition. The salt tax is a tax and it is imposed by the will of the Legislature. The question of the amount which ought to be spent by railways on capital expenditure——

8096. I am not talking about new capital expenditure at all. I am only, at this stage, discussing what returns the railways shall make on the capital that the State has invested. If we want to carry further the question of the expenditure of capital, that is quite simple also. It is quite possible that a proposal to spend a certain amount of capital may be made by the Railway Minister or it may be made as an annex to the budget. In Switzerland, for example, the proposal would be made by the Railway Minister and not by the Finance Minister?—Perhaps I have not got your point quite right. Your proposition is that, say, 15,000,000*l.* is contributed by the Railway Department to the general purse?

8097. Yes, that is to say, they pay the interest on the debt which has been incurred on their

behalf?—And any net earnings in excess of that should go where?

8098. That is a matter for the railway administration. They may reduce the rates or say to the Government as a whole: "Here we "have a surplus of 3,000,000*l.* We can safely "borrow 15,000,000*l.* against it."—And in the converse case, as has occurred in the last year and in the last two or three years, when the Government as a whole is faced with a deficit?

8099. Not on railways?—With a general deficit. Then it can turn round to this Railway Department and say: "You have to meet a portion of it?"

8100. You will observe this. If the railway has paid the interest on its old debt, anything paid to the Government beyond that is in effect taxation of railway traffic. It is not for the use of the railways. It is taxation of railway traffic. You would agree with that?—I would not use the word "taxation."

(*Chairman.*) Then what is it?

8101. (*Mr. Tuke.*) It is called a surtax, is it not?—That is the name for the particular form of railway charge which has recently been put on.

8102. (*Chairman.*) It really is making the customers of the railways pay for the commodity which they get, namely, transport, more then it costs?—Do you regard the reserves which have been accumulated by an Argentine railway company as taxation—as being built up out of taxation of the railway traffic in the Argentine?

8103. I think it all depends what they are. If they are reserves for replacement of rolling-stock they are merely part of working expenses. If they are reserves for equalisation of dividends, yes, they are something more than is necessary. —It comes to this, if you regard that as taxation, that any undivided surplus which a railway possesses is taxation.

8104. Any undivided surplus of the railways, taken from railway purposes, is taxation—not as long as it is kept for railway purposes, because *ex hypothesi* it may enable you to reduce rates hereafter; but if it had been offered to the Finance Minister to spend on the Afghan Frontier it is taxation. You do not differ, do you?—Yes, *in toto.* I cannot conceive the railways having it both ways. If the railways have been built, as they have been, on the credit of the general taxpayer, and on the general credit of the Government of India, it seems to me that the latter are entitled in lean years to require the railways to increase their charges and in good years to take such surpluses for the general benefit as they may deem to be necessary.

8105. I do not think there is very much between us. Is not that another way of saying, that that is the manner in which money can be raised for the benefit of the State with the least pressure, that is, the money for the needs of the State can be met with the least general disadvantage to the public? That is your point?—No. My point is that the general taxpayer looks all round to his various sources of revenue for relief, and this is one of them. He is the owner.

8106. You think theoretically that is the right system?—I think it is the right system, and I go further than that. I do not say it gives you any larger capital borrowing powers.

8107. No, I do not suppose anybody would argue that it did, but you have a great deal of experience of the system under which the finance control of the railways works?—Yes. One likes to avoid personalities on this question, but what one felt was that the Railway Department rather relied, like many other departments—in fact, I might say all other departments—on the critical examination of the Finance Department to keep them straight from the financial point of view.

8108. In what way do you mean—auditing?—No, not only in auditing.

8109. You mean to keep them straight in the sense that they always came up against a blank wall and they had to stop there?—No, to keep them straight in the sense that they did not outrun the constable in their expenses.

8110. But you have agreed with me that for a good many years before the war the railways were always earning 1½ per cent. more than they cost?—I never agreed to that. I believe it is the case they did earn in recent years more than they cost, and if they did I think it was due to the critical examination of the Finance Department.

8111. As I understand you now, you say the Finance Department has been helpful in getting an orderly development of railway facilities?—No, I do not say that. I said the Finance Department helped them in an orderly development of their financial resources.

8112. It has certainly hampered development. Development has been hampered. We agreed that facilities had been inadequate?—Yes, we have agreed that facilities are inadequate.

8113. And to attain this result the Finance Department has been helpful?—I did not make that point.

8114. It seems to me so, adding the two statements together?—You are taking two statements which have reference to quite different propositions. You put to me the question just now whether the Finance Department's critical examination of the railway financial arrangements from time to time, namely, their estimates ——.

8115. Capital or revenue?—You limited it to revenue—was helpful or not.

8116. Yes. Mr. Cooke satisfied us that the Finance Department was able to guide the Railway Department as to the probable earnings and receipts for months ahead. The Railway Board admitted it. That was in respect of current revenue. What was in my mind was capital?—What critical examination on the part of the Finance Department is objected to?

8117. I do not think anybody is objecting to the examination?—Does not it come back to the original question that there was not enough money raised?

8118. Yes, in a sense?—How does it help, to keep the railway budget away from the other budget under a system of State management?

8119. Is not the point largely that the Finance Department in the nature of things looks at the railways from the finance point of view and not from the commerce point of view? It says: "You must not spend money," although the railways would say: "But we can earn revenue on it twice over?"—I do not think it is quite that. I think the Finance Department and the Government of India as a whole are timid about borrowing. The same argument applies to railways as it does to irrigation.

8120. Take another point. What about the question of lapses? That is a regular system of the budget?—Yes.

8121. And it touches the railways?—Yes.

8122. What do you say about it?—I think on the whole that the system of lapses is one which has been attended with bad results. I do

not see how you can get away from it entirely under any scheme.

8123. Clearly you would get away from it if there was a separate budget, would you not?—No, not entirely. You would get away from it if you had a separate banking arrangement, but that is quite a different matter from the budget.

8124. What is the distinction in your mind?—If you put into a different account in the Presidency Bank all the railways' earnings and said that so much of the railways' earnings was to be used by a particular railway and the rest of it was to be put to the general Government account, then you might be able to avoid the question of lapses.

8125. It is not a revenue lapse but a capital lapse?—It is the same thing with capital lapses. If you raised 3,000,000*l.* in London to-morrow and you said "1,000 000*l.* is for the East Indian Rail- "way, 1,000,000*l.* for the Great Indian Peninsula, "and another for the Bombay, Baroda and Central "India, and we do not want to touch your money "at all." It should not go into the ways and means of the Government of India. It is not a question of budgets; it is a question really of ways and means.

8126. Supposing you put it into the bank and it was earmarked and the Finance Department had no control over it, it could not be annexed?—The only point is whether you are going to adopt the system that every department shall depend upon itself for its own ways and means.

8127. Is there any other department comparable to the railways both with regard to its magnitude and for the separate nature of its work?—Yes, I think the Army Department and its expenditure. How would the railways exist but for the army?

8128. Does not that really come back to the question of how much the railways ought to contribute to the army? It has nothing to do with the method in which they contribute?—You cannot run an army with a budget of 60 crores and find the ways and means to run it without pooling all the resources.

8129. Forgive me—not necessarily making a pool but making a larger demand?—No, it is pooling.

8130. Why?—You cannot earmark month by month so much from the railways.

8131. You must pool because the demands of the army are to be met?—I gave that as an illustration.

8132. Let me turn it the other way round. The construction of a bridge is to go on, and then is to be stopped, then is to be gone on again, according to the varying demands of the army?—No.

8133. But that is what is happening?—I do not see that that necessarily follows.

8134. How are we to get rid of that without separating the budget?—The point I made was that the separation of the budget does not help you over that.

(*Chairman*) I do not think the railways would agree with you. I think they would pay you very good terms to go away.

8135. (*Mr. Hiley.*) Can you answer the question as to how we are going to get over this point of irregular advances—engineering work going on and stopped and going on again owing to lapses?—Your question is how one can avoid the difficulty arising out of lapses?

(*Mr. Hiley.*) That is so.

8136. (*Chairman.*) Not only lapses, but irregular grants—10 crores one year, 20 the next, 14 the next, and so on?—You cannot get away from the question of irregular grants in a country like India, where the revenue prospects vary so greatly.

8137. Assume that the Indian concern was one big company. It is a company that year in and year out has always earned a larger dividend than it has paid: do you say they would have any difficulty in having continuity of finance?—I think they would, if their general dividend was subject to fluctuation.

8138. What I have suggested to you is that they pay a permanent dividend to the Government subject to the right of the Government, on extreme urgency, to call for something. Assume that. Take that as the case of the company. It pays year in and year out 5 per cent. on its debentures and it accumulates an undivided reserve of considerable proportions. Would that company suddenly stop work in the middle, and start it again?—No, but you cannot conceive of a case in which the State as a whole, which is the company you have in mind, suddenly lopped off a great portion of its resources.

8139. Forgive me, I can conceive it, because I know it. It happens at this moment in South Africa and in Japan. In Japan they deliberately passed an Act of Parliament making the railways responsible for their own finance. They have done the same thing in South Africa. They have always done it in Switzerland?—What is the extent of the South African budget—the railway and the other?

8140. I could not tell you, but they have 11,000 miles of railway?—Is it subject to the same conditions as it is in India, with a large army expenditure?

8141. It is subject to fluctuations?—It has not got a very large military expenditure.

8142. Surely because in a special year, under special circumstances, it is necessary to make a heavy call on the railways to supplement inadequate revenue from other sources, that is not a reason for a constant interlocking, is it?—You are taking it there again as a purely budgetary proposition. I am talking of it as a ways and means arrangement as well.

8143. I can conceive that the Government might say in this urgency "We are not going to "let you raise money in India or in any other "market"?—Even there you have not got my point. The Government of India Finance Department has to finance not only the railways but also the Government of India Departments, as also all the Provincial Governments.

8144. Let us relieve it from the responsibility of financing. Let it borrow money which the railways will be responsible for?—That is not the point. The point is you have an institution called the Government of India, which is constitutionally required to finance not only one department of Government, namely, the Railway Department, but the whole of the Government of India Departments, as also all the Provincial Governments, and I cannot conceive any method whereby, if you lop off one big earning department, you will find the funds required to keep the machinery in working order from day to day, so that there shall be funds to meet disbursements, except by borrowing for the purpose of ways and means.

8145. I confess I have not really followed your mind. I do not think we are working in the same direction?—I was for four years responsible for finding the daily finance required for the whole of India. The railways brought

in a certain amount; customs brought in a certain amount; the Post Office brought in a certain amount, and various other departments brought in certain amounts. From those amounts, which were, by telegraphic arrangement, placed at the disposal of the Provincial Governments and the Military Commanders both in and out of India, funds were made availal le for everybody's drafts from day to day on Government account." Now your point is to take away the whole of the railway funds, not only the capital, but the revenue. Your point is to take them clean away and the railways will bank them in some banking institution.

8146. That is a detail?—No, it is not a detail.

8147. As long as the Government of India Treasury is merely a banker?—It is not a detail. It is a point of substance, about which I can speak from experience, as having worked it for years and years. You will take it away and you will put it in a bank, and the rest of the Government activities will be short of daily finance. It will have to go and borrow, and it will borrow from those funds.

8148. (*Mr. Tuke.*) Cannot you pay up your instalments periodically?—Then what comes after?

8149. You get it?—The instalment represents a share of the net earnings.

8150. The Chairman did not suggest it should be bottled up in the bank for a whole year?—The instalment represents a share of the net earnings. Is not your suggestion that the instalment should represent the share of the net earnings?

8151. (*Chairman*) The instalment paid over to the Government?—Or rather, that the railway contribution which should be paid to the Government should be a share of the net earnings.

8152. I will assume that you made it an agreed rate of interest on a settled debt?—That would have to be paid for, say, in 12 monthly instalments.

8153. (*Mr. Tuke.*) Why in 12 monthly instalments?—Well, say half-yearly.

8154. Why not say weekly?—Well, say that: is that anything comparable to the amount of the gross earnings?

(*Mr. Tuke.*) But you do not pay the expenditure?

8155. (*Chairman.*) You have to pay the expenditure?—The expenditure does not go on at the same rate throughout the year.

8156. It seems to me that you are in effect saying that if a very big customer withdraws his account from the *x* Bank, that bank could not manage to rearrange its finances?—No, I do not say that. I say that in the case of the Government of India finances, you could not do so without borrowing.

8157. Cannot we advance you a few months? We will advance you a month or two in advance. We will do anything in reason if you will only go away. We will pay you to go away. I am sure that is what the railways will tell you: "We "will make the most handsome terms with you "if you will only go away"?—Even then you would find there was no economy. I want to explain here that the railway earnings do not come in throughout the year at anything like an even rate.

8158. I presume every company has to adjust its finances on that basis?—They vary very considerably.

(*Chairman.*) Perhaps as much as a hotel in a fashionable watering place.

(*Mr. Tuke.*) That is only a matter of regulation. Need we continue it?

8159. (*Chairman.*) Take this case which we had mentioned to us this morning. It is only one of many. Turkish prisoners were employed on making an embankment on a railway in Burma. The Turkish prisoners were withdrawn. There was ample labour available in the locality. The Finance Department was unable to furnish the necessary funds, and it was only in November that they coul l recommence the work. Meanwhile, the whole engineering staff had had to be dismissed. Now you do not say that is nice?—No.

8160. That is the result of making the railways fit the exigencies of the Finance Department. Do you wonder the railways dislike it?—No, I do not wonder that they dislike the arrangement in the least. I sympathise with their point of view.

8161. Take this case. You start to double a line or to construct a new line. It is a programme for five years. You will agree with me that a company starting out on that job would see its way to spend the money year by year until they had finished it and had done with it. You will agree?—Yes.

8162. We have had an instance given to us where they began a line in 1908, six years before the war. Funds have been provided at intervals since, and they hope that the line will be completed in 1923. That is the result of using the railways for the army?—No, I think the question there is rather this, is it not, that capital expenditure when sanctioned is not necessarily available. The funds for that expenditure are not necessarily available from year to year.

8163. Can you imagine the board of directors of the North-Western Railway sanctioning a scheme without knowing how they were going to finance it?—I quite understand that the board in that case would not sanction the scheme until it had the finance ready, but here what happened in India was that the scheme came into the programme and it was assumed that funds would be available in subsequent years, and then something occurred to disturb that.

8164. Something has continued to arise continuously for 15 years?—In that particular case it might be so, but that something arose which was not due to unwillingness on the part of the Finance Department to find the funds; it simply was that the funds had not been raised.

8165. Do you wonder at the railway companies saying: "We did raise the funds, but you "have taken them from us, and heaven alone "knows when we will get some of them back?" —That is true as regards some lines, but is it true with regard to the State railways?

(*Mr. Hiley.*) I do not see how this helps us at all.

8166. (*Chairman.*) I do not think we can carry it further. May I put it in this way, that you think the general Government finance of India would be rendered more difficult if they had not the railways to draw upon, if they could not use the railways as they wanted them?—I would put it in this way rather. So long as the State management of railways and State control over companies' management continues the funds of the railways are necessarily part of the funds of the Government of India.

8167. And you would constitute this new East Indian Company subject to that disability?—No, I do not say I woul l.

8168. I understood that you would?—I did not say that I would.

8169. To what extent would you relieve them?—I should like to relieve them in respect of the whole of the capital that they might raise. I should regard that as capital which they themselves would look after.

8170. If they raised one-tenth or one-eighth or something of that kind, the State would still own, one way or the other, the other seven-eighths, and leave the railway control over the one-eighth. Is that what you mean?—As regards the Eastern Bengal State Railway, the Government would either sell it or lease it to a company locally managed with local directors.

8171. Sell it out and out? Would they sell the whole thing or only sell a portion?—They would sell the whole thing and recoup their own account, or they themselves could come in and share in the capital that was raised.

8172. Let us assume that the company's shareholders produced one-third: what would the control of the Finance Member be over the two-thirds?—There would be no control beyond the Government's share in the profits.

8173. That is to say, they would take what the company gave them, or would they interfere in the process by which the company produced the results?—I do not follow that question about interfering in the process.

8174. At present the Government interferes. It says: "You may raise capital or you may "spend capital in certain directions, or you may "spend revenue in certain directions," and so on?—No, that would not occur at all.

8175. That is what I want to understand. The Government having sold one-third of its interest, what would be the position of the company?—The company would have as free control as it can secure under the charter or under the contract with the Legislature.

8176. You mean under a new contract?—Yes.

8177. What would be the terms of the new contract in your view?—The Government's share would be either capitalised by reference to previous year's earnings or on the basis of the amount of money which the Government had put in. Then on the credit of the undertaking the company would raise all its further capital.

8178. There would be so many millions of company capital, and so many millions of Government capital, and the company would raise that capital on the security of the total capital?—Yes, and apply that capital expenditure in any way it likes.

8179. Then the Government there become a mere debenture holder?—Yes.

(*Chairman.*) That is quite a different proposition.

8180. (*Mr. Hiley.*) Supposing you made each of the State railway companies run on the same understanding. The Government would become only debenture holders in the whole of the railways in India?—Yes.

8181. How would their financing be done then? They would get a fixed income?—Yes.

8182. Why cannot you do that with the railways belonging to the State?—Not so long as you have State management for the capital and the capital is raised on the credit of the State.

8183. (*Chairman.*) May I carry the point of the Eastern Bengal a little further? Supposing the company only had one-twentieth, as in the case of the Great India Peninsula; would the Government be prepared to become a debenture holder, to hold debentures with only 5 per cent. of the total value of the undertaking in shares behind them?—That is a point for the Government to decide.

8184. Would it seem to you a reasonable proposition?—No.

8185. Then the Government would still have to interfere in the management and in the protection of its nineteen-twentieths of debentures?—I imagine it would have to do so. Whether its interference need take the present form which you object to, or whether it would take some other form, is another question.

(*Chairman.*) Thank you very much. You have given us some new ideas.

The witness withdrew.

SIXTY-THIRD DAY. (LONDON.)

Wednesday, 8th June 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

SIR A. R. ANDERSON, KT., C.I.E., C.B.E.
SIR H. P BURT, K.C.I.E., C.B.E.
SIR G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
SIR H. LEDGARD.
SIR R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
THE HON. MR. V. S. SRINIVASA SASTRI.
MR. J. TUKE.

MR. T. RYAN. C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

SIR WILLIAM MEYER, G.C.I.E., K.C.S.I., called and examined.

8186. (*Chairman.*) Sir William, perhaps you will allow us to get your qualifications on the notes. You are now, I believe, High Commissioner for India in London?—Yes.

8187. You were an Indian civilian?—Yes.

8188. You were, I think, Secretary to the Government in the Finance Department, and then Finance Member?—Yes, and at a previous stage I was Deputy Secretary.

8189. Would you mind telling us what was your length of period of office as Finance Member?—I assumed office as Finance Member at the end of June 1913, and normally I should have relinquished on the same date in 1918, but

I was specially asked to stay on a bit, so I did not relinquish until November 1918, when the war was practically over. I should like to say, if I may, that as High Commissioner for India in London railway finance does not come within my sphere at all, nor railway policy, so that any views I may express must be taken as purely my own and not in any way as committing the Government of India.

8190. May I first ask you about some matters that you know of in your present position? As I understand it, it is your business to be responsible for the purchase of stores, materials, and so forth, for Government departments generally?—Yes.

8191. And that includes the three State railways?—Yes.

8192. I understand that the Government are setting up, if they have not already set up, a corresponding Purchase Department in India?—The question of the actual shape in which it is to be set up and its scope is still under consideration, but there was a Committee appointed on the subject on which your Secretary, Mr. Ryan, sat.

8193. But the policy of doing it is settled; is that right?—I think you may take it that that is so.

8194. At present, however, there is not a corresponding department in India with which you can dovetail?—No.

8195. The function of the High Commissioner will be to get things in England that could not be got in India; that will be the theory, I take it?—It is rather like this. The Indian Government and the departments determine what things they require in England. The present policy is that whenever possible they shall purchase things in India at, of course, a reasonable price compared with England. They make up their minds as to what they can purchase in India, and then they indent for the residue, which is either stuff which is not procurable in India, or could only be procured at prohibitive expense or merely through the agency of private firms. They do not want to employ middlemen. In all those cases they send me instructions to buy.

8196. Who are they—separate departments or a stores organisation?—No, there is as yet no collective stores organisation in India. My orders may come from the Army Department of the Government of India as regards particular army stores, or possibly, for the sake of convenience, from the Director-General of Ordnance. Similarly, they will come from the Post Office as regards Post Office and Telegraphs, and from the various Public Works Departments as regards ordinary public works matters, and from the Railway Board, usually, as regards railway purchases.

8197. I assume that an urgent order on a small scale might come to you directly by cable from the agent of the North-Western Railway?—That is so. On many matters there is direct communication between my Director-General of Stores and the local people.

8198. You have to buy engines, rolling stock, and things of that kind?—Yes.

8199. You have a firm of consulting engineers?—Yes.

8200. Do you make much use of them?—Considerable.

8201. They do the inspection for you during construction, I suppose?—In certain highly technical matters the consulting engineers come in, but the Stores Department has also got its own people to refer to.

8202. The Stores Department has its own experts?—Its own inspecting experts, I should say, rather than consulting experts. For a large number of purchases of relatively small things and local stores those experts are quite sufficient. One of the matters in which the consulting engineer is useful is this. One of the questions we have to consider at present is the purchase of stores in Germany, say—if we can get the material at a considerably cheaper price there. Before we consider the pros and cons of that, we often refer to the consulting engineer as to the status of a particular German firm or company that has tendered, as to the character of the goods they turn out, and as to the likelihood, where time is of the essence, of their being turned out promptly.

8203. Would you trust to your own knowledge as to the status and capacity of a firm in England?—I certainly should not trust to my own individual knowledge, but the Director-General of Stores and the Stores Department have, of course, got very large information. They have dealt with firms for many years, but if there was any difficulty we would certainly go to the consulting engineer.

8204. The firm of consulting engineers that act for you (I forget its name, but I do not think it is relevant) act, I believe, also for some of the guaranteed companies?—I think they do, but I will not be certain.

8205. Supposing, for the sake of argument, that there was thrown on to you the obligation to purchase not only for the three State lines, but for the eight companies, would you find any difficulty?—No; in fact, it is a policy which very much commends itself to me. It seems to me that the Stores Department, with the experience it has obtained, could do better by a pooling of the demands than the companies could working on their own.

8206. Obviously it would tend to standardisation, which is of great benefit in railway work, if all the orders went through one common channel?—That would be all to the good. And if there was any particular class of goods which a company wanted, for good reasons, to keep to its own pattern, we could carry out their instructions.

8207. One of the things that has been put to us in reference to the English companies is that their supervision of the purchase of stores, through their own knowledge and through their own consulting engineers, was of great value?—I think it may have been of great value in the past, but looking to the future it seems to me that the time has come rather for pooling.

8208. Do you desire to say anything more on that point?—Your Secretary kindly sent to me some papers relating to a correspondence with Sir George Collier, but I regret to say that I have been so exceedingly busy that I have not had time to look through them fully.

(*Secretary.*) May I explain that Sir William is referring to a correspondence with Sir George Collier, the Director-General of Stores, on certain questions raised by one of the members of the Committee. It has been quite impossible to circulate those papers for the general information of the Committee, so that there is really only one member who is conversant with all the details.

8209. (*Chairman.*) I do not know whether you have any views on the question of the purchase of stores. One of the complaints that was made in India, in somewhat general terms as far

as I remember, was that the English companies gave a preference to England, although stuff might be bought cheaper and equally well in America or in Germany, and that thereby the Indian taxpayer has suffered. That is the case as stated. Have you any opinion on that, from your experience?—I cannot say what the companies do, but I can tell you as regards my own department, which includes the purchases for State railways. One is rather between Scylla and Charybdis in these matters. You have got the Indian opinion demanding, from their point of view quite reasonably, that you should purchase absolutely in the cheapest market. I have a good deal of pressure put on me on various sides in England to deal with British firms and companies; they say it is very hard that they should be penalised by the abnormal advantage obtained by Germany through the rate of exchange and so on; that they have served India well in times past, and that if they have to shut up shop things will be worse for us in the future. I have always taken up the position that it is not the business of the Indian taxpayer to subsidise British industries or British labour, but that within certain limits one might give a bit of a preference, especially to people who have formerly dealt with us. The Director-General of Stores deals with the mass of contracts, but, at present, cases in which it is proposed to deal with a foreign firm come up to me. The general principle I have laid down (it is subject to specific and possibly different applications in particular cases) is that if the lowest British tender is within 10 per cent., say, of the German or Belgian tender, I give it to the British firm. Of course time is sometimes of the essence of the contract. Sometimes the British firm can turn out the goods required within the time that the Government of India, or the department that requires the goods, specifies, and the foreigner cannot. I also adopt the principle on occasion that if the lowest German tender, say, is considerably lower than the lowest British tender, I communicate confidentially the terms of the German tender to the Britisher, and ask him if he will come down. Sometimes he comes down to an extent that justifies me in giving the business to him; sometimes he does not. Of course, as you understand, the Secretary of State is subject to various questions in Parliament about these matters, and, although I am subordinate to the Government of India and not to him, I have explained my policy to him, and he so much approved of it that he said he thought of asking the companies to follow it also.

8210. You have raised a point there that I think is worthy of notice. You are an officer of the Government of India?—That is so.

8211. You happen to be temporarily housed, I understand, at the India Office?—I was, but I have got an office of my own now. I am a neighbour of yours; I am at 42 and 44, Grosvenor Gardens.

8212. The only way in which the Secretary of State can deal with you, so to speak, is through the Government of India?—Yes. If I were doing things that he considered objectionable, he might instruct the Government of India to instruct me to abate my actions, but no such case has arisen hitherto.

8213. I think we fully understand your attitude. The giving of a certain preference to England as a country that has supplied material, and to individual firms that have served you well, you regard as a businesslike and proper thing to do?—Exactly.

8214. You do not think it is contrary to the interests of India in the long run if you sacrifice 500*l.* or 5,000*l.* on an individual contract?—I think it is entirely to the interests of India in the long run. Perhaps I might bring to your notice, if it has not been already brought to your notice, one question with reference to the loan of 7½ millions that was floated here a little time ago. There was a guarantee given by the India Office, on behalf of the Government of India, that all the proceeds of that loan would be applied to the purchase of railway material in this country. Of course, it is quite easy to carry out that policy without any infringement of the other line of policy to which I was referring just now, because we shall spend about 14,000,000*l.* this year for the purchase of railway material, and in any case at least 7½ millions—probably very much more—will come from British undertakings.

8215. Thank you very much; I do not think I appreciated before the point of purchase in Great Britain as distinct from purchase in Europe. That is, of course, a distinct difference. Leaving that subject, I desire to ask you, as a private person as you say but not without experience, some questions in regard to railway management. I was looking last night at the Despatch sent by the Government of India of August 1917, which you did not sign. I suppose you were away on leave or something of that kind: do you happen to remember?—I remember it distinctly, but was not it 1918?

8216. No, 1st August 1917?—About the East Indian Railway?

8217. Yes. For some reason or other you did not sign it?—If I did not sign it, it was simply because I was on tour. I may say that I took a very considerable part in the discussions which led to that Despatch, and thoroughly concurred in the conclusions it set forth.

8218. The Despatch said that the Government of India did not exercise sufficient weight in the administration of the railways of India?—Yes.

8219. That I may assume represents your opinion?—Absolutely.

8220. It is not quite clear what that means. It may mean that the Secretary of State interfered too much from above, or that you had not sufficient control downwards, or it may mean both?—What it meant was this, that we held that we ought to be masters in our own house as regards such specific control as is necessary in the interests of the State over railway companies. As regards the State-managed lines we had the control all right. As regards the companies which were domiciled in England, the position was that the board of directors whenever we proposed to do anything they did not like would hurry off to the India Office and invite the Secretary of State to overrule us, and we felt that the Secretary of State was, if I may say so, unduly open to pressure by the home railway companies, and that we were pressed to do things which interfered really with our discretion.

8221. It really means this, does it not, that they escaped, so to speak, from your control from above by appealing above you again?—Yes, that is it.

8222. And the meaning of the Government of India Despatch was that it was not right that anybody should go past them, that if the Secretary of State has views he must express them to the Government of India, and that anything from the companies ought to go through them?—Yes.

We never contested, in the then state of the constitution, the Secretary of State's right of dictating if necessary the general lines of railway policy, but what we did feel was that owing to the location of these companies in London the Secretary of State tended to interfere in a lot of matters which were not matters of general policy at all—let us say the question as to the allocation of the costs of railway stations between two lines that were interested, and so on.

8223. They brought that home?—Yes, they brought anything that they did not like home, and it also caused delay because we could not get anything done till the Secretary of State had consulted the companies.

8224. There is no question, I think, that in taking that attitude you represented very much the opinion of the Indian public?—I think we did; in fact the opinion of the Indian public, in so far as it is voiced in the Indian Legislature, is still I should say (with deference to the Indian gentlemen here to-day) in favour of State-managed lines and no companies at all.

8225. I will come to that point in a moment, but meanwhile the point arises, as you say, that even before the new constitution it was right that you should, as you put it, be masters in your own house?—Yes.

8226. Are you inclined to say what the effect of the new constitution is?—The effect of the new constitution will ultimately be to make the Indian Legislature the masters. Railway expenditure is voted expenditure. There are large non-official majorities in both the Indian Houses, and there will be constant pressure and resolutions in favour of giving the Government of India, as their representative, larger powers over railways. There is also, rightly or wrongly, a very considerable feeling that railways have hitherto been managed more in the interests of British companies than in the interests of the Indians.

8227. One can quite understand that they have been managed from the British point of view, and that that may not have been the Indian point of view. Have you had an opportunity of forming an opinion whether it is deliberately done in their interests, or whether it is only a question, as I say, of looking at it from a different point of view?—I should say that people do not like, unless they are absolutely pressed to the last corner, to admit that the interests of India must give way to the interest of the British manufacturers. We had Lancashire taking that line on the cotton duties, but they only did so after all their previous pretexts that the steps proposed were not to the interest of India had been demolished. Then they came out finally and said in effect: "Oh "well, what is the use of the British connection "if you cannot use it for that purpose?"

8228. That is an excellent instance. Lancashire has got no defender here, and therefore we may assume for the sake of argument that Lancashire did it out of purely selfish motives. Do you think the English companies can be fairly charged with the same attitude?—I think there is a good deal of selfishness in all of us, and that most of us, perhaps unconsciously and sometimes consciously, tend to regard our actions or to represent our actions as due entirely to lofty altruism, but when it comes to bedrock it is selfishness.

8229. Then you would rather agree with the point of view from which I put the question, that it is rather an attitude of mind which is different and not really with a deliberate intention of doing things in the interests of somebody else and not of India?—I think there are still people who hold the theory that India was conquered by England and ought to be administered for the benefit of England, but those people are a dying minority. The general feeling is that India must be governed in her own interests; but, of course, the question always arises in any particular case what the real interest of India is.

8230. You said just now that in your view India, if it had its own way, would ask for State management. Your despatch said broadly that rather than retain the English company management (you are speaking specifically of the East Indian Railway, but I am speaking of it broadly as a general question) you would press for State management, but you were prepared to compromise on Indian company management?—Yes.

8231. That is a correct representation of the despatch?—Absolutely.

8232. You do not say that this compromise represented Indian opinion? Indian opinion would have adopted no half-way house; it would go straight away for State management?—Yes. We had one Indian in the Viceroy's Cabinet at that time, and my recollection was that he was strongly in favour of State management.

8233. Have you any objection to telling us what your personal opinion is?—Broadly, I am a bit of a Socialist, and if I had a free hand I should have gone for State management, but I recognised that there are different opinions held on the subject, and I was quite prepared to accept what you call the half-way house of companies domiciled in India and controlled by the Indian Government.

8234. As a temporary or as a permanent policy?—You cannot call anything permanent in regard to railway policy or anything else. Views vary with successive generations.

8235. That is perfectly true, but what I mean is this. If you had agreed to set it up, were you prepared to set it up with a long contract?—One looked to something like a 30 year contract.

8236. You were prepared to do that?—I was absolutely prepared to do that. I was prepared to give the compromise system, if that system had been adopted, the fairest possible trial.

8237. For 30 years?—For 30 years. Perhaps I may be allowed to qualify that a little. The railway companies' contracts fall due at different dates. We were speaking primarily in that despatch of the East Indian Company. There is another company, I think it is the Great Indian Peninsula, whose contract falls due later on.

8238. That contract falls due in the following year?—My idea would have been to try this system in reference to the companies that were to fall in within the next seven years or so. Within that time it might conceivably have been possible that we should find out that the compromise system did not work altogether well. In that case it would have been open to us, when the next contract fell in, to say "We will have State management." On the other hand, the system might have worked very satisfactorily, and the Indian advocates of State management might have been so pleased with it that they would have been in agreement with applying the system further.

8239. But if the system had turned out unsuccessful you would have had 30 years of it?—You would have had 30 years in one particular

line. in the particular line to which it was applied.

8240. Practically you would have had it on two lines, because you would not have had time to discover in one year what was happening, so that you would have the two biggest railways in India running on that system for 30 years?—I may perhaps say that we never had any reason to anticipate that the system would be radically unsuccessful. It was merely a question of expediency. One argument used by the people who did not like it was that it would be very difficult to get adequate management boards in India.

8241. Company boards?—Yes. I think myself it would have been quite possible to get boards at least as good as boards here, but that is a matter in which experience might have shown that we were unduly sanguine.

8242. A good deal of water has flowed down the Hooghly since 1917, and as you have said there is no question about the direction of Indian opinion at present. Would you still be of that opinion?—Do you mean to try the compromise?

8243. Yes?—Yes, I would try the compromise as uniting things that might otherwise be sharply divided.

8244. I do not quite follow you; which things do you refer to?—You have got a certain number of people who press for State management; you have got another lot of people—and they are very vocal at present in this country—who say: "State "management is anathema and will never come "to anything." What we wanted to do first and foremost was to get rid of the company boards here, and if we could then unite people, some of whom were in favour of State management, and some of whom were in favour of company management, so much the better.

8245. Do you think you would unite them?—I think so to a certain extent.

8246. All the English evidence has been in favour of English companies?—Yes, but I am speaking rather of the opinion in India. You have got a very large volume of opinion, which I referred to just now, in favour of State managed companies.

8247. That is Indian opinion?—Yes, but you have also got opinions, which are shared by some Indians I think and by representatives of European commerce and to a certain extent railway managers, in favour of companies.

8248. How far in your opinion is the Indian desire for State ownership based on what we may call the principle that the railways belong to the people of India and ought to be managed by the people of India, what I may call the democratic point of view? How far is it due to the idea that the question of employment of Indians and of the purchase of materials in India and so on are more likely to get attention under Government rule?—That has undoubtedly a very considerable weight. First and foremost with regard to the greater employment of Indians, obviously the State-managed lines would be more amenable to pressure in that direction than others. Also perhaps I may add that there is a feeling that there are large profits, and that these profits should be mopped up by the State for the benefit of the community and not by companies.

8249. The main objection to State management that has been brought to our notice is what we may call its rigidity, its red-tapism and that sort of thing, and that promotion is almost wholly by seniority. In your view is that essential in a State system?—Not the least. I should look forward to a system which was more elastic and in which men would stick to their particular railways At present you get a man who is traffic manager or agent and so on on the Oudh Rohilkhand, and he gets transferred to the North-Western and then to the Eastern Bengal. That always seemed to me to be utterly vicious.

8250. That is clearly not necessary?—Not in the least.

8251. I think I have seen somewhere that in the Indian Civil Service a man, broadly speaking, as a rule belongs to a Province, and he remains in the service of the Province unless he is taken on to what I may call the headquarters staff?—Up to the Government of India—that is so.

8252. There might be a similar rule in the State railway service that got rid of this battledore and shuttlecock kind of transfer?—Yes, I always looked forward to that.

8253. That seems to you a reasonable rule to make?—Absolutely. Of course, you would have to steel your heart against personal interest. Some fellow might say, "There is a vacancy on "the Oudh Rohilkhand line; I am in the Eastern "Bengal, but I am a long way senior to Jones of "the Oudh Rohilkhand; I ought to get it." You must be adamant against that sort of thing.

8254. At the same time, you would not bar transfer on the ground of superior merit?—Not absolutely.

8255. If it was an important post you would bring the best man to it, wherever you could find him?—If he was very much the best man. May I take an instance, not from the Indian Civil Service but from the Education Departments, in the various Provinces. The rule is that the Directorship of Public Instruction should be filled ordinarily by one of the senior educationists, inspectors of schools or principals of colleges in the Province, but that if the Government think that there is not anyone among them who is really good enough they can import a man from another Province.

8256. I was reading the other day Lord Haldane's evidence in connection with the constitution of a theoretical Government department to manage the coal mines, and he said the proper system to adopt was seniority tempered by a very stern and rigorous rejection. How does that appeal to you as a principle?—I think seniority tempered by the rejection of the unfit is very good, and indeed essential, until you get to what you call the administrative grades in India, the biggest appointments in any service. There I think you ought really to go by selection. Of course, seniority will always have some weight. You could not upset the service entirely by taking quite a junior man, and it would lead to jobbery. Seniority will always have its weight, but the difficulty is to prevent it having undue weight. For the appointments at the top, where very often you want a comparatively young and energetic man, I think you ought to be able on occasion to pass over the three or four fellows next on the list and take somebody below.

8257. Would you subscribe to the doctrine that the rejection ought to be stern and rigorous?—Yes.

8258. We need not argue about the top men; you must get the best there?—Yes.

8259. But going up towards the top, do you subscribe to the doctrine that the rejection should be stern and rigorous?—According to my view, you could not have pure selection or almost pure selection.

8260. "Rejection" not "selection"?—I think rejection should be increasingly stern as you go up. Of course, with the man at the bottom it does not matter very much; you give a fellow a chance; but as you go up higher and higher your fences should be steeper.

8261. We have had our attention called to the fact that the railway budget, if I may use the phrase, is debited with very heavy expenditure for what is really a purely military purpose. It works out, allowing for working expenses and interest on capital, that the strategic lines on the North-Western over a series of years cost the commercial section something like one crore per annum. Do you think, as a matter of administration, that is right? We were told that the custom of the Indian Government was, as between departments, to let the expenditure lie where it fell irrespective of purpose. What is your view?—That is our policy generally, and I think it is justified by the fact that otherwise you would have constant bickerings. One department would say: "Why should I spend this for another department, and show less profits?" A number of departments have their own administrative reports, and they try to make out that they are really very valuable to the State financially as well as administratively, and if you had a system which enabled people to argue: "The Railway Department is doing a certain "amount of unproductive work for the Army; "let it be relieved of that," then the Army might say: "We enable the railways to exist; "we guard them. What are you going to pay us "for that?"

8262. The places that need protection, we will say, more especially are Amritsar and Lahore rather than Madras, but you do not levy a special protection rate on Amritsar?—No, because we have never brought that system into operation. If the Railway Department is to say to the Army Department: "We are not going to "construct that line for you, which we do not "think will pay, unless you are prepared to have "it put down to the military budget," the Army Department might correspondingly say: "Why "should we protect your lines if we do not get "credit for it?" After all, the protection of all the lines in India falls, in the last resort, on the Army.

8263. Is it not a differential protective tax imposed on certain railways only? Otherwise taxation is spread evenly; it is raised out of income tax, customs and so on that are levied all over India. In this case you make a levy on the North-Western Railway to the tune of a crore per annum?—If you put it in that way, the railways have to pay a crore per annum, but the point is, how are you going to look at it? Do the railways exist for the benefit of the State, or are they to be regarded as a separate entity? If they exist for the benefit of the State, then it seems to me they may be called on for the benefit of the State to incur what is financially unproductive expenditure. Then there is this other point. Some lines which were originally unproductive, and which were constructed in the first instance mainly for strategic considerations, have become profitable since. There the Army people might reasonably say: "We have had to "pay in times past; we should take the profits "now." You can see the disputes and bickerings that that would give rise to.

8264. Assuming that the railways are run for the benefit of the country, is it not right and proper that the country should see what the benefit is—that not only do they produce four crores handed over to the Finance Member as part of his budget (that is the net receipts for this year), but also that they subsidise military expenditure to the tune of another crore? Ought not that to be shown?—I do not see there is any harm in that being shown in the Railway Administration Report or elsewhere—that the profits would have been appreciably larger but for the fact that the railways have had to bear those burdens.

8265. How far would you be prepared to go? You would not be inclined to say: "Let us hand "this over as a part of the Army expenditure, just "as much as the maintenance of the mule trans- "port, or anything else, is part of the Army expen- "diture"?—No.

8266. You would not be inclined to go that far?—No, not merely for the reason I have already given, that it would disturb the simplicity of the arrangement of accounts and lead to constant bickerings, but you also have the fact that Army expenditure is very unpopular, especially at the present time, and from the point of view of expediency it is undesirable to add to that expenditure.

8267. Forgive me if I say that you are speaking now rather as an ex-member of the Viceroy's Council than as the Finance Member?—It seems to me that the two functions must be closely allied.

8268. You are speaking as one of the Council rather than as the financial watchdog?—Yes.

8269. Now let us go to another point. As I have no doubt you are aware, we have had a great deal of evidence in regard to the different methods of management. There is a universal desire, expressed by Indians and Europeans equally, for the separation of the railway budget from the general budget, and for treating the railway receipts and expenditure as a whole, for which the railways have to account to the Chancellor of the Exchequer?—Of course I have heard a great deal in past years about a separate budget for railways, but I have never been able clearly to understand what the advocates of the scheme meant. If you merely want an exhibition of the railway finances, that is to say what we borrow for railways, what we spend from current revenues on railways, what profit the railways give—all that is available in our present budget statements and accounts. Do you mean, sir, that we should go further and have a sort of *imperium in imperio*—that you should treat the railways as, for instance, you treat a big port trust, that you should give them separate statutory powers, separate borrowing powers, separate rate powers?

8270. You mean rates and fares?—Yes.

8271. I should think the answer would be different in the different cases. In the case of railway rates charged to the public, that is clearly a matter in which the Government interferes as a Government, quite regardless of who the owner of the railway is. Therefore the separation of finance does not touch that. Do you follow?—Yes.

8272. Then in railway borrowing I think the answer would be, assuming the railways to be State property, it is a matter for expert judgment whether a thing labelled a railway loan or a thing called a Government loan, without discussion of the object, appeals most to the public?—Yes.

8273. You can quite imagine, so to speak, that the new English 7 per cent. loan is an ear-

marked loan ; whether the Government earmark it and give it to the railways does not touch the principle ?—No.

8274. I think the point was really that the railways should be permitted to control their own finance free from the two disadvantages which have been very strongly pressed upon us, one being the uncertainty that one year they are given so much and another year something different, and the system of lapses under which they are cut short at a given point and have to begin again, so to speak. The arguments that have been put before us have been put from that point of view ?—To take lapses first, we always endeavoured to regrant lapses as far as possible, but you can conceive of a state of things in which the Government is desperately hard up, and may, purely as a matter of expediency, say: "While you have had "a lapse of 4 millions this year, we cannot regrant "more than 3 millions." As you know probably, from other witnesses, during recent years, we have endeavoured to avoid lapses as far as possible by a system of what is known as over-certification.

8275. You would not, I take it, disagree with the evidence that has been given us by practically every railway witness as to the extreme disadvantages of the system, that it does in fact result in great inefficiency and very often great waste of money ?—It does, but it is not solely on the railways. Taking ordinary public works, money may be absolutely squandered in the month of March simply in order to avoid lapses. I took that up when I was Finance Member, and I got the Government of India to issue a series of resolutions absolutely condemning that and saying that every effort would be made to regrant the lapses, and that an engineer having, say, various roads to deal with need not be afraid of a lapse of a few lakhs, because he would get that back the next year. Of course, he would have to give the Finance Department fair notice of the amount of regrant required.

8276. I take it that in the Public Works Department the sums of money involved are small compared with the railways ?—Yes, compared with the railways, but they are pretty large, if you take roads and buildings, and the same applies to a certain extent to irrigation The old system of the Treasury seizing all the lapses is, to my mind, an absolutely vicious one, but, as I say, it has been very much tempered in practice of late years, and I think you could deal with lapses without giving the railways a separate finance.

8277. You remember the Mackay Committee Report, which said it is inherent in the system. As long as the Government of India is responsible for the railways, lapses must occur ?—Lapses must occur. They must occur under any system, unless you are absolutely going to splash your money about recklessly. The question is, what are you going to do with the lapses ?

8278. A balance is one thing. I can have a balance in my bank on the 31st December, and I do not regard that as a serious disadvantage, but if you were going to take it from me on the 1st of January I should regard it as a great disadvantage to have retained it instead of spending it ?—I may say that I have used that illustration myself in times past. My view is that as a rule lapses should automatically be carried on from one year to another.

8279. In other words, they should not be lapses ?—Except that one would have to discriminate a little. Supposing the lapse has simply arisen from the fact that the man who made the estimate was of a rather sanguine temperament, and he found he could not spend it within the year, but that he could spend it the next year, in that case I would continue it automatically. But a lapse may arise from the fact that some particular project has been dropped. That is another matter altogether.

8280. Or it may be that you have granted a crore, and he spends only 9 million rupees. What about the great fluctuations in grants from year to year ?—Undoubtedly it is a disadvantage, but it seems to me inherent in the fact that the financial position of the Government of India, and of any other Government, varies from year to year, as regards the Government of India, perhaps, more that most Governments, because it is so subject to climatic conditions. If you had a cast-iron system by which the railways were able to borrow quite irrespective of the financial situation——

8281. I do not think anybody has ever suggested that. It is impossible to conceive of the railways practically belonging to Government and Government not controlling the borrowing. I do not think anybody can have suggested that ? —Taking that as a fact, if you are going to give a constant railway grant you must do one of two things : you must either put it so low that you are certain to be able to provide for it in the lean years, or, if you put it fairly high as far as prosperous years are concerned, and a lean year comes, what are you going to do ? You may be spending money at the time when general finances are depressed. It seems to me if you had this uniform programme, it would be rather like the sinking fund arrangement here. You remember that in bygone years whenever the Chancellor of the Exchequer was hard up there was a strong temptation, which he often yielded to, to raid the sinking fund.

8282. That is quite true, but is it not fair to say that the effect of the sinking fund was to protect the repayment of the national debt against any Chancellor of the Exchequer, except a specially aggressive one on particular occasions. It did protect it in ordinary years ?—I can remember several instances in which the Chancellor of the Exchequer, being faced with larger expenditure and being unwilling to tax to the full to meet it, got the consent of the House of Commons to raid the sinking fund.

8283. It was a protection to a very considerable extent, although he sometimes broke through it ?—Yes. Take the circumstances such as those of the current financial year, where you were faced with a very heavy deficit, 18 crores or so, involving very heavy increases of taxation, which increases of taxation have now to be voted by a Legislature which contains large unofficial majorities. You can easily conceive circumstances in which the Government would be unwilling to come to the Legislature for extra taxes if they could snaffle a bit of the railway profits.

8284. Profits ? We are talking of capital at the moment ?—I think the same system applies. After all, you have got to pay interest on your borrowings, and if you have large borrowings——

8285. With the very greatest respect, that is what you have not got to do, because the railways always earn their own keep. If you borrow at 5 per cent., they earn 6 per cent. for you. You have not to carry them ?—It does not come

in automatically, sir. Our definition of a productive work is one which will pay its way within 10 years. At the outset you may borrow 1,000,000*l.* for the construction of a new line, and for a year or two——

8286. It is so many years since the Government has constructed any new line that I was not thinking of that. I was thinking merely of the money necessary for the expansion and equipment of existing lines. There is no question that that money is abundantly reproductive to-morrow—in fact the day it is spent?—I would not go as far as that; I would say, especially in the case of new lines, that some time must elapse.

8287. For example, there is the question of the remodelling of station yards, which block the traffic for over a hundred miles of railway; there is no question that from the day money is spent for that purpose it is earning its keep and to spare?—That is so.

8288. And that is the money that has not been found, so that it is not fair to say that the railways are going to be a charge on the Government?—You asked me to confine myself for the present to borrowing. If the railways are to borrow year in and year out a certain amount, you may get a position in which Indian securities are depressed and the Government may at the same time want to borrow for other purposes. I think you may take it that the system of borrowing will be applied more largely in future. Hitherto the borrowing has been for railways, for irrigation, and for what they call non-productive expenditure. The non-productive debt was, before the war, reduced to a very small amount. Now you have got the new capital at Delhi; that is being financed out of loans. It is not very much in itself, but it shows the tendency. There is a very strong demand on the part of the Forestry people to borrow a great deal for the forests, on the ground that it will be really productive expenditure. The other day, in the discussions on the budget in the Indian Legislature, it was proposed to borrow, I think, a certain amount for the construction of telegraph lines. I instance these things to show that as time goes on (and I think you may take it that a democratic Government is always rather more extravagant than a bureaucratic Government) the tendency will be to borrow more and more, and then you will get the railway borrowings competing with other Government borrowings.

8289. Is not that eminently a matter that the Government must decide—how far it can afford a progressive policy at a given moment? But that hardly touches the point, I think. Is there any reason why the money borrowed for railways by the Government and intended for railways should not be reserved for them?—But surely what the Government borrow for railways they spend on the railways. They do not divert it to pay the costs of a frontier war, or anything of that sort. The complaint, as I understand it, is that in the present system the railways have not a sufficient assurance of continuity; that in one year the Government may be ready to borrow so many millions for railways, and in another year they get cold feet and say, "We will borrow so much less." Is not that the real point?

8290. Yes?—I say that although it is most desirable to keep railway resources fairly continuous, you may conceive of cases in which the circumstances of a particular year are very prejudicial to fresh borrowings on a large scale.

8291. But supposing, for the sake of argument, the railways said: "We have a programme; "we want for urgent purposes of improvements "15,000,000*l.* sterling per annum," and the conditions are favourable for floating a considerable loan, not necessarily year by year, but floating it right away. Is there any reason why that should not be done and kept as railway money, subject, of course, to the fact that the Government may, in urgent circumstances, make a raid on it; but it must understand that the money is pledged to the railways, and it is only urgent circumstances that justify a change?—I do not see why that system should not be adopted as at present. I may say that at the beginning of 1914 circumstances were very good in the London money market, and I sent a cable on behalf of the Government of India to the India Office, strongly urging them to borrow more than they required for that year in order to provide for lean years. However, they did not like it.

8292. You have asked how this is to be done. Has your attention been called to the position in Japan, where the same question exactly was raised and has been dealt with?—No, it has not.

8293. I will read to you the statement from the official publication on "Railway Nationalisation in Japan." It begins by saying that in the early days after the nationalisation of the Japanese railways, "any surplus of the total receipts over "the total expenses was surrendered to the "Treasury, instead of being placed at the "disposal of the railways. On the other hand, "all expenses involved on the work of extensions "and improvements were met by the proceeds "of loans or of taxation," that is to say, there was no separation of the budget. "That "accounting system was modified and a new "method was put into force from the fiscal year "1907-08." According to this system "all "money already invested, or to be invested, in "the railways was set apart as railway debt. "The distinction between the capital and the "revenue accounts was clearly established, and "the annual revenue was divided into two parts, "one destined for the payment of interest on the "liabilities and the other for the redemption of "the principal." . . . . "The revision of "1906 placed the net revenue accruing from "railway operation beyond the disposal of the "Treasury, and was undoubtedly a great im-"provement on the superseded system, but it "effected nothing in the way of putting the "railway budget on an independent footing so "far as concerned the financing of railway "extensions and improvements. They were "open, as before, to the influences of the "variable financial situation of the State. The "complete divorcement of the railway budget "from the general account, with a view to "removing this perennial cause of uncertainty "in the continued prosecution of the programme, "was brought about in 1909 by the promulgation "of the railway special account law, which has "continued in force down to this day." Then they summarise the features of the Act of 1909: "Profits are to be devoted to extensions and "improvements, and may be supplemented by "Government loans. The whole of the loans "issued for railway purposes are to be charged "against the railway account, and the railways "are to turn over to the Government the money "required each year for interest and sinking "fund. Temporary advances may be made by "the Treasury if required to meet railway current "expenses." That is what has been carried out

in Japan, because they were impressed with the disadvantages of the mixture?—But that system brings in what you did not want me to treat of just now, the question of railway profits, does it not?

8294. Railway profits? I had not the least intention to stop you on that point?—That seems to me to be the great crux as regards a special water-tight railway scheme.

8295. You agree that it is a possible method?—It is a possible method. There are no questions of principle involved in these matters; they are all matters of expediency, I think, which system is the best in the circumstances of the time.

8296. May we put it in this way: assume the very strongest pressure from the railway side urging the advantages of separation, what would you put on the other side?—I would put this on the other side. "You propose practically to "make yourselves a state within a state. You "are to have your earmarked revenues, and you "may have to get the sanction of the Govern- "ment for borrowing, but the amount to be "borrowed is mainly for you to propose. Any "profit which the State makes from the railways "is to go to the railway department for "development of the railway property."

8297. That is not an essential necessity?—It seems to me that that would meet with very strong criticism in India, because if you had a situation in which the Government were desperately hard up, and it was a question of proposing new taxation, the Legislature might very well say "Why should we vote taxation to "this extent when we have got about 5 crores of "profits from the railways available? Why "should not we use some of them?" I think that is inevitable. Of course, any system that you put up like that would, I take it, if it is to be worth anything, have to be a system under statutory guarantee. An Act would have to be passed by the Indian Legislature, and the authority which has passed the Act can repeal it or modify it. That seems to me a great difficulty.

8298. There are two ways, I think, are there not, of dealing with that. One is that it is quite possible to imagine a system in which, after a certain amount of profits were made, the Government as a Government shared with the railways as a separate department. That is one way. The other way is the way which your successor has adopted, of not getting more money out of railway nett earnings, but of taxing the railway traffic as such?—I was responsible for the beginnings of that. The freight tax was imposed, I think, in 1917. We were in the middle of the war; we had to raise money in one way or the other. Of course, we recognised the economic inexpediency of taxing traffic, but you can raise economic objections to any system. We took what we thought was the best line.

8299. I do not know whether, when you introduced the thin edge of the wedge under urgent circumstances, you expected that it would be driven home four times as deep in times of peace?—No, but that is apt to happen. You produce a small baby and it grows up.

8300. Am I right in thinking that you do not question that a separation could be made?—Yes, but I question the expediency of it.

8301. You do not question, for example, the hardship to the railways of the lapses, and you recognise also the disadvantage of the lean years stopping a programme, because you say you endeavoured to get money raised at a good time in order to bridge over lean years, so that you go that far?—Yes. My point is, practically, as regards lapses and as regards borrowing at favourable times, that you could do all that was really essential without any hard and fast separation of finances.

8302. Do not you think the railways really suffer from having, so to speak, an outside master in the shape of the Finance Member interfering (I do not use the word, of course, in an invidious sense) internally? If the Finance Member said to the railways "Times are bad; you have got to find me some more money," and left it to them to find it, that is one thing; but in fact he does interfere inside the office and says "You must do things in certain ways"?—Do you mean as regards the question of salaries, establishments and so forth?

8303. Yes, that for example?—Taking first the big question, the Finance Member is often talked of as if he were a sort of despot whose decree, just or unjust, had to be obeyed. That is not so at all. If you get any budget question or any important question of policy, on which the Commercial Member, or whoever is running the railways, does not agree with the Finance Member, he can put the matter before the Viceroy, and it goes before the Cabinet. Any questions affecting the coming budget are in any case deliberated upon and decided upon by the Cabinet as a whole. The Finance Department, I should say, has not as much power in India as the Treasury has here. As regards the other matter, the question of establishments, I think it will be generally admitted that you must have some check on departmentalism, which tends always to raise the cost of your establishments. Here you have it, theoretically at any rate, in the shape of the House of Commons. In India you will have it in growing measure through the Indian Legislature. But all this system arose when the Indian Legislature had no look in of any importance and you had to keep some outside control. The Secretary of State consequently imposed very narrow limits on the spending powers as regards individual appointments of the Indian Government. In certain cases he gave them discretion; in others they had to come up to him. But in each case he required that the matter should be examined by the Finance Department as an impartial authority. Obviously, if the Finance Department was able to say "Such and such appointments are very necessary," it carried much more weight than if the Finance Department disagreed.

8304. Clearly, as you have already said, the Secretary of State's interference must drop into the background from the fact that he has handed a great measure of responsibility to the Indian legislatures, and if they approve he must let it go at that, except when it comes to very big questions?—Yes.

8305. I do not know whether I understood you to imply that the finance control or interference, whatever you call it, with the Railway Department becomes less necessary if the Railway Department has to justify itself before the Assembly?—It becomes less necessary from that point of view, but, however democratic a constitution you have, it is always recognised that, as the other departments are primarily interested in spending, you must have a department that is interested in economy. Take the case of England. Although the ultimate control rests with the House of Commons, you have the Treasury exercising a very large amount of control as between

the different departments. The Finance Member, I repeat, is not an autocrat, and his decisions may be challenged. I have known cases in Council in which the Finance Department's objections were finally overruled.

8306. I should think that is quite true, but a delegate of the Finance Department, inside a particular department, is very much of a despot. You cannot get Cabinet control on a question of that kind; he is really a despot?—Take the case of the railways. You have a Railway Accountant-General.

8307. Who is a servant of the Finance Minister?—Who is a servant of the Finance Minister, and I think rightly so, because the Finance Department is responsible for the audit of accounts and for the exhibition of accounts. He is specially responsible to the Secretary of State, that the powers which the Secretary of State delegates to the Government of India, or to some department of the Government of India, are not exceeded. The position of the Railway Accountant-General is that he has got to keep his eye on expenditure and to say in certain cases that, however desirable the expenditure may be, the Railway Board cannot carry it on off their own bat. He says "You must go to the Finance "Department, or, it may be, it will have to go "right up to the Secretary of State." That seems to me to be a very necessary function.

8308. You have given us the analogy of the English departments and the Treasury. The Accountant-General of the Admiralty or the Accountant-General of the War Office is not a servant of the Treasury; he is a member of the staff of the Admiralty or of the War Office?—We had that system in the old Public Works Department, which at that time, as you know, controlled the railways before the present organisation, and it was not found satisfactory. You had it in the Military Department too, and it was felt that these people, being departmental folk, with their allegiance to the department and with their promotion lying with the department, were not sufficiently independent in the matter of audits and objections, and moreover that their views did not carry very great weight with the Finance Department. Take an instance not dealing with railways. In the days when there was a Military Accountant-General under the Military Department, we in the Finance Department did not attach very great value to his opinions in many cases, because we felt they were departmental opinions.

8309. You say that the English system has been changed comparatively recently in India?—I think we took over the Public Works accounts about 1910 or 1911.

(*Secretary.*) Just about then.

8310. (*Chairman.*) In your opinion that is a more efficient system than making people responsible for their own economies and extravagances?—I think so, just as you have a separate auditor for a company's accounts.

8311. But there there is an enormous difference. Nobody questions the right of the Treasury or the Finance Department, as it is in India, to audit. The North-Western Railway employs a staff of accountants who produce the figures for the directors, but the shareholders put in Price Waterhouse to see that they are all right. Nobody questions the right of the Finance Department to audit, but that is another story?—Not quite, because our audit in India is continuous. There are cases every day in which the question comes up: has the Railway Department or the Army Department or any other department you like the power to incur this expenditure? What we hold is that it is much better that the question should be dealt with at once than later on that you should have the Secretary of State coming down on us.

8312. We have wiped out the Secretary of State; we have assumed that he is not going to interfere?—I am speaking of the justification for the original system.

8313. Do you think that the fact that the Secretary of State drops into the background and can only interfere in great matters alters the position very much?—No, because I think the Legislature will insist on a scrutiny of accounts, and you will have certain limits within which the Legislature agrees that the department can act by itself; others in which it requires the sanction of the Government as a whole; others which it will require to come up to itself. Then there is the question of supplementary estimates; you must have a man on the spot who will be able to say "This is not covered by existing budget provisions or by the powers delegated to us."

8314. That is the English Accountant and Auditor-General, who is independent of the Treasury and everybody else and who acts for the House of Commons?—In India we have had the Auditor under the Finance Department as being the most impartial department we could find. But my point is that you must have an authority of that sort. I should deny that the Railway Accountant-General or the Military Accountant-General or the Military Financial Adviser were in the least dictators. If the Accountant General for railways takes a particular view which the Railway Board do not like they can get their member to refer it to the Finance Member. These people are watchdogs and I think very useful watchdogs, but every now and then their master can say "Stop barking."

8315. Let me ask you one question that I omitted to deal with during the earlier part of your evidence. There is a difficulty obviously in raising all the money that is wanted: that is admitted. You could very advantageously spend on the Indian railways money that you are not getting and are not very likely to get. What is your view of that question from the point of view of State management *versus* Company management. Does that make any difference in regard to the ease of raising money?—I think company management would tend to ease the raising of money, because the companies might tap sources which the Government cannot get. For instance, suppose you had a company running the Great Indian Peninsula.

8316. When you speak of a company you mean an Indian company?—Yes, I am postulating an Indian company. If, for instance, the Great Indian Peninsula had a scheme for electrifying their line which appeals strongly to the Bombay public, conceivably they might be able to float a loan for that purpose which the Government would not be able to do from their ordinary borrowing.

8317. On what sort of terms do you think they could raise it?—That is a question which would depend on the state of the market.

8318. Assume a particular figure for a given loan; assume 5 per cent. or 7 per cent., or any other figure; what would the ratio of difference be?—I think you may take it very roughly that the companies might have to pay 1 per cent. more, but it would depend on the circumstances of the day.

8319. That would be for loans. What about share capital?—That raises a very difficult question. Hitherto, the companies have raised money by debentures. I think they have not raised as much as they might have done, or might have been encouraged to raise, but the debenture merely carries a fixed rate of interest and the profits go to the State and the company in fixed proportions I understand you to suggest an idea of what is called a profit-sharing scheme.

8320. No, I am making no suggestions. I am merely asking under what conditions and at what price the Indian companies could raise share capital?—I understood you to mean that, without, of course, committing yourself to any definite opinion, you asked me to say whether money might not be raised by giving a share in the profits. Perhaps I misunderstood you.

8321. Share capital?—I do not think you can have it both ways. Take any company here; the debenture holder gets his fixed rate, and unless the company comes to grief badly he is assured of that. The shareholder may have no dividend at all for a series of years or a very small one. In good years he takes his profit. He runs his risk and takes the profit. The system I have seen discussed is one in which the investor would get a double benefit; he would be guaranteed so much per cent. on the amount he put in and he would also get a share of the profits. It seems to me he cannot have things both ways; he cannot have safety and profits.

8322. That is to say you think the present system of the English companies is worn out?—Yes.

8323. You would not recommend starting it afresh. As we know, the English guaranteed companies have got a guarantee of 3 per cent. or 4 per cent. and a share of the profits, and it does not seem to you that that is a fit system for a new company to adopt?—I am sorry I did not perhaps qualify my statement as I should have done. I was speaking of a system which I have seen described in which they were to get the whole of the profits. It is a question of expediency. I do not see any objection in principle, if you think you can raise the money easier that way, to giving them a fixed rate of interest plus a share of the profits, but obviously if you are going to manage that to advantage you must give them less interest than you would do if they were to get no profits.

8324. Look at it in this way. We may assume that it is something above 7 per cent. under present conditions before anybody would think of looking at share capital; is that not so?—Yes.

8325. Let us take that as a basis. What guarantee would you give for shares? Would it be approaching 7 per cent. or would it be a good deal below it?—There are various ways. You can treat them as shareholders, pure and simple; you can treat them as debenture holders pure and simple, or you can have a mixture.

8326. What I am assuming is this, that you should carry on the existing English system of shareholders with a guarantee and a share of the profits. Assume that the Great Indian Peninsula or the East Indian were to have profit-sharing shareholders with a guarantee also, what guarantee would you give?—That would obviously, I think, have to be fixed with reference to the circumstance of the time. To take the figure you mentioned just now, supposing the current market rate was 7 per cent.——

8327. On an Indian Government loan?—No; I think it would be 6 per cent. on a Government loan.

8328. Then call it 6 per cent.?—Supposing that the Great Indian Peninsula can only raise money independently of the Government by borrowing at 7 per cent., then it would be a question of expediency.

8329. How do you mean, that it is raising it at 7 per cent.?—The Government, *ex hypothesi*, is borrowing considerably in India at 6 per cent. The Great Indian Peninsula say: "Over and "above the amount you may be able to spare "from your 6 per cent. loan, we should like "very much to float a loan on our own."

8330. On the security of what?—Let us say for the moment on the security of the Great Indian Peninsula.

8331. The Great Indian Peninsula's share of the company asset?—On the Great Indian Peninsula's share of the company asset. That is a possibility. I do not think it would be a very good security. You might, like the present railway debentures, have the security of the Government of India, or you might as an intermediate course have the security of the railway, even though the railway is eventually State property.

8332. The Great Indian Peninsula cannot pledge property that does not belong to it; it cannot pledge an asset that belongs to somebody else?—Obviously it cannot, and it would be necessary for the Government to consent that it should do so. I think the Government must for that very reason have the right of sanctioning the companies' loans. Reverting to the question that you asked me just now, supposing the company could borrow at 7 and it was found that it was expedient to do so in order to get some greatly needed improvements carried out you might make it a 7 per cent. debenture, or you might calculate that the investor would get say 3 per cent. out of his share of the profits and make it 4 per cent.

8333. I do not follow. What is the 4 per cent? Is it a guarantee of 4 per cent?—A guarantee of 4 per cent, and then he takes the chance of getting 3 per cent. from the profits. He may get 5; he may get nothing.

8334. This is a profit-sharing proposition; this is not a debenture?—No. I assumed that the person who would ordinarily take it in debentures would do so for 7 per cent. If you think you will attract any more money by making it a bit of a gamble and saying, "We "will guarantee you 4 per cent. with a share in "the profits;" if you think that is going to work there is no reason why it should not be tried.

8335. I want to get the benefit of your great financial experience. Assume, for the sake of argument, Government can borrow at par at 6 per cent.?—Yes.

8336. A Government guarantee of 4 per cent. clearly would not be worth 66⅔, because the guarantee is always worth less than the direct obligation. You agree?—Yes.

8337. So that we may take it that if the Government guaranteed 4 per cent. it would justify the investor in paying 60; you see what I mean?—Yes.

8338. How much prospect of profits will you have to give him to induce him to put in the other 40 of the 100?—That is a matter of actuarial calculation.

8339. What is your idea?—My idea is that you will have to give him at least as much on the average as you would have to give a debenture holder. If you can only attract the debenture holder by 7 per cent., and you were giving 4 per cent. guaranteed to the shareholders, you would have to give him the prospect of making at least 3 per cent. out of his share of the profits and probably a little more, because he would want to be insured against risks.

8340. Is it not a good deal more? Must you not say, "As against 7 per cent. certain if I have got 4 per cent. guaranteed I must have a prospect of 10 per cent. altogether, taking 7 as halfway between 4 and 10?—I said he must get at least 7.

8341. May I put it that he would expect to get a good deal above 7 because he takes the risk of getting a good deal below 7?—That is so, and that I think is the chief objection to the scheme, that the Government or the railway (in India they are ultimately synonymous) will have to pay more by this profit-sharing shareholder scheme than they would by issuing debentures.

8342. Am I making an exaggerated estimate if I say that on the basis of the figures we have taken as samples, you could not expect a man to subscribe for this profit-sharing share unless he had a very good hope that he would get 10 per cent.?—I think so.

8343. Taking the conditions I have mentioned, that the Government could borrow at 6 per cent., do I exaggerate if I say that you will not get the money at par unless the terms are such that the shareholder thinks he can make 10 per cent.?—In the neighbourhood of 10 per cent., at any rate, and I say that is my objection to the scheme.

8344. There is just one other question I want to ask. Take the case of the East Indian Railway; at present the profits given to the shareholders are a vanishing quantity. They get 1 per cent. on everything over 10 lakhs or something of that kind of the net profits. Practically they get no share worth talking about. Clearly you would have to give a larger share. This is what I want to know. The capital of the East Indian is 85 crores or something of that kind; the shares, the deferred annuities are about 9 or 10 crores. The Government of India have always gone on the principle that they have so small a share that they shall not be allowed very much independence in the management. Does that seem to you to have been the right principle to adopt?—I am not sure that I accept the statement that the Government of India exercises a tighter control over the East Indian than it does over the Great Indian Peninsula, for instance.

8345. No, I was not dealing with that. On the average the total investment of the companies in guaranteed shares is about 5 per cent. of the total. The Government has in effect said: "We are not going to let the one-twentieth wag the nineteen-twentieths." Is not that about the position?—I think there is a very natural tendency that way.

8346. I am not disputing it for a moment. In the new Indian company would you allow the one-twentieth to wag the nineteen-twentieths, or would you say, "No, if you have any important "share of the management you must put in a "good deal more than one-twentieth"?—I should aim at their putting in a great deal more than the one-twentieth, and I would safeguard the interests of the Government by having a Government Director.

8347. I would like to be quite sure that you understand the question I am asking. Would you, in one of these new Indian companies, think it necessary that they should have a larger financial percentage of the whole property than the existing guaranteed companies have?—I think it is very desirable that they should. First of all it gives them greater responsibility, and then it means that a greater amount of capital is found by the company.

8348. (*Mr. Hiley.*) What, in your opinion, would be the representation of the Government on a company of that description if it had a preponderating share in the undertaking? How would the Government safeguard their interests?—I think they could quite well safeguard their interests by having one director, with the right, if necessary, to call a stop on some particular matter until the Government had decided it.

8349. He would have the right of veto?—Not an absolute veto, but a right of requiring a reference to the Government.

8350. Supposing he had to refer to the Government and it was thought the proposed action was against the general interests of the country, what right would the Government have over a company of that description?—I think the Government would be entitled to say, "We are "the principal stakeholders, and we consider this "action inexpedient."

8351. And it would veto it?—If necessary.

8352. So that the board domiciled in India would be under State control?—It must be under a certain amount of State control.

8353. In administration?—Even in administration so long as the State provides the greater part of the capital.

8354. I wanted it to be made quite clear that as the State provides the capital it would be able to call the tune?—Yes, but I may say that the Government Director must be a reasonable person. He must not refer anything and everything to the Government, but only some grave question.

8355. Take a question like the efficiency of administration, the efficiency of the agent, surely the Government are very much concerned in that. Would they be able to ask for an agent to be deposed if they considered he was not satisfactory?—I think in the long run they ought to be able to do that, but I think that is a case that would very rarely arise in practice. The things I had in mind were, for instance, some new departure in policy which might involve considerable immediate expense. It might be for the Government to consider whether it was desirable to contract this expense for the sake of profit which they might regard as rather problematical.

8356. There is also the question of the waste caused by an inefficient agent. There are such things as inefficient agents, in fact some very inefficient agents?—I am afraid there are every now and then inefficient people in high places in most departments, and the difficulty is usually to get rid of them.

8357. That is what I want to get at—what power would the Government have to get rid of an inefficient agent where they owned the bulk of the property in an Indian domiciled company?—I think a company has the right, taking present conditions, of getting rid of an inefficient agent, but I do not know that it frequently exercises it. I think in the last resort you might require the Government to have the power to insist on the company exercising its rights. But it would be a very delicate matter. The Government might

say to the company: "We insist on you re-"moving this man. If you do not remove him "we shall not be able to provide you with funds "to the extent we might otherwise do." It is a question of confidence really.

8358. Management through a Board in India is a leap in the dark. You know where you are with a London board. Your proposal in this case is to have an Indian board which will be more or less an experiment to start with. Surely there is some necessity for the Government safeguarding themselves?—I agree, and I think that in the last resort if the agent's inefficiency is flagrant they ought to be able to get rid of him. But I do not think it would very often happen because the inefficient person is very often an amiable person also, and has friends.

8359. That is the danger. If it was not flagrant and obvious I am afraid that if the Government had not power to get rid of him they might suffer very severely?—I can think of half a dozen people who were in fairly high office in my time in India whom I would have removed in the interest of the State if I could have done so, but it is much more easily said than done.

8360. So that the Government need great powers?—I think they must have a power in the background. What I said was that I doubted if the power would be very often exercised, but I think they must have the right, as representing the largest stakeholder, of being able to say in the last resort that A.B. must go.

8361. (*Chairman.*) May I put it in a more general form? I do not know whether you have thought sufficiently about the details to be able to answer the question. Would you give this newly-constituted Indian company the same freedom and the same powers, speaking broadly, as the English guaranteed companies have at present, or would you give them more or give them less?—Speaking generally, I would begin with very much the same powers. Possibly you would be able to learn by experience whether the powers needed revision. I think, for instance, it might be open to the Government to revise the powers every few years.

8362. In the direction of withdrawing the powers on the faith on which the shareholders had subscribed their capital?—I do not think as a matter of fact that the shareholders go very much into the question of the relative powers of Government and the company in regard to the various questions that arise in the management. As a matter of fact, theoretically the Railway Board as representing Government has very considerable powers even now with the companies. My line of criticism against the Railway Board is that they do not exercise them adequately.

8363. It might come to this. You might say: "The Government shall manage. We will "have—shall I call them—profit-sharing deben-"tures. We will allow certain people if they "subscribe their money to have not merely a "6 per cent. interest, but we will allow them to "have a share in the profits, but we will not "allow them to manage." That is a conceivable idea?—If you come to that you might as well have a State-managed line at once.

8364. Is not Mr. Hiley's point how much management are you going to support? What freedom are you, if you continue to be the majority owner, going to allow to the minority to manage your property, or to mismanage it as the case may be?—I think you must give them in practice pretty large powers, because obviously the only justification for their existence is that they can manage at least as well as Government could do it direct.

8365. Take a specific case. The East Indian had a very efficient agent; that very efficient agent has gone away because he says "You do not pay me enough." The company says to the Government, "We want to pay more," and the Government says "No, you shall not." What do you say to that? Is that the sort of thing that a company ought to be allowed to do?—Personally I should give much more latitude to the companies as regards the payment of their staffs than they at present possess, but you have to remember that it reacts on other lines, and among them State-managed lines. If the East Indian Railway, in such a case as you have mentioned, suddenly doubled, let us say, the pay of their manager, obviously great pressure would be put on the Government to follow the precedent elsewhere. I think you must have some maximum amount beyond which the Government should have the right of interference.

8366. Even if for the sake of an odd 1,000 rupees a month you lose a good man?—I think we should take that into account. I had repeated cases when I was Finance Member of heads of other departments pressing on me the necessity for raising the pay of X.Y. because he was indispensable. My general answer was that nobody was really indispensable. In many cases, however, one did take special personal qualifications into account; and if X.Y. was a particularly good man and it was thought that the raising of his pay was expedient to encourage other people and so on, and to prevent X.Y. going, I agreed to it. You have to consider all the pros and cons.

8367. But you leave the decision not to the company but to the Government?—Beyond a certain amount.

8368. You would give them more freedom than they have at present, but you would not give them full freedom?—Yes.

8369. (*Mr. Hiley.*) In giving the contracts to the East Indian Railway and the Great Indian Peninsula you had a term of 30 years in your mind?—Yes.

8370. Would you not insert a clause in the contract giving the Government the option to resume at any time on terms mentioned?—I think you might very well have that, but it is a question whether the companies would be so willing to come forward and furnish capital if they knew they might be wiped off at the end of 10 years, say.

8371. Of course, it would be on terms which would be equitable?—Yes, but whenever we have acquired company's rights there has generally been friction over claims.

8372. The absence of a clause of that sort has been rather marked in the case of the British companies; there is no such clause, and it has been commented on. It seems a justifiable safeguard. In this case the proposal you made was that the East Indian Railway and the Great Indian Peninsula should become Indian domiciled companies with only a proportional interest in the undertaking. The Indian Government has two great responsibilities, one as a big shareholder and the other as safeguarding the interests of the Indian public, but in every case apparently you are prepared to leave administration to the Indian board without any chance of taking it over again if it is unsuccessful and with very little power of interference?—I think the exist-

ing contracts do provide for the management of the line being kept up to the satisfaction of Government. The Government has a right to compel the company, if the case arises, to put their line into better order. The further point you mentioned, the question of giving a company, let us say, a 30 year contract, but of saying that at the end of 10 years or so the Government may resume it, is quite a debatable point. Theoretically, I quite agree with what you say, that it is desirable for the Government to have the power. I do not think myself it would usually be exercised. On the other hand you have to face the fact that it might deter the companies from getting fresh capital.

8373. With regard to the Indian Civil Service, one of the disadvantages that has been most impressed upon us in regard to State management is that of necessity promotion will be by seniority, and not by merit. The Indian Civil Service is, of course, a State-managed concern?—Yes.

8374. I take it that the Indian Civil Service is an efficient body?—I hope so.

8375. I take that for granted. Has the allegation ever been made that promotion in the Indian Civil Service is by seniority and not by merit?—The criticism is constantly made, and I think it is inevitable in any department that people tend to gravitate to the top by seniority. I was a member of the Indian Royal Commission on Decentralisation, which laid stress on the fact that seniority should be less regarded, and very much disregarded right at the top. We proposed that when a man who had begun as a junior civilian was not deemed fit for promotion as a Collector or District Judge, which is the normal next stage, not only should he not be promoted, but he should be got rid of, on the principle that it was no use keeping him on as a discontented subordinate. We proposed that the Government should be able to say to him: "Here is a pension "proportionate to the amount of your service; "now you must go." Those recommendations were accepted, and they have been acted upon on occasion.

8376. Do you think the method of selection in the Indian Civil Service is satisfactory?—I think so. I should like myself to see merit as opposed to seniority more adequately recognised, but then you have got the other danger of jobbery disguised as merit.

8377. You do not think it would be disastrous if the selection was made on the State-managed railway as it is in the Indian Civil Service?—I think the selection ought to be more rigorous, because, after all, the Indian Civil Service men and the men in cognate departments have got to work under fixed rules largely, and they are more on a level, but when you get a quasi commercial concern like a railway you have very much greater differences. A. may be quite as good as B. for ordinary office work, but he may be infinitely inferior as a traffic manager.

8378. The differences show themselves at once?—Yes.

8379. You do not regard the question of selection on a State railway or the lack of selection as a serious disadvantage?—I should like to see, in the State railways, people more rigorously passed over and the really good men encouraged. The great danger in any bureaucratic system, if you adhere too much to seniority, is not merely the promotion of mediocre men, but that even a good man does not get to the top until he has lost a great deal of his energy. You have constant cases of men who had been very good, who would have done admirably a few years before, but once they have got to the top they are too old and not sufficiently energetic. One wants to avoid that as far as possible.

8380. Do you think it can be avoided?—I think it can to a certain extent, but there is, as I said just now, the great peril of jobbery—that so and so is put in on the principle that he is a regular swan, but as a matter of fact for less creditable reasons.

8381. We have seen that in company-managed undertakings as well, have not we?—Quite.

8382. With regard to the Great Indian Peninsula Indian domiciled company that you suggested, you mentioned that they might be able to raise money for an electrification scheme in Bombay, because the Bombay people would be interested in it?—Yes.

8383. If you earmarked a Government loan purely for electrification in the Bombay area, you would get the Bombay people interested in the same way, would you not?—It would be more difficult to split up the Government loan. Of course, Bombay and Calcutta are in any case the great markets for Government loans. I rather deprecate earmarking any portion of a Government general loan for any specific purpose. If you want a specific purpose loan I think it best to float it separately.

8384. But you could float a separate Government loan earmarked for any particular purpose like electrification in Bombay?—Supposing you did, one or two things might happen. You might get more favourable terms by reason of the local patriotism than you get for your ordinary loan. At once you would have criticism as to the financial rates that you were paying for the ordinary loan. It might be a frost on the other hand, and you might have to pay more.

8385. It would not be a frost if the private loan were Government guaranteed, and the Government loan ought to be as attractive as the private loan for the same purpose?—What I meant was that if what you may call the private loan is not a success it does not affect the general borrowing prestige of the Government of India. If a Government loan, floated as such, is not a success, it does.

8386. (*Mr. Purshotamdas.*) You said that in 1917 you agreed to this compromise of an Indian domiciled company for the East Indian Railway?—Yes.

8387. In view of the political changes that have come about under the Reform Scheme, would you still adhere to the compromise in spite of Indian public opinion?—Obviously, in the present circumstances, the Indian legislature must be the determining body. If they said "We are all for State managed lines" there is an end of the question. One might, however, suggest to them, "Try this new method. It is an interesting "experiment, and we hope thereby to get more "money for railway purposes;" and it is possible they might agree to it as an experiment.

8388. Knowing Indian public opinion as far as it has been ascertained on the platform and in the press, one is inclined to think that the Indian Legislative Assembly would be in favour of recommending all railways to be State managed lines?—That is taking the Indian Legislature as it was before the Reform Scheme, but what has struck me greatly in the working out of the new Councils, both Imperial and Provincial, is the way that they have risen to their responsibilities. When a man feels that he is responsible for a

decision yes or no, he is much more chary of working according to some theoretical opinions than when he was a mere critic of Government and knew that the decision would be with Government.

8389. You think that they might, with the responsibility, now modify their opinion regarding State management?—I think so. I will give you a little instance which has nothing to do with railways, but it shows the change of attitude. In the old days the non-official members of the Indian Legislative Council used to fulminate against having an autumn legislative session at Simla. As a matter of fact many of them rather liked the Simla trip, but they knew that the Government would stick to Simla whatever they said. This year the Government said: "Sit in "Delhi if you please. We will accept your "decision, whatever it is"—and, after considering the pros and cons, they voted by a considerable majority in favour of going to Simla. I merely instance that.

8390. Referring to the powers of the Legislative Assembly under the new scheme, if the final control is to be with Government, and, therefore, presumably, with the Legislative Assembly, do you apprehend that there may be constant clashes between the Indian company and the Assembly if the Indian company was making more than, say, 2 per cent. or 3 per cent. above what was normally expected under the surplus division of profits scheme?—You mean that the Assembly might become restive?

8391. It might say: "You must reduce the rates or increase the facilities." Do not you apprehend constant clashes between the Assembly and the company?—There might be clashes, and, as the Chairman said a little time ago, any Government, even in a land which is entirely given up to private railway companies, must have the right of controlling the fares. Possibly, in the case you mention, the Assembly might say: "You are making so much that you can reduce your fares."

8392. So that the company management would not have a smooth pathway if the profits exceeded anything like what was normally expected when the lower guarantee was accepted by the company?—There would be criticism, but supposing it was State managed there would also be criticism. It would be said: "You are "making so much profit that you ought to "provide better facilities for third-class passengers "and more frequent trains." There will always be that.

8393. If the country's budget can afford it, they will do so. If not, Government will say: "If you are agreeable to more taxation, we will give it to you." But in that case there would be no money going away from the people of the country; here it goes to the private shareholder?—But under the proposed system the private shareholders will be mainly Indian?

8394. Whether Indian or European. It goes into the Treasury instead of into private pockets?—A certain number may take up that line, but my experience in India was that a great deal of the criticism against company management arose from the idea that large profits were being made by British interests.

8395. Because there was no Indian company. I think you said you would make an experiment with the East Indian Railway and the Great Indian Peninsula for, say, 30 years, and see how that worked?—Yes.

8396. What do you think of making further experiments along the lines of State management, because the other lines do not fall due for another 10 years? If you make an experiment on the lines of company management on those two lines, you commit the Government of India for the next 30 years. If you make an experiment in the direction of State management, it would always be possible for the Government of India and for the Indian Legislature to say, whenever they find it necessary, that they will hand them over to private companies. Which of the two has less risk?—You cannot talk of a new experiment in State management, because you have already had State management for a great number of years. It would be merely a case of extending the application of the State management principle to another line. You have not had the system that we are discussing—the system of companies domiciled in India and under the direct control of the Indian Government. You have not had it before, and it seems to me an experiment worth trying.

8397. The handicap of that experiment is that it will commit the Government of India for the next 30 years, or something like that. Does not that weigh with you as a handicap?—It is a matter of expediency. If everybody is agreed on State management, try State management; but, as I said a little time ago, one rather wants to give the people who are in favour of company management a chance. I merely mentioned that the Great Indian Peninsula and the East Indian Railway could both be put under companies. It is a pure question of expediency. You might conceivably put one under a company and one under the State.

8398. I desire now to ask you one or two questions on the replies that have been received from the Director-General of Stores to some questions that were put to him. I think you said you had not seen them. Would you rather I did not ask you any questions about the matter now, and that I should send them later on by letter?—I understand you have received replies from my Director-General of Stores. If you are not satisfied on any point, and will ask me, I will endeavour to answer you, but his technical knowledge on the subject is far greater than mine.

8399. I do not propose to ask you any questions on the technical side at all. I will read out the question in order that the Committee may know what it was. Question No. 3 was: "Are "tenders for supplies from foreign countries "freely invited and received, and, if so, will the "Director-General kindly state the number of "foreign tenders received during the periods "1912–13, 1913–14 and 1919–20?" The reply is: "The usual method of inviting tenders from "foreign countries is by advertising the require-"ments. This is done whenever it is thought "that the requirements are such as to attract "foreign competition. Thirty-nine foreign ten-"ders were received during 1919–20. The "numbers for 1912–13 and 1913–14 are not "available." Who exercises the discretion as to whether "the requirements are such as to attract foreign competition" or not?—The Director-General of Stores.

8400. What guides him in his decision?—The past. He would look up to see what foreign companies in the past had offered for like requirements.

8401. Whether stores of that nature can be obtained in foreign countries or not—is that what

would guide him?—Either that they cannot be obtained in foreign countries, or that for a series of years, let us say, Canada did not send in any tenders. Then he might reasonably conclude that it was not any particular use advertising the requirements in Canada. Another point you have to bear in mind is that very often he is asked to get stores urgently, and to advertise in foreign papers necessarily means a little delay.

8402. In reply to No. 5 two examples are given. The answer says: "In a few instances "foreign tenders from 30 per cent. to 50 per cent. "lower than British tenders have been received, "and have been dealt with in accordance with "the policy indicated in the answer to Question 4. "One or two recent examples are given below:—

"Rails:—Foreign price 10*l.* 10*s.*

"„ British price 17*l.*, subsequently re-

"duced to £11 10*s.*

"Wheels and Axles:—Foreign price, 45*l.*

"„ „ British price, 83*l.* 15*s.*,

"subsequently reduced to 67*l.*"

Is it possible that what happened in those two cases of rails and wheels and axles may have happened in the case of other materials in regard to which the Director-General of Stores exercises his discretion? You see, the difference is enormous?—I explained at the outset to the Chairman the policy which I have laid down in respect to foreign tenders. This case of wheels and axles I know about personally. The 45*l.* was a German price. The original British tender was nearly 84*l.* In accordance with the policy I indicated to the Chairman, the German price was communicated to the company which offered it and they were asked whether they could reduce. They said they could reduce to 67*l.* I said that was not enough, but that I was willing, as a special case, to give them the tender at 55*l.*, having regard to the fact that they had done very good work for us in the past, and that they might be supplying us with wagons later on for debentures instead of for cash. They are still thinking over the offer; I gave them time to consider it. The foreign price for the rails was 10 guineas, and, in the first instance, the British price was 17*l.* It was subsequently reduced to 11*l.* 10*s.* I imagine that the reduced British price was accepted.

8403. (*Mr. Purshotamdas.*) I should like to put this question arising out of the answer you have just given. If you call for tenders and if, instead of giving the order to the lowest tenderer, you send for the next lowest competitor and tell him you have got a lower tender, does it not discourage the lowest tenderer from tendering again? Will he not say: "Our tender is only "called for in order to get the others to reduce "their prices." There is not what is called in ordinary business (I do not at all mean it is so in this case) fair tender facilities available to all. Does it strike you that, by the adoption of this method, the foreign tenderer may absolutely cease to tender at all?—Your criticism would be absolutely just in normal times. One would not think of adopting this system in normal times, but we have to face a very abnormal situation in which the Germans, thanks to the exchange position and to their necessity of having to pay a huge amount of reparations, are putting up what you may call an artificial price. We do not want to see the British firms ruined by German artificial prices; the result would probably be that you might get a German monopoly. On the other hand, as I said to the Chairman, it would not be legitimate to use the Indian taxpayer to any material extent to subsidise British firms, so I have adopted a medium position—a moderate amount of preference to British firms which will only last while the present abnormal economic situation continues.

8404. I take it that this policy did not prevail before the war, and that it will stop in the near future as soon as the other circumstances to which you have referred adjust themselves?—I was not responsible for the administration of the Stores Department before the war; I have become responsible only lately. I understand that before the war they went on the general principle of going to the cheapest market, and hereafter (in normal conditions) they will do the same. Of course you must take it that in certain cases, as I explained to the Chairman, time is of the essence of the demand, and foreign people may not be able to supply within the requisite time.

8405. There is one more question I want to ask, and I am afraid it is rather personal to you. I only ask it because I am sure you have a very full explanation of it, but if you do not like to answer it I will not press it. In the evidence of the various directors of the London boards, and of some of the administrations in India, we were told that during the war period money which under ordinary circumstances would have been available for renewals on the railways was not spent because the necessary stores were not available. But the money was not set aside. If I mistake not, I think that one of the directors said that they asked to be allowed to do so, but the Government of India refused to allow it. In any ordinary commercial concern that would be considered bad policy. Would you like to express any opinion on that?—Are you speaking of capital or revenue?

(*Mr. Purshotamdas.*) I think it was mostly revenue.

8406. (*Chairman.*) Revenue renewals?—Of course, as you recognise, the position during the war was abnormal. We were perfectly willing to give money; in fact, during the war we gave all the money that the Railway Department thought they could profitably spend. But the circumstances were such that they could not spend nearly as much as might have been desirable on the railways. If we had simply banked up the balance I do not think it would have been profitable business. We were, as I think you know, in great difficulties in many ways; we were at one time threatened with inconvertibility, for example, and it would have been a very undesirable policy, to my mind, to have put aside this money for the possibility of future expenditure. In fact, if I had started that policy I am pretty sure I should have been obliged to raid my own nest egg. But, as perhaps you may remember, before leaving India I put aside, in consideration of the fact that the railways had necessarily been starved during the war, a special sum of 20 millions, which I hoped my successor would apply mainly for railway development purposes.

8407. Forgive me, for unspent railway revenue purposes, not development purposes. It was revenue that ought to have been spent as a working expense, and was not. It was not development?—I will not quarrel about terms.

8408. It is a very real distinction?—Call it railway renewal purposes, but unfortunately, owing to the exchange troubles, that 20 millions got raided. But that did not happen in my time.

8409. May I call your attention to the effect which has been produced? That money was,

quite properly and naturally, taken for war purposes, but it will now be replaced by a loan. Now, that loan ought to be called a war loan; but it will be debited on the railway capital. You see what I mean. Whatever the sum be, 15 millions or something of that kind, which was improperly, from the accountancy point of view, taken from the railway revenue, you now replace it with a loan, and you call the loan a railway loan. It is not that; it is a war loan?—I should be inclined to demur to the term "improperly."

8410. I said from the accountancy point of view. Obviously it is a thing anybody would do. I only mean that the money was urgently required to replace worn out rails, and from the accountancy point of view you had no right to declare a dividend until you had replaced the rails. You did declare a dividend; you did devote the money to war purposes, all of which is perfectly proper under the circumstances, but when you have got to replace it the loan ought not to be debited against the railways, because the railways find their own money?—Our loans are theoretically for general purposes.

8411. Forgive me; you distinguish in your books between productive and non-productive capital?—That is so.

8412. The 15 millions will be called an addition to the railway capital. It is not. It is a refund from the Government to the railways of money they annexed during the war?—I am not sure that I would like to put it quite in that way.

8413. Is it not right? Do you dispute it?—I agree if you take the absolute theory. On the other hand, I think you may say that no doubt this money would have been applied, if we could have done it, to railway renewals. Unfortunately we were not able to do it, and the money was diverted to general purposes. We now have to borrow. I can give you a case of a company which similarly was not able to spend all the money it wanted for renewals during the war, and now proposes to borrow.

8414. I think they will have a difficulty with their accountants. Is it not clear that if your railways stand in the books as of a capital value of 400 millions at this moment, and if you raise another 15 millions of railway loan, you are bound to devote that to capital purposes?—I do not think we are, necessarily. We charged the construction of New Delhi to capital, for instance.

8415. Certainly; that is an addition to the assets of India, but this is not an addition?—From the purist point of view you may argue that it is merely replacements and not additions, but in certain circumstances I think you are justified in borrowing, even for replacement. If you are desperately hard up, you can conceive a situation in which you may do that; just as it is bad finance, theoretically, to borrow for a frontier war, but you may have to do it.

8416. That is all right, but this thing is supposed to be of a commercial nature. You would not argue, surely, that any company was authorised to borrow to renew rails that were worn out through traffic?—I have been assuming hitherto that you speak with authority on the point. I do not know myself the precise objects that this 15 millions is to be applied to. Do you refer to the railway programme of this year?

8417. Yes?—But surely that is for capital purposes, apart from the revenue account?

(*Chairman.*) Forgive me. The only way you can now replace this large sum that was abstracted from the revenue is by borrowing, and you will show it as a railway borrowing, and it is not. That is the only point. I am not disputing that it is right that you should borrow; what I am disputing is that you have no right to call it a railway loan for capital purposes.

(*Sir Arthur Anderson.*) Is it not the fact that these deferred renewals are now being replaced at the cost of revenue?

(*Chairman.*) Not as far as I know.

8418. (*Sir Arthur Anderson.*) I think it is?—That was my impression, certainly.

(*Mr. Tuke.*) I hardly think that is so.

(*Chairman.*) I wish you could show us the evidence of it. Thank you very much, Sir William, for your evidence.

(The witness withdrew.)

SIXTY-FOURTH DAY (LONDON).

Friday, 10th June 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

SIR A. R. ANDERSON, KT., C.I.E., C.B.E.
SIR H. P. BURT, K.C.I.E., C.B.E.
SIR G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
SIR H. LEDGARD.
SIR R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The HON. MR. V. S. SRINIVASA SASTRI.
MR. J. TUKE.

MR. T. RYAN, C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

SIR JOHN PRESCOTT HEWETT, G.C.S.I., K.B.E., C.S.I., called and examined.

See Written Statement No. 88, Vol. IV.

8419. (*Chairman.*) You were Commerce Member of the Government of India in 1910, was it?—No, I was the first Member appointed when the Railway Board was originally instituted. I left on the last day of 1906.

8420. Were you Commerce Member or Public Works Member?—Commerce Member. The railways were taken away from the Public Works Department and made over to the Railway Board under the Commerce and Industry Department at the beginning of 1905.

8421. When did you leave?—I left it on the 31st December 1906.

8422. When you became Lieutenant-Governor of the United Provinces?—Yes.

8423. I think you were going to tell us in the first place about your experience there, and then you were going to tell us what your views

are on the subject of the influence of railways on general development. May I first take you to the document which you have been good enough to hand in and which relates to the correspondence dated 1912, when you were still Lieutenant-Governor of the United Provinces, with reference to congestion on the Rohilkhand and Kumaon Railway, the Oudh and Rohilkhand Railway, the Bengal and North-Western Railway, and the East Indian Railway, with which you were concerned in the United Provinces?—Yes.

8424. Will you tell us in your own words what it came to?—Speaking generally, it came to this. The Province had an enormous amount of produce that year—grain, sugar and various other kinds of produce—which could not be exported, mainly, I think, because the broad gauge lines could not take it off the narrow gauge lines, and also, with regard to the sugar, because the narrow gauge lines could not take it to Rajputana. I went round myself and I saw at the stations an enormous amount of sugar rotting because it could not be carried away.

8425. Without asking you about them in detail, in order to save your time, may we use these official papers, in which we have particulars about the blocks at particular stations? We may take it as your evidence to-day?—Yes. May I just mention, in dealing with this subject, that I have recently been to the United Provinces, and the same thing is going on now?

8426. That is the broad question I was going to put to you. It is commonly agreed that the state of affairs is worse now, but your evidence goes back to pre-war days. The condition of things that you found then was that there was special congestion in transferring from narrow gauge to broad gauge; but it was not that only. Broadly speaking, the machine was inadequate for the work it was expected to turn out?—Yes.

8427. That is the broad position, I think?—Yes. My feeling on the general question was that when Lord Inchcape's Committee in 1907 or 1908 fixed £12½ million as the amount which ought to be annually spent on the railways, that was the money required at that particular moment, and that every year after that more was demanded. But they never got the £12½ million, except, I believe, on one occasion.

8428. I think they nearly got it on one occasion. I do not know whether your attention has been called to this point. My attention was called to it quite recently. Broadly speaking, the year 1900 marks the time when the railways ceased to draw on the general revenue?—Yes.

8429. From 1900 to 1908, I think probably every year, certainly most years, showed a small surplus?—Yes, and a surplus that was beginning to grow.

8430. I do not know whether your attention has been called to it, but from after the Mackay Committee had reported, dealing with the circumstances of the past, where there was an average surplus of one crore, or something of that kind, the surpluses got very much bigger, and yet the railways never even got the £12½ million which the Mackay Committee considered reasonable under the circumstances as they were up to 1907?—That is so.

8431. I will put it to you in this way. If the evidence, as it existed up to 1907, justified £12½ million, the subsequent years ought to have justified not less but more than £12½ million?—Yes.

8432. You would agree?—Yes, certainly.

8433. And, as we know, £12½ million means £25 million to-day at least?—Yes.

8434. Do you wish to say any more on that point?—I should only like to say that during the course of my visit to India I was again on the narrow-gauge railway leading out from Kumaon.

8435. This year?—Yes. I was on the narrow-gauge railway leading out from Kumaon near Ramnagar, which is at the foot of the hills, and is the terminus of the line, and collected around the station was what the Commissioner told me were 12 lakhs of rupees' worth of timber which could not be exported.

8436. Which station did you say it was?—Ramnagar.

8437. We had evidence that they asked for 300 trucks and they got 40, and that sort of thing. I know you were in India last year. Can you tell us anything else from your experience last year?—Generally, do you mean?

8438. Yes, generally in regard to railways?—I could not help being rather impressed by the fact that there was an enormous scarcity of wagons.

8439. Were you impressed with the great growth of local industries and the development of the country from a commercial point of view?—Certainly.

8440. I do not know how long it was since you were there before?—I was there in 1916, but one cannot go there one year after another without noticing how the country has reached the stage when it is rapidly developing and demanding more and more railway facilities.

8441. We will take it, then, that this document is put in as part of your evidence. There are some very pointed statements about "ghur" and things of that kind in it. Now, if I may turn to another subject, I think you have very definite views as to the importance of railways as increasing the taxable value of India, if I may put it in that way—the reaction of railway development on settlement land revenue, and so on?—Yes. I think that inevitably the introduction of a railway into a district must tend to an increase and a growth of land revenue.

8442. We have got a certain amount of what I may call semi-statistical evidence: "The "revenue of a particular place has increased "from so much to so much, and, knowing all "the local circumstances, I am inclined to attri-"bute 20 per cent. or 50 per cent. of that to "railway communication." We have got a certain amount of that kind of evidence. Can you tell us anything of that nature?—I cannot tell you anything very tangible. I think I wrote to you to say that I thought the man who would be more likely to give more reliable evidence on the point than anybody else was Mr. Stewart, who had been Settlement Officer at Gorakhpur, where there has been a great development of the narrow-gauge railway, and also great increases of land under cultivation.

8443. He did give us some valuable answers?—His answers would be much more valuable than anything I could tell you.

8444. If I may say so, your opinion is worth a very great deal as the result of a long experience. Sir Reginald Craddock sent a communication to the Committee in which he said: "Instead of "trying to take revenue of the railways and "devote it to sanitation and education, if "you will only build up the railways you will "produce a much larger revenue, which can then "be applied"?—I agree.

8445. You agree that is the right end at which to tackle it—to develop the country and make it able to bear taxation for purposes like sanitation?—Yes.

8446. You agree entirely with that point of view?—Yes.

8447. That is the result of very large experience?—That is my opinion after being 35 years in India. There is another subject which I think you wanted to ask me about, with regard to Mr. Harvey.

8448. Yes. Can anybody trace that further?—May I give my statement of what happened? Mr. Harvey, who I think was probably well known to some of the members of the Committee, was a very distinguished gentleman who was Secretary of the Commerce and Industry Department. When I was appointed he and I had to work together, and also to work with the Railway Board as originally constituted. We had many talks on this question of railway finance, because what appeared to us to be the case was that the Finance Department was strangling railway enterprise in India. We discussed among ourselves two possible means of freeing the railways to a certain extent from the Finance Department. One was that a large loan, say 100,000,000*l.*, should be raised for the purpose of expenditure on railways only. The other was that an account should be made of the profit and loss on railways, and from the date on which railways began to pay more than the interest on the sums raised to construct them they should be given a credit of the balance of earnings in excess of the amount requisite to pay interest. We admitted that you must go into the account during the period of loss and pay back to the general revenues what had been lost during that time. We had not got very far in the discussion of that before I left. When I left a former Secretary of the Finance Department succeeded me as Member of Commerce and Industry.

8449. That was Mr. Harvey?—No, that was Mr. Finlay. So that the conditions were not very favourable at that moment for Mr. Harvey to proceed with his inquiry, and he postponed it until he, in due course, succeeded Mr. Finlay. I have only this from a verbal communication with Mr. Harvey. The last time I saw him, which was at Lucknow, he told me he had prepared this memorandum.

8450. Could you give us the date of that?—It was either 1908 or 1909. He said he had prepared this memorandum in which he made this claim, and that it had been turned down by the financial authorities. That is the end of that.

8451. You do not know whether that went before the full Council or not?—I am perfectly certain, from what Mr. Harvey said to me, that it did not go before the full Council.

8452. He did not think he was big enough to fight the Finance Department?—I am not sure whether he did. He could have taken it to the Viceroy and asked that the thing should be circulated and put before the Council, but he did not.

8453. (*Mr. Purshotamdas.*) Unfortunately Mr. Harvey did not live to be Commerce Member?—He was Commerce Member. He died on the way home. He was then Commerce Member. I have no doubt that if he had lived he would have attacked the question again, because he felt very strongly about it.

8454. (*Chairman.*) I do not gather that you went as far as an absolute separation of the budget. You only went, as it were, to the length of an annex to the budget?—My idea was to do very much what they do in South Africa, where I went after I left India. I studied the question there. My idea was that you should take all your railway profits after you had paid for your interest on the capital invested, and devote them either to increasing the railway facilities or to reducing the cost of the existing facilities.

8455. If you are speaking of the present South African practice, that is of course an absolute separation of the budget. The railway budget is introduced into Parliament by the Railway Minister and not by the Finance Minister?—I did not go into that detail.

8456. But that was your own idea?—That was and is my idea.

8457. We have been told by more than one official witness that they do not see how it is going to be done. You have already said they have succeeded in doing it in South Africa, and we know they do it in other countries. You know intimately the procedure of the Government of India; do you see any administrative difficulties in its being so done?—Is there any greater difficulty in having a railway budget of that kind, when the amount comes from the administration of a particular department having a separate budget then, than for the Commerce and Industry Department to introduce its departmental budget arranged for by taking a portion of the cash out of the general financial purse? I do not see where the technical difficulty comes in.

8458. I frankly do not, and none of the official witnesses have made me see where it does. It is when the gentlemen who have the charge of it say: "We do not see how it can be done" that one wants to know what the difficulties are?—I might suggest as an explanation that why they do not see how it can be done is that the Finance Department do not want to relax its control over the railways, and to abandon the use of railway revenue for general purposes. If I might say so—I do not want to say anything against the working of the Railway Board and the Commerce and Industry Department in connection with railways—the whole arrangement was doomed to be a failure from the beginning, because the Finance Department insisted upon exercising such a very strict control over us. First of all it was a question of money; we did not get enough money. When we did get our money we were not allowed to use it. If the Railway Board wanted to get a scheme sanctioned on a particular railway, it had to go to the Finance Department. What should the Finance Department have to do with the details of a project, provided it can be paid for out of the budget? That is how it struck me.

8459. I may say for my own part that that is exactly how it has been striking me all the way along. I think I may say from the evidence that they have not merely implied that they like to keep control—that is very natural—but they have also gone on to say that there are administrative difficulties that seem to them insuperable. I do not think they have defined them?—I was with the Government of India for 18 years and such difficulties never presented themselves to me.

8460. And you do not see where they would occur if the thing was separated?—No, and I can claim, as having been Home Secretary for eight years, responsible in those days even more than now for looking after the constitutional position, that there is nothing to my mind in the

rules of business and procedure which would in any way interfere with it.

8461. You naturally understand that a department always dislikes surrendering its powers?—Certainly.

8462. I think the Committee have a rather strong feeling that the railways are big enough to be represented by a person who is called and is in fact Minister of Railways, and who is not merely Member for Commerce and Industry and Railways. What is your view about that?—I think it is very likely. You must remember that I have not been in close touch with the Government of India for 16 years.

8463. Let me put it in this way to you. Does the fact that the Member for Commerce is primarily Member for Commerce and works it as an ordinary department of the Secretary, as compared with the fact that in the Railway Department there is a semi-independent body, called the Railway Board, tend, in your view, to the commerce side rather than to the railway side?—You now compel me to go back to the history of the starting of the Commerce and Industry Department. When the Commerce and Industry Department was started, Lord Curzon in appointing me told me that I must not be bound down by the ordinary departmental arrangements that other members had to be bound by, and I endeavoured to follow that ruling; but, when I left, other departments of the Government of India combined to push on to the Commerce and Industry Department an extraordinary amount of work that it should never have been called upon to do—excise, for instance. This subject was before the change under the Finance Department. In time the Commerce and Industry Member became a regular office drudge. I cannot say, but I can feel this—that during the time of the last two Members of Commerce and Industry, Sir William Clarke and Sir George Barnes, it was very probable that the general work of the department was so heavy that it would not give them proper time to attend to railway business.

8464. You did not deal with my point, which was not merely that he was overwhelmed by the commerce side, but that there was a difference in organisation. Whereas the member deals directly with commerce, he only deals indirectly with railways. Do you think that makes any difference?—No. I should like to say, if I may do so without offending any railway official, that my experience was that the railway officials did not always know about commerce.

8465. My point is that the Commerce Member did not know about railways?—I agree with that too. He could not know about the details of them, certainly.

8466. It seemed to me that the fact of interposing the Railway Board tended to make him regard the railways rather as a step-child?—I did not experience that feeling. Your original question was whether I thought it would be desirable that there should be a Railway Minister. My answer to that is that when I was in the Government of India it did not appear to me at that time that it was necessary that there should be one, but I have not been in the Government of India for 16 years, and I think it is very probable that the time has now arrived when there should be one.

8467. May I ask you about another matter? The Railway Board is and must broadly remain at headquarters. We have been told in all sorts of ways and by all sorts of witnesses all over India that they are not in touch with local requirements, and it has been pressed upon us that in some shape or form there should be local Advisory Councils who should be in a position to represent not public grievances merely but public requirements. Have you any views on that?—Would they be authorities who would be communicating by letter to the Railway Board?

8468. No. There would be, we will suppose, one person nominated by the Local Government, one person nominated by the Chamber of Commerce, or two people nominated, and so on, and they would meet at intervals and be able to bring up any subjects which they thought the agent ought to consider, or, on the other hand, the agent might bring subjects forward on which he desired to get public opinion?—I think the agents of the railways would welcome that sort of thing. I do not see why the Railway Board should resent it.

8469. I do not think it is a question of the Railway Board resenting it at all; I do not think that is the suggestion. I wanted to know whether you thought that was a useful thing?—Yes. I should think from the point of view of assistance to the agents and improvement of the railways it would be a very useful thing.

8470. I do not know whether you have any feeling on the subject that you had no sort of means of communication, as Lieutenant-Governor of the United Provinces, with the local railways?—I should not like to say I had not, because I was on very good terms both with the manager of the Oudh and Rohilkhand and with the manager of the Bengal and North Western Railway, which is the chief of, if I may so describe them, local railways. The latter was an honorary A.D.C. of mine, and I have often had many talks with him on railway matters.

8471. They were of course unofficial?—Purely unofficial.

8472. You had no official communications, so to speak?—I could write to these railway companies if I wanted to.

8473. But you had, so to speak, nobody attached to them in any way—nobody whose business it was to be a formal channel of communication?—No, certainly not.

8474. Do you think that would be a useful thing for a Local Government—to have a representative? Some of the Local Governments have formed Boards of Communications?—Yes.

8475. Do you think it would be a useful thing to have a liaison, either through that Board of Communications or in some other way between the Local Government and the local railways?—Yes, I do. Take that case of 1912, of which you are taking notice. What was the result of my original representation? The Railway Board collected all the heads of the railways—among whom was Sir Henry Burt—at Delhi to consider the matter. If they had come to where I was, Lucknow, to consider the matter, I could have gone there and seen them and spoken to them. They had only my letter. It would have been more advantageous, I think, if they could have got hold of me.

8476. In other words, you did informally what you did, and it might have been an advantage if you had had a formal and permanent method of doing the same thing?—I think everything would be of advantage which could tend to bring railway matters more closely before those in authority.

8477. I think some railway people have told us that the Local Governments are annoyed when

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they do not obtain concessions they ask for, and that this is because they do not appreciate the difficulties which prevent the railways from meeting their wishes. There may be something in that. On the other hand, the railways may be not doing what might be done if from the Local Government side the desirabilities were pointed out?—Yes. May I give an instance which came to my personal knowledge, and which seems to me to show that the Railway Board sometimes has to do things which it ought not to have to do? I am Chairman of the Hyderabad-Deccan Company, with headquarters at Singareni. We are engaged in opening some new pits, the result of which will be that the line from all these pits will have to join the main line. The points and everything have all been arranged, but the sanction of the Railway Board has to be given to these points at the junction of this little twopenny-halfpenny line to our pits with the main line. It has been before the Railway Board for more than a year.

8478. They have got inspecting engineers on the spot?—They live at Hyderabad. We have not sunk our pits deep enough to produce coal, so it has not produced any actual hardship, but there is the delay.

8479. When you say "the sanction of the Railway Board" it is like the sanction of the Board of Trade used to be in England. The inspecting officer comes down and approves it and that is the end of it. I suppose it would be the same in India?—I cannot say how it is arranged, but we cannot go to a local inspecting officer and say: "Give us sanction," so I am informed by my manager.

8480. You have to communicate *vid* Delhi, and they say to him: "Go there the next time you can get there conveniently," and he has taken a year?—That is what I am informed by my manager.

8481. (*Sir George Godfrey.*) Do I understand it is a technical point as to the exact point of the junction of the two lines?—I suppose that is what they want it for.

8482. (*Sir Henry Burt.*) Sir John used the word "points." I think it is the actual physical construction of the crossing?—Yes.

8483. (*Sir George Godfrey.*) I think there must be some misunderstanding, because we have put in hundreds of points a year, and we have never got sanction?—I can assure you that they are not yet put in.

(*Sir Henry Burt.*) You could not put points in a main line to serve a side line such as Sir John is referring to without the sanction of the senior Government inspector, and that is, I take it, where the delay has occurred. The man is in Madras, I take it.

8484. (*Sir Arthur Anderson.*) Is the proposed junction between two stations?—No. It is simply a line from the pit to the main line.

8485. (*Chairman.*) Is the point where the new pit siding joins the main line at a station, or away from a station?—It is just outside Singareni station.

8486. (*Sir George Godfrey.*) The technical position is that you may send a plan of that sort of thing to the Government inspector to pass the signalling. He has nothing to do with the sanctioning of the position of the line. He has only to pass and approve the signalling arrangements to protect those points. Either it is a misunderstanding or else it is very gross mismanagement?—The net result is we have not got the sidings. It does not matter, because the pit is not sunk deep enough to get coal yet.

8487. (*Sir Arthur Anderson.*) There is no question of payment in the matter?—No.

8488. (*Chairman.*) As you are Chairman of the Hyderabad Deccan Company, may I ask you this? It is clear that the Government of India is bound by definite treaties to the Indian Princes?—Yes.

8489. That gives them considerable freedom in matters of railway construction and management?—Yes.

8490. The broad question I want to ask you is this. India after all is one country and the Deccan is pretty big. But if you get to Rajputana, for instance, you get a very large number of small separate States. Is there any disadvantage in the amount of independence of the local States in that matter which can be got over not by any Order of the Government, of course, but merely by a working understanding? Have you any views on that?—I have no practical experience of any difficulties.

8491. Do you have difficulties where your lines cross the frontier—the Nizam's frontier, for instance?—No.

8492. (*Mr. Hiley.*) A suggestion has been made to extend the Advisory Councils, about which the Chairman spoke, from local councils to a Council also at Delhi, to act in conjunction with the Railway Board and the Member for Railways. I suppose you are rather in favour of that too, on the same principle as the local Advisory Councils?—I should not see the same necessity for it, because after all your central authority will get all the opinions from the local authorities and ought to be able themselves to deal with them.

8493. It is only an elaboration?—An elaboration which may seem possibly to be a fifth wheel in the coach.

8494. (*Sir Rajendra Nath Mookerjee.*) Have you any idea whether it is possible now to raise capital in India for the development of these railways?—No, not at present. We are now everywhere in a very awful position. I should doubt very much whether you would be able to raise in India sufficient capital to develop all the railways in India if you gave to the different companies the right to call up capital themselves. My opinion cannot be of much value though on this point as I have not been living in India for nine years. I think you would have to come here. I do think that India has suffered most tremendously because Lombard Street would never favour the idea of capital being raised in this country for the development of Indian railways. They much preferred to have it raised and spent for the development of Argentina. My own opinion, for what it is worth, is that if railway development is to be properly carried on in India, funds will be required from England as well as from India.

8495. (*Chairman.*) Can you tell us the reason for that apparently curious preference of Lombard Street?—I am unable to account for it. I think it is very lamentable.

(*Chairman.*) We are very much obliged to you for coming.

(The witness withdrew.)

(*Note.*—Sir John Hewett placed at the disposal of the Committee papers relating to the instances which are mentioned in Chapter II. of the Committee's Report, these being the documents alluded to in the course of his oral evidence.)

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Report of the Committee appointed by the Secretary of State for India to enquire into the administration and working of Indian Railways.

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INDIAN RAILWAY COMMITTEE, 1920-21.

VOLUME III.

QUESTIONNAIRE.

Note.—The following questionnaire, which was issued by the Government of India before the Committee assembled, and to which many of the written statements bear references, is reproduced here for ready reference.

Part I.—The management of railways owned by the State.

Question No. 1.—Do you consider that railways owned by the State should be managed directly by the State, or by companies on a profit-sharing basis?

Please give reasons for your reply, mentioning the systems of management of which you have had personal experience, and the nature of that experience (*e.g.*, whether as a member of the commercial community, of the travelling public, &c., &c.).

Question No. 2.—If you advocate the continuance of any one of the existing systems of management, would you propose any, and, if so, what modifications in it?

Question No. 3.—If you advocate management by companies, do you recommend that such companies should be domiciled in India, or in the United Kingdom? Please give your reasons for your opinion.

Question No. 4.—Do you consider that the existing system of allowing the working compaines an interest in the undertakings entrusted to them, by allowing them to hold a relatively small share of the capital and to receive a proportionate share of the net earnings, is a suitable and sufficient method of giving them an interest in the undertaking; or what alternative would you suggest?

Question No. 5.—With regard to management by companies domiciled in the United Kingdom it is sometimes urged that the Directors are out of touch with Indian conditions and requirements, and that undesirable delay sometimes occurs in settling references. If you recommend management by such companies how do you meet this criticism?

Question No. 6.—In the event of railway companies being domiciled in India how would you suggest that the Boards of Directors should be constituted? How do you suggest that the paramount interest of Government in the railways should be safeguarded?

Question No. 7.—Do you consider that there will be any lack of continuity in a Board domiciled in India? Do you consider that sufficient continuity would be secured by a permanent Chairman nominated by the Government skilled in railway work? Do you consider that the other Members of the Board need be skilled in railway work?

Question No. 8.—In the case of companies domiciled in India, is it necessary to consider the possibility of otherwise suitable Directors being so actively interested in particular industries or areas as to prejudice their impartiality?

Question No. 9.—What is your opinion of the suggestion that the systems of management by companies domiciled in England and by companies domiciled in India, might be combined? If you consider this idea practicable and desirable please indicate the broad outlines of the scheme by which you think it might be carried into effect.

Part II.—The Railway Board, and the Government of India's control.

Question No. 10.—Do you consider the system of control by means of a Railway Board satisfactory; if not, what alternative do you propose?

Question No. 11.—If you consider that control by means of a Board is desirable, how do you consider that that Board should be constituted; and have you any recommendations to make as regards the Board's subordinate officers?

Question No. 12.—With regard to the functions exercised by the Board, do you consider that the exercise of these in practice is satisfactory or extends either to sufficient or to unnecessary detail? Please give reasons and instances in support of your views.

Question No. 13.—Do you consider that the Railway Board possess adequate powers of control over railway administrations to enable them to deal effectively and expeditiously with matters relating to the requirements of the travelling public and of trade?

Question No. 14.—Do you consider that the powers of control in such matters already possessed by Government have been sufficiently exercised in the public interests?

Question No. 15.—Do you consider that the powers entrusted to the Railway Board need enlargement or modification in any direction not already indicated in reply to preceding questions?

Question No. 16.—Do you consider that the present status of the Railway Board vis à vis the Government of India is satisfactory; and if not, what changes do you suggest?

Part III.—Railway Finance.

Question No. 17.—Do you consider that the supply of funds for railway purposes has hitherto been adequate? Please distinguish, if possible, in your reply between the provision of funds for (*a*) new construction, and for (*b*) the maintenance, and (*c*) the improvement, of existing railways.

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Question No. 18. Do you consider that the policy hitherto adopted of devoting the greater part of the available capital funds to the improvement of equipment and rolling-stock of existing railways, and of devoting only a relatively small portion to the purposes of railway extension, has been satisfactory, and is sound in principle?

Question No. 19.—If you are of opinion that funds are required on a larger scale than hitherto provided, what in your opinion is the approximate amount that should be provided annually for capital purposes?

Question No. 20.—Do you consider that the capital funds required should be raised both in India and in the United Kingdom?

Question No. 21.—As regards borrowing in India; do you consider that the existing arrangements for supplementing, by means of the Branch Line Terms,* the Government of India's resources for railway construction are adequate; if not, what modified, alternative or supplementary provision do you suggest?

Question No. 22.—Assuming that new methods of raising capital for railway purposes must be sought, what do you think of the suggestions that they should be raised:—

(*a*) by means of ordinary or preference share capital;
  (i) of working companies;
  (ii) of subsidiary companies associated either with the main working companies, or with the State in the case of lines directly worked by the State.

(*b*) By means of railway debenture capital raised:—
  (i) by the working companies, or
  (ii) by the Government of India.

(*c*) By terminable bonds?

Question No. 23.—Can you suggest other methods of supplementing the existing system of providing funds for railway purposes?

Question No. 24.—Can you give an estimate of the amount that could be raised by any of these methods in India or England respectively?

Question No. 25.—Please indicate your views as to the probability of borrowing by these methods interfering with the success of ordinary Government borrowings?

Question No. 26.—The Railway Capital Programme depends on the power of the Government of India to provide finance either by borrowing or from its balances; similarly, the general revenue position of the Government of India exercises some influence on the allotments for expenditure on Revenue Account.

(*a*) Do you consider that this has been, and is, detrimental to railway improvement and development?

(*b*) In view of the increased rate of interest at which capital can be raised, do you consider that railway rates should generally be raised, if necessary, so as to prevent railways from being a burden on the general taxpayer? Can you give a rough estimate of the percentage by which rates and fares might be raised, if so required?

Question No. 27.—The following statements indicate the results secured by State-owned and managed, and by State-owned but Company-managed, railways, respectively, during recent years:—

I.—State-owned and managed.

Year.	Nett Earnings.	Percentage of nett earnings on capital.	Interest and other charges against nett earnings.	Clear profits to Government.	Percentage of nett profits on capital.
	(Rs. lakhs.)		(Rs. lakhs.)	(Rs. lakhs.)	
1916–17	808·24	5·18	566·73	241·51	1·55
1917–18	1,029·41	6·39	593·05	436·36	2·71
1918–19	913·73	5·58	596·82	316·91	1·93

II.—State-owned but Company-managed.

Year.	Nett Earnings.	Percentage of nett earnings on capital.	Companies' share of surplus profits.	Other charges (for interest, etc.).	Clear profits to Government.	Percentage of nett profits on capital.
	(Rs. lakhs.)		(Rs. lakhs.)	(Rs. lakhs.)	(Rs. lakhs.)	
1916–17	2,489·58	6·34	115·57	1,483·25	890·76	2·27
1917–18	2,726·91	7·01	149·16	1,523·49	1,054·26	2·71
1918–19	3,004·30	7·70	189·63	1,514·93	1,299·74	3·33

Do you consider these results satisfactory to the State and to the public?

At what additional figure, if any, would you estimate the indirect advantages to Government, attributable to railways through the development of areas served by them?

Question No. 28.—Have you any criticisms and recommendations to make with regard to the existing annual budget system; under which, funds being allotted to each railway for expenditure within a particular year, any such sum as is not actually expended during that year "lapses" to Government notwithstanding the fact that liabilities may definitely have been incurred (*e.g.*, stores may have been ordered but not paid for owing to deferred delivery), with the consequence that a first claim is established upon the grant made for the following year.

* *See* Railway Administration Report, 1918-19, Volume II, Appendices 32 *et seq.*

(*N.B.*—In answering the question please bear in mind the recorded opinion of the Indian Railway Finance and Administration Committee of 1907, who noticed that in deciding on the allotment to be made in any year for railways the Government take account of any improvement in the financial position owing to the occurrence of "lapses" in the preceding year, and that consequently any lapsed grant is really, even if not manifestly, re-allotted. The Committee observed that:—

> "The whole arrangement works back to the fundamental principle that the Government of India provides as much in each year as it possibly can, all things considered, for expenditure on railways, and distributes that money in the way which it conceives to be most advantageous for the country as a whole.")

Question No. 29.—Do you consider that the existing arrangements for regulating expenditure in England, with reference to the grants allotted, are satisfactory, if not, what modifications do you suggest?

Part IV.—Government Control of rates and fares; Settlement of disputes.

Question No. 30.—Do you consider that Government exercise adequate control over railway administrations in respect of rates and fares?

Question No. 31.—Do you consider that the powers in this respect delegated to railway administrations have been wisely used in the interests of the public; if not, quote instances to the contrary? In case of dissatisfaction with the action of railway administrations, please quote specific instances mentioning whether these have been referred, with a view to rectification:—

(*a*) to the railway administrations concerned, or

(*b*) to the Railway Board,

and, if so, with what results.

Question No. 32.—Do you approve of the machinery provided by the Indian Railways Act (Chapter V) for the appointment of Railway Commissions to settle disputes between railway administrations and traders; if not, what alternative do you suggest?

Question No. 33.—Have you any recommendations, not directly covered by the foregoing questions, bearing on the relations between the public and the railways.

Part V.—General.

Question No 34.—Is the carrying capacity of the various railways in your opinion, adequate to the requirements and needs of the various industries served by them? If not, what, in your opinion, is the reason of the failure and what means would you suggest to remedy this defect.

Question No. 35.—Please add any other remarks which you think called for in respect of the subject matter of the Committee's enquiry.

INDIAN RAILWAY COMMITTEE, 1920-1921.

VOLUME III.

MINUTES OF EVIDENCE.

Evidence taken in India.

EIGHTH DAY.

(Calcutta.)

Friday, 17th December, 1920.

[The evidence of Mr. C. A. Innes, C.I.E., I.C.S., Secretary to the Government of India in the Department of Commerce, was taken, and is recorded in the volume of Confidential evidence under Numbers 3864 to 3876.]

NINTH DAY.

(Calcutta.)

Monday, 20th December, 1920.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Mr. J. TUKE.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., C.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Lieutenant-Colonel H. A. CAMERON, C.I.E., R.E., Agent, Eastern Bengal Railway, was called and examined.

3877. With reference to a preliminary note which had been furnished by him to the Committee, Colonel Cameron explained that he had been Agent of the Eastern Bengal Railway since July, 1919. His previous experience had been mainly in the Traffic Department of the North Western Railway, which he had joined in 1897. He had risen to the post of Traffic Manager on that line. During the war he had been Controller of Traffic, Railway Board, at the headquarters of the Government of India.

3878. In reply to the Chairman, Colonel Cameron stated that he had no very decided opinion as to the respective merits of management by the State and by companies. He considered that it is mainly a question which system lends itself best to financial requirements. Referring to his recorded opinion in favour of using the State-managed railways as a training ground for officers, he admitted that experience during the war did not show that the administration of military railways has suffered through the lack of similar training facilities in the United Kingdom. He did not therefore lay stress upon this argument in favour of management by the State. With reference to the strategical portion of the North Western Railway, he agreed that it would appear fair to charge the cost of working this to the Army Department and not to railway funds. He considered that a reasonable separation of the military and commercial lines might be made, notwithstanding that to some extent they merge in each other.

3879. Colonel Camerón was inclined to think that, in the event of the railway companies' boards of directors being domiciled in India, it would be difficult to get directors of the right kind, both English and Indian, in sufficient numbers. Some suitable directors would undoubtedly be available. Generally speaking, he considered that business men in India are too busy to devote sufficient time to the business of a railway. The Chairman pointed out that the English directors do not in practice devote a very large part of their time to the business of the railway companies' work; he said that ordinarily they spend only about one day a month on it. In view of this information, Colonel Cameron said that it might be easier than he had thought for business men to undertake similar responsibilities in India. He thought that the *minimum* number of directors required for a board would be three. He agreed that the managing director should have wide powers of action, and could work better without detailed interference by his board of directors; the board would be wanted only to deal with questions of real importance; he would be satisfied, as agent or managing director of a railway, with a small board whose functions would be limited in this manner.

Colonel Cameron thought that funds would be forthcoming to the extent necessary for railway development only if more attractive terms are offered in view of the altered value of money. He thought it would be necessary for Government to offer a guarantee of 6½ per cent. *plus* the same share of surplus profits as at present. He mentioned that the ratio of working expenses to gross expenditure is rising so high that the hope of securing substantial surplus profits are not very promising unless a general increase in rates and fares is made. He considered that the question of making such an increase would require attention in the near future.

3880. He mentioned that at present the ratio of expenses to earnings in the case of the Eastern Bengal Railway is about 70 per cent. as against a normal pre-war figure of about 58 per cent. He stated that during the war expenditure on maintenance and renewals had been allowed to fall into arrears, and the Government took advantage of this saving and appropriated the money to other uses setting up no reserve to meet subsequent heavy charges on account of deferred maintenance and renewals.

3881. Colonel Cameron stated that his experience satisfied him that there need be no apprehension that directors of railway companies domiciled in India would allow their private business interests to militate against the conscientious performance of their duties towards the railways in their charge. He expected that business men, whether Europeans or Indians, appointed as Directors would not only be good business men, but could be trusted to look after the interests of the railways. He laid stress on the fact that business men already have a substantial stake in the well-being of the railway system.

3882. Referring to the Railway Board, Colonel Cameron said that it appeared to him that some such body is necessary. He thought that the President and the Members are too much occupied by office work, and that if this position cannot be altered they should be furnished with the assistance of experts in the traffic and locomotive departments: they have already the assistance of a senior officer in the Engineering Department. The duties of these experts would be to visit railways and carry out inspections on behalf of the Board and investigate on the spot proposals for development, etc. Colonel Cameron saw no need for the imposition of any additional control by the Railway Board upon the administration of railways. With regard to the position of the President he had little personal knowledge, but was disposed to think that he should have a higher status than that which he appears to hold at present; preferably he ought to be a member of the Government. The Board might then consist of the President and three Members; one expert in traffic matters, particularly rates and fares; another skilled in engineering and the third in finance. He observed that an appointment of a traffic officer as a Member of the Railway Board had recently been approved, and one of the Members of the Board already has engineering qualifications. No Member at present has financial experience, but a change has recently been made in the attachment to the Board of a Financial Adviser; he considered that this was a change for the better, but that this officer would carry more weight if he were actually a Member of the Board.

3883. With reference to the question of extending the railway system, Colonel Cameron said that it appeared to him necessary to set the house in order before adding to it. He considered that the traffic facilities of the Eastern Bengal Railway are adequate if the traffic is reasonably distributed throughout the year. The jute crop traffic, however, is at its heaviest between July and November. He did not think it would be fair to the railway to ask it to transport the whole of this heavy traffic during that period. He thought it would be reasonable to aim at a mean between providing railway facilities on such a scale as to deal with the traffic during the period of heaviest demands (which would be necessary fully to meet the demands of trade) and spreading the traffic more or less uniformly throughout the year (which is the ideal from the railway management point of view). He did not think that the average delay during the seasons of greatest pressure is more than from about 14 days to a month. Difficulties had been accentuated in the current year owing to the lateness of the jute crop and the consequent exceptional pressure on the railway in November. He mentioned that the special seasonal rates for traffic which were formerly in force had been cancelled.

3884. Referring to the Branch Line Terms, Colonel Cameron observed that the financial attractions of these needed to be improved on the lines already indicated by him. He thought that the Branch Line Companies should be entitled to take the whole of the surplus profits after refunding any payments already made in previous years under the guarantee clause. He thought that branch lines are worked by main lines for too low a percentage of the gross earnings in some cases.

3885. Colonel Cameron condemned the existing lapse system in relation to railways. He believed that no railway officer could be found to speak in its favour. Dependence on the vicissitudes of the general financial position of Government from year to year results in embarrassment, money sometimes not being available when required, and at other times being extravagantly expended, owing to a rush to spend at the close of the year in order to avoid a "lapse." He thought it desirable that if possible a budget grant should be made for a period of three to five years allowing more continuity and uniformity of expenditure. The ideal solution of the existing financial difficulties is no doubt to be found in the complete separation of railway finance from the general financial arrangements of Government: he thought, however, that there is very little hope of securing this.

3886. Regarding rates, Colonel Cameron explained that in the case of the Eastern Bengal Railway, competition exists mainly with the river navigation companies and generally speaking there had been no serious complaints about rates. Reasonable rates were amicably arrived at in discussion with the river companies. Rates for the principal commodities dealt with on this railway such as jute and tea are not altered until after consultation with the Railway Advisory Committee. Rates for jute were recently put up in consultation with this Committee.

3887. The Eastern Bengal Railway Advisory Committee consists of six members engaged in, or conversant with, the commerce or industries of Calcutta or of the districts served by the line. Four members are nominated by the Bengal Chamber of Commerce to represent respectively the tea, loose jute, jute mill and general industries; and two members by the Bengal National Chamber of Commerce, one of them to represent the loose jute trade and the other general industries. The Members of the Committee are influential people, some being Europeans, the others Indians. At present all live in Calcutta. The Committee meets once in three months and the Agent treats its advice with great respect.

3888. As regards the facilities of the Eastern Bengal Railway the Agent considers that it is abreast with current requirements so far as rolling stock is concerned, provided the traffic be reasonably spread over the year. It can lend stock to other lines except during the heavy jute season. There is some lack of adequate terminal facilities at Calcutta which is accentuated at times by the tendency of the public to delay taking delivery of goods. It is not easy to counter this by enforcing demurrage charges.

3889. Replying to Mr. Purshotamdas Thakurdas, Colonel Cameron expressed the opinion that military officers might be trained on lines managed by companies as well as those managed by the State. He considered that the management of State-owned and managed lines is generally speaking as efficient as in the case of company-managed lines. He could not say that the absence, in the case of State-managed lines, of a body corresponding to the Companies' Board of Directors was injurious. He had little

personal experience in this matter, but he is not disposed to attach much importance to the Boards of Directors of the English domiciled companies from the management point of view. With reference to the latitude allowed to the Agents of railways in the alteration of rates and fares between widely separated maxima and minima fixed by Government, Colonel Cameron thought that the railway administrations have, normally speaking, sufficient power to accommodate charges to requirements. With reference to the suggestion made by Mr. Purshotamdas Thakurdas that possibly the latitude allowed to the Agents is too great, and that the Government thus retain insufficient control in the public interests, he did not think that there was evidence of any general complaint in respect of the fixing of rates and fares.

3890. The Advisory Committee had been at work for some two years past; not as long as the corresponding body in the case of the East Indian Railway. He found it very useful to him; the Indian members were able to keep him in touch with Indian opinion on matters relating to the business of the railway.

3891. Speaking of his experience as Controller of Traffic, Railway Board, during the war, Colonel Cameron explained that owing to the conditions then obtaining no inconvenience was caused by the existence of competitive or block rates. In cases in which traffic had to be diverted from the preferred route to another because the former happened to be congested at the time, charges were made according to the original booking irrespective of the route actually used.

3892. Replying to Mr. Hiley, Colonel Cameron stated that the Agent prepares an agenda for the Advisory Committee. He had no occasion to invite a meeting of the Advisory Committee between ordinary meetings, but he discussed matters with Members of the Advisory Committee and others on special occasions when necessary.

3893. Colonel Cameron considered that the Railway Board scrutinises proposals for such developments as yard extensions, doubling of lines, etc., from the point of view of satisfying itself that the traffic justifies such schemes; a sufficiently detailed report goes to the Board to enable it to investigate details and these are discussed personally with the Board in the case of important works. The Railway Board has had no traffic expert, with the exception of a recent temporary appointment for a short time, and its examination of cases involving traffic knowledge is usually a paper examination at headquarters. A Member of the Board with traffic experience has just been appointed. The Railway Board has little time for detailed inspection of the railways, though these are made when possible. The Eastern Bengal Railway has not been inspected by a Member of the Railway Board for about three years. Colonel Cameron said that he has had no serious difference with the public in respect of rates.

3894. Answering Sir R. N. Mookerjee in connection with the division of surplus profits, Colonel Cameron explained that he thought that Government should first be recouped the amount of any guarantee payments made in previous years.

3895. Mr. Hiley enquired where the headquarters of the proposed wagon control organisation would be. Colonel Cameron stated that the idea was to have it at Allahabad. It had not been contemplated to have subordinate officials, etc. The President of the Indian Railway Conference would have a voice in the management of the control department. Colonel Cameron thought that generally speaking the Director of Wagon Control would obtain sufficient and up to date information by means of the submission to him of telegrams and statements from junctions regarding demands and wagon movements, etc. He had received similar information with fair satisfaction when working during the war as Controller of Traffic. He had, however, had deputies on the railways at that time. On the whole he thought it might perhaps be desirable to have 3 or 4 deputies under the Director of Wagon Control. These might be officers of appropriate railways. Only broad gauge railways are concerned with wagon control. It was a disputed question whether the pooling of wagons is really desirable. Difficulties are certainly anticipated in ensuring the due return of wagons to their owners for repairs. A Committee was now being appointed by the Indian Railway Conference to go further into the matter. Colonel Cameron personally was satisfied that a better use of stock would be secured by means of pooling arrangements, though he recognised that the repair question involves considerable difficulties. Nothing has yet been definitely settled on the subject.

3896. Replying to Sir Henry Burt, Colonel Cameron stated that he was not in a position to discuss in detail the question of the President of the Railway Board's status. It was a corollary of his suggestion that the President might be a Member of the Council that he should be supreme upon the Railway Board and not merely *primus inter pares* as at present. When mentioning a minimum of 3 Members as desirable for the Board of Directors domiciled in India, he had not meant to suggest that this figure should be regarded as a desirable one; seeing that he already had an Advisory Committee of 6 members he thought some such number as this would be more appropriate. As Agent of a railway he would not object to being *required* to discuss particular classes of questions of importance, such, for example, as the capital programme proposals, with the Advisory Committee. He thought that the management of a railway might obtain as much help and advice from an Advisory Committee as from a resident Board of Directors.

3897. In answer to Mr. Sastri, Colonel Cameron stated that there are several Indians employed in the higher grades on the Eastern Bengal Railway, relatively more on this line than on other railways. As in the case of Europeans, so in the case of Indian officers, he was satisfied with some but not with others. He considered that there are many Indians intellectually suitable for employment in the higher posts on railways, but he was not certain that they had the same power of enforcing discipline as Europeans. He had had 18 months' experience of the staff of the Eastern Bengal Railway. Of the Indian Officers now employed on the railway none are in administrative appointments, a considerable number are engaged as Assistant and District Traffic Officers. The late Chief Engineer of the railway was an Indian. Colonel Cameron said that he would be diffident in expressing an opinion as to whether too many Indians are at present being appointed to the higher grades on the State Railways.

3898. Replying to Sir George Godfrey, Colonel Cameron stated that the Controller of Traffic during the war had certain powers of compulsion under the Defence of India Act. He did not think that the powers of the proposed Director of Wagon Control would be based on any special legal provision. The Director would be a servant of the railways in general, deriving his authority from the Indian Railway Conference Association. He recognised that his work as Controller of Traffic during the war had been simplified by the fact that he was dealing with military requirements, regarding which information was readily available from Army Headquarters with which he was in close touch. He believed that the Director of Wagon Control whom it is now proposed to establish would have greater difficulty in ascertaining public requirements. He thought that the three deputies already mentioned would in some cases have to exercise powers delegated from headquarters.

3899. Traffic congestion had been a matter of frequent occurrence in past years. Arrears had hitherto been cleared in the slacker seasons without the assistance of the Director of Wagon Control. He thought, however, that the position is now generally more acute than in the past, though he hoped it would not be worse in the coming year than it had been in 1913. The scheme for instituting wagon control would admittedly be experimental.

(*The Witness withdrew.*)

Mr. R. W. CHURCH, Mining Engineer to the Railway Board, was called and examined.

3900. Mr. Church explained that his functions as Mining Engineer to the Railway Board were wider than the designation suggests. He advises on the purchase of coal for most of the railways in India, as well as buying for other departments of Government. The Department under him works one colliery at present, and it is proposed to work a number of others later on. During the war he had had powers of requisition under the Defence of India Act and was responsible for the supply of coal on admiralty account for all ports between Singapore and Port Said and for all requirements in the Persian Gulf and Mesopotamia, and was appointed as Deputy of Sir George Godfrey when the latter was appointed Coal Controller.

3901. With reference to the information furnished in Appendix No. I of his notes, Mr. Church stated that the *theoretical* capacity of the railways to handle coal traffic is in excess of the present output of the coalfields. Practically, however, railway capacity is more than one million tons per annum short of the output. He confirmed that the output of the collieries per month from January to May is nearly double that of the rest of the year. It would require 4,160 wagons loaded daily in order promptly to clear the raisings during the busy season.

3902. With reference to the figures in Appendix No. II, showing the increase in past years in colliery output, he mentioned that the war had practically stopped the increase. The collieries were in the habit of accumulating stocks up to a certain limit, but when this point was reached they restricted output. They could not afford to incur expenditure on producing indefinitely coal which could not be removed. He was of opinion that the output of coal would have been higher had the railways been able to carry it. He agreed with the Chairman in summing up that there is a rapidly increasing demand for Indian coal and that the output of coal could keep pace with it, but was blocked by the limitations of railway capacity.

3903. About one-third of the total coal produced is used by the railways themselves. He considered that the reason for the railway difficulty since 1918 was not a shortage of wagons but a general incapacity to handle the traffic. The capacity of the railways had not been increased materially during the war. In the past the output of coal had outstripped the wagon supply; but now it has outstripped the other railway facilities. In the event of the proposed Central Wagon Control system being introduced, Mr. Church thought that fewer wagons would be supplied for coal traffic than at present. The feeling of the Indian Railway Conference appeared to be that the railways directly serving the coalfields give undue preference to the coal traffic.

3904. Mr. Church developed the arguments given by him in his written statement regarding the need for opening up the Bokaro and South Karanpoora coalfields by lines carried Westward to connect the new collieries in these fields to the existing railway system. His estimate of cost of 3½ crores for this railway was based on a rough figure of 1½ lakhs per mile: the new lines would have to be some 200 or 250 miles in length. The saving, which he estimated at Rs. 180 lakhs per annum, would be secured by mining three million tons of coal at the actual cost of about Rs. 3 per ton as against about Rs. 9 per ton for coal of similar quality bought from the colliery companies. In calculating this saving he disregarded the cost of carriage, which on his assumption would be practically the same as at present. The new coal provided under his scheme would be utilised for railways in western and north-western India. Mr. Church recognised that the railway consumption of coal will continue to increase.

3905. At this point the public withdrew and the remainder of Mr. Church's evidence was given *in camera* (*see* numbers 3906 to 3913 in the volume of confidential evidence).

P.S.—In view of statements made by another witness, Mr. Church subsequently furnished the Committee with the following particulars relating to the purchases of coal arranged by him for the three year period ending 31st March, 1925:

PURCHASES OF COAL FOR INDIAN RAILWAYS, &C., BY THE MINING ENGINEER, RAILWAY BOARD.

	Limited Companies or privately owned collieries under European Agency.	Indian owned collieries under European Agency.	Collieries owned by statutory Indians under private ownership.	Collieries owned by Limited Companies or privately, but managed under Indian Agency.
	Average 3 years *Tons.*	Average 3 years. *Tons.*	Average 3 years. *Tons.*	Average 3 years. *Tons.*
N.W. Railway	918,000	90,000	200,000	Nil
O. & R. Railway	290,000	—	—	48,000
E.B. Railway	210,000	—	—	218,000
G.I.P. Railway	508,000	—	—	182,000
B.B. & C.I. Railway	498,000	12,000	—	262,000
B. & N.W. Railway	120,000	—	—	12,000
M. & S.M. Railway	114,000	—	—	153,000
S.I. Railway	264,000	—	—	—
Small Lines	38,000	—	—	126,000
Other Government Departments	36,000	—	—	122,000
Shipment Loco.	210,000	144,000	—	—
	3,206,000	246,000	200,000	1,123,000

(*Notes by Mr. Church*).—All these coals have been taken at the same price, quality for quality, without considering the ownership of the collieries. Collieries in Column 4 of the statement are not responsible for more than 15 per cent. of the total output, so it can be seen how great a proportion of their coal has been taken. I have always refused to consider the question of ownership of a colliery, whether European or Indian when I buy coal; value and price is all I will take notice of.

Further, a reference was made by the Committee to the Mining Engineer in connection with statements made to the Committee on the 13th January, 1921, by representatives of the Indian Mining Federation. The following extract is taken from Mr. Church's reply:—

"To deal with the particular example given by Mr. Ghosh (Chatabar Colliery), the procedure in "this Department is, when any firm, European or Indian, opens out a new colliery or a new seam in an "existing colliery, it applies to me for an official inspection, which I invariably arrange, and usually "have samples taken for test in the Government Laboratory at Alipore. On this the coal is graded, and

"a small trial order is frequently given so that its actual value can be ascertained. Chatabar Colliery "as a seriously worked place is comparative new; in 1916, when most first-class coals were requisitioned, "it did not appear in our list of collieries, and it was not until 1918, when Sir George Godfrey, then Coal "Controller, arranged for a series of tests of Raneganga coals to be made at Giridih, to ascertain what "coking value these coals possessed, that it was discovered that the 30 feet seam of Chatabar was "actually a first-class coal. The report of these tests by the Colliery Superintendent, Giridih, is dated "May, 1919. I am not aware of the date on which Villiers, Ltd., became possessed of Chatabar Colliery, "but the nationality of its owners had nothing to do with the test which was made. Of the 20 coals "(from 15 collieries) tested, 5 were from collieries owned by Indians and 15 by European firms, but "this range of tests enabled us to fix the coking value of practically every coal in the Raneganga field."

"I cannot trace any record of Chatabar Colliery previous to 1918, and I understand that Messrs. "Villiers, Ltd., disposed of the best portion of the colliery to Messrs. Linton, Molesworth and Company "under the name of Jasnadih, for a small sum before they knew the value of the coal."

Mr. F. C. LEGGE, C.B.E., Coal Transportation Officer, Railway Board, was called and examined.

3914. Mr. Legge stated that he holds a temporary appointment, with headquarters at Calcutta. The appointment was created after the Coal Controllership, itself a wartime appointment, ceased to exist, and was intended to enable the coal control work to be finished up. Although at present temporary, he expects that the appointment will be maintained at least for some time to come. Before taking up his present appointment, he had been Coal Manager on the East Indian Railway and was concerned with the transportation of coal on that line. He had subsequently held the appointment of Deputy Coal Controller. He does not derive his present powers from any legal enactment but understands that Government are considering the question whether any legislation is necessary to regularise his orders.

3915. Mr. Legge stated that the supply of wagons for coal traffic had long been inadequate. The East Indian Railway carries about 75 per cent. and the Bengal Nagpur Railway about 25 per cent. of the traffic. He thought that 2,000 wagons per day on the East Indian, and 650 wagons per day on the Bengal Nagpur Railway would be a reasonable allotment. The Bengal Nagpur Railway capacity for handling coal traffic is limited to about 680 wagons daily. The line supplies chiefly Southern India and to some extent the Great Indian Peninsula Railway. Katni Marwari, the Bengal Nagpur Railway junction for traffic going to the north west of India, has a capacity only of 70 wagons per diem for coal from the Bengal Nagpur Railway. Sir George Godfrey explained that this is a small junction on a relatively unimportant line which passes a good deal of other traffic; hence its capacity is very limited. When this route is congested, the East Indian Railway takes the traffic from the Bengal Nagpur Railway by Gomoh.

3916. Mr. Legge said that his function is to make the best distribution of the available wagons for coal loading. He does this in accordance with an approved priority classification which places the coal in the following order of preference: Export coal; bunker coal; railway loco coal; and "X" class coal; namely, emergency supplies of—

(*a*) coal for works of public utility, *e.g.*, electric lighting companies, gas and water works, arsenals, etc.;
(*b*) coal for large industrial concerns, *e.g.*, jute mills in Calcutta, cotton mills in Bombay;
(*c*) coal required for the manufacture of soft coke for domestic consumption, for flour and rice mills, large engineering works, tea gardens and indigo factories;
(*d*) coal for cotton ginning and pressing plants, and small engineering works;
(*e*) brick burning coal, coal for depôts and small lime works;
(*f*) unimportant B/B coal.

3917. This priority list was introduced by the Coal Committee which was appointed in 1917, and has since been modified from time to time.

3918. Up-country reserves of coal have been low for some time. Of late the difficulty has been the supply of coal at the collieries, the collieries' demands for wagons placed upon the Coal Controller having been met.

3919. Mr. Legge explained that the colliery companies send to the local railway officers indents for wagons to enable coal to be delivered for specified purposes. So far as relates to the supply of wagons for coal needed for railway consumption, the Mining Engineer, Railway Board, indicates what is necessary.

3920. In reply to the Chairman's enquiry what would happen if the available coal supply was sufficient at any time only to meet the need of the first three classes in the priority list, Mr. Legge stated that the other consumers would have to try to buy elsewhere from the market.

3921. Mr. Legge explained that the shortage of coal wagons affects the price which collieries are now able to ask for coal. They ask lower prices for coal loaded in wagons supplied under emergency certificates than for that loaded in surplus wagons remaining after emergency certificates have been met. In many cases such wagons are auctioned by those to whom they are allotted. An objection therefore to the emergency certificate system is that consumers are free to use it to cause an artificial reduction in the price of coal.

3922. The Chairman drew attention to the apparent anomaly of placing coal for shipment in the highest place in the priority list, notwithstanding that this is precisely the class of traffic the restriction of which is now being strongly pressed upon the Government by Indian consumers, and would seem to require only secondary consideration from the Indian point of view. Mr. Legge explained that, to prevent congestion of the docks, coal is not allowed to be supplied for shipment until a berth has been definitely declared for a steamer entering the port. At that stage a definite guarantee of wagon supply to carry the coal to the ship becomes necessary in order to prevent delay to the ship, with consequent heavy demurrage charges. It was for this reason that coal for shipment was ranked high in the order of supply. It does not follow that unlimited demands for wagons for shipment coal could be made; these in fact being controlled by the special orders of Government restricting by licence the extent of bunkering and shipment of coal.

3923. No control is exercised in India over the sale price of coal at Colombo. It has been suggested that Indian coal is liked in Colombo because it is cheaper than what can be obtained from other countries. Mr. Legge had no doubt that the supply of wagons for coal is inadequate. He thought that if the supply could be increased at once by say 20 per cent. the East Indian Railway could deal with the traffic as they have a substantial margin of facilities to handle more wagons in the coalfields, the Bengal Nagpur Railway however have not. Mr. Legge was not prepared to express an opinion upon the scheme put forward by Mr. Church to afford relief by opening up new coalfields, connected with the existing rail system by railways towards the north west of India. He had not seen the details of the scheme. He thought that the down-country traffic to the south and to the docks is more important. He observed that the East Indian Railway had provided extra facilities for down-country traffic. He observed that war conditions had led to the traffic going to the west of India by an unusual (all rail) route, and that when complaint is made that railway facilities are short it must be remembered that the coal had thus been abruptly diverted to a route by which it had never been contemplated that it should be carried to such an extent. He did not think that it was a

matter for surprise that, for example, the Great Indian Peninsula Railway could not take over coal at Jubbulpore to the extent desirable. Although unable himself to express an opinion as to future probabilities, he suggested that in discussing the further facilities to be provided by railways attention should be paid to the possibility of the coal traffic for western India reverting to the route via Calcutta and the sea, from the all rail route. With regard to Mr. Church's suggestion for the construction of new lines from the Bokara and South Karanpoora coal-fields, Mr. Legge pointed out that the up-country capacity of the railways might be taken at from 1,000 to 1,100 wagons or say 21 freight trains each way per diem. The coal traffic could be increased only at the expense of general merchandise. The down-country capacity would allow of the transport of 1,200 to 1,300 wagons of coal and leave room for additional merchandise traffic also.

3924. In answer to Sir Henry Burt regarding the capacity of the East Indian Railway above Allahabad, Mr. Legge doubted if the line could take more than 14 trains each way, and remarked that whenever the traffic in the up direction is more than that Railway can carry over the sections above Allahabad they divert a certain number of train loads over the Oudh and Rohilkhand at Moghal Sarai; he was of opinion that the capacity of the Moghal Sarai yard in the up direction is good, but that in the down direction the East Indian Railway require extra facilities to enable them to deal with the daily flow of wagons, particularly empties. He stated that the East Indian Railway can haul train-loads of 50 wagons to Jubbulpore but the Great Indian Peninsula Railway has to break them up there. Restrictions on the receipt of coal traffic by the Great Indian Peninsula Railway occur at Jubbulpore and Agra. Mr. Legge considered it impracticable to make any reliable estimate of the average time required for the turn round of coal wagons.

3925. In answer to Mr. Purshotamdas Thakurdas, Mr. Legge stated that he did not think that much coal traffic for Karachi at present is going by sea. The Government do not allow preferential supply of wagons for bunker coal despatched to Bombay and Madras by the all rail route. He expressed the opinion that the rate of loading at Kidderpore docks might be improved by adopting mechanical loading appliances. One such appliance is at present working at the docks. Whatever form of mechanical appliances are used should be suitable for dealing with all types of wagons and not with wagons of particular kinds only.

TENTH DAY.

(Calcutta.)

Tuesday, 21st December, 1920.

PRESENT:

SIR WILLIAM ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. L. GREENHAM, Chief Auditor of the B. N. Railway Co., was called and examined.

3926. Mr. Greenham stated that he had been employed throughout his entire service on the Bengal Nagpur Railway and was now the Company's Chief Auditor.

3927. The Government Examiner of Accounts also checks the work on behalf of the Government of India. In practice the company's auditor and his staff do all the audit and accounts work, the Government Examiner merely imposing a test audit and attending more particularly to points where the interests of the company and those of the Government seem likely to diverge, especially questions affecting the distribution of expenditure between capital and revenue. The company's audit staff numbers some 500 men. The Government Examiner's staff consists only of a few, say four, accountants. The arrangement thus involves the employment of no larger an establishment in the aggregate than would be employed on a State railway of corresponding size except as regards the few men in the Government Examiner's office. The accounts are submitted to the Accountant-General, Railways, whose headquarters are with the Government of India. Mr. Greenham thought that the Accountant-General, Railways, does not check the accounts, but merely compiles them into a general railway account which is submitted by him to the Comptroller and Auditor-General for incorporation in the accounts of the Empire.

3928. The chief auditor has a separate branch in his office for statistical work, as distinct from accounts and audit work. About 80 men out of the total of 500 are employed in this section. The statistics are submitted to the Railway Board; and it is understood that the Railway Board's staff does little original work in connection with the preparation of statistics, merely bringing together into proper statements the figures submitted by the several railways. Mr. Greenham said that the total staff employed against the pay rolls is about 12,000, this representing for the most part salaried staff on Rs.15 and upwards. In addition to these, there is a large workshop and labour force. The labour force does not vary much during the year. Mr. Greenham promised to furnish the Committee with figures of the total staff, the clerical staff, and the number (included in the clerical staff) employed on the work of accounting and statistics, not however including any station staff in the latter category.

3929. With reference to the preparation of capital programme for the Bengal Nagpur Railway, Mr. Greenham mentioned that the "July forecast" sent up to the Railway Board for acceptance in July, 1920, proposed an expenditure of Rs.576 lakhs including Rs.30·39 lakhs for lines under construction and Rs.22 lakhs for new lines during 1921-22. As a result of discussion with the agent, the Railway Board agreed

that an amount of Rs.392 lakhs for open lines and Rs.53 lakhs for lines under construction and new lines might be reasonably accepted by it, if funds could be secured from the Finance Department. Subsequently, however (presumably as a result of a failure to secure the total amount from the Finance Department), the railway had been advised that they could not expect a larger grant than Rs.179 lakhs for capital purposes during 1921-22, this figure including Rs.16 lakhs against the demand for 52·39 mentioned above for lines under construction and new lines. Mr. Greenham stated that the Railway was, in accordance with the orders, now about to submit an "estimate" in the usual form, working up to Rs.179 lakhs, but that in fact this figure was completely inadequate and would hardly allow even of meeting existing commitments, while making no provision at all for the necessary further outlay. The railway company had, therefore, decided to adopt the unusual course of simultaneously sending up a second budget estimate proposing an allotment of Rs.302 lakhs as representing the railway's minimum real requirements. In this connection the Chairman drew attention to information which had been given to him that, whereas the aggregate demands of railways for capital expenditure during 1921-22 were upwards of 32 crores of rupees, which had been reduced by the Railway Board to some Rs.28 crores, an indication had been given to the Railway Board that the allotment would probably be no more than Rs.12 crores.

3930. In connection with the existing commitments to which allusion had been made, Mr. Greenham observed that, if the grant to the railway were restricted to Rs.179 lakhs, as suggested, it would be necessary for the Railway to set aside out of this some Rs.158 lakhs practically all for rolling stock, machinery, revenue stores, etc., this figure representing orders already placed in England. There is an outstanding liability also of some Rs.12½ lakhs for erection charges of wagons now being erected in Calcutta.

3931. In reply to the Chairman Mr. Greenham said that it was true that the net result was that, with a steadily increasing traffic, there was no prospect of funds necessary to provide facilities to deal with it.

3932. The capital forecast is prepared in the agent's office and is submitted in his name. The chief auditor helps mainly in the compilation of figures which are furnished to him by the agent. Little importance is attached in practice to the figures for the second and third year of the triennium to which the forecast nominally relates. The demand is considered and criticised only with reference to the next approaching year. Unless funds could be provided on a decidedly more liberal scale than at present communicated, Mr. Greenwood anticipates that the position of the railway will become serious in the near future.

3933. The preliminary forecast submitted to the Railway Board deals primarily with the capital requirements. It includes also an indication of the money required for what is known as "programme revenue expenditure." Under this heading is included all revenue expenditure on large works which are chargeable party to revenue and partly to capital, as well as all special items of revenue expenditure which cannot be regarded as falling under the category of current maintenance. "Ordinary revenue expenditure" includes all the daily expenditure on salaries, wages, consumable stores, minor repairs, etc., incidental to the working and upkeep of the line.

3934. Mr. Greenham thought that the programme revenue figures are not discussed in detail by the Railway Board at the same time as the figures relating to capital.

3935. Mr. Greenham explained that in December of each year a preliminary capital budget is compiled on the basis of the intimation received from the Railway Board of the amount likely to be allotted (in the instance already discussed, on the basis of Rs.179 lakhs). The capital budget thus depends on the amount which the Railway Board has been able to persuade the Government of India in the Finance Department to promise rather than on the actual necessities of the line. The individual railway has no direct relation with the Finance Department and can only represent its requirements to the Railway Board.

3936. Final budget orders are usually issued at the end of March. The final issue of the budget of a railway is submitted in or about May of the year to which the figures relate. It is understood to be used by the Accountant-General, Railways, as one of the components of the final budget for all railways. Although still labelled budget "estimate" the figures in it have ceased to be estimates at this stage and the final issue is simply a record of what has been decided upon.

3937. In reply to Mr. Hiley, Mr. Greenham explained that, once a definite sum has been allotted, the Railway Board does not control its distribution as between individual works. Some control is ordinarily exercised by the Railway Board as between the expenditure on rolling stock and other works. Mr. Greenham understood, however, that this control had been relaxed temporarily during the war, and had not since been re-enforced.

3938. The Railway Board's control over the expenditure on any particular work is exercised really through the Board's sanction to, or refusal to sanction, estimates for the works themselves, and not through the allotment of funds for the particular works in any special year. Administrative sanction when accorded to a work does not imply authorisation to spend money upon it but only a recognition that the work is desirable and that the estimate has been accepted as reasonable. Funds must definitely be provided within the budget allotment. In the case of such things as engines, which take a long time to obtain from England, it is not uncommon to obtain the Railway Board's permission to send home an "indent" or demand for the engines in advance of actual sanction to the estimate. By an "indent" is meant an official supply order bearing a certificate by the Chief Auditor and Government Examiner of Accounts that the necessary funds have been earmarked from the grants allotted to the railway. On receipt of such an indent the Board of Directors in London enters into contracts for the purchase of the stores or articles demanded.

3939. As regards the allocation of expenditure between capital and revenue, this is done in accordance with rules of allocation which have been established as a result of discussion between Government and the railway companies. If, for example, a 75lb. rail is replaced by a 90lb. rail (and provided an extra charge is involved) it is the practice to debit to capital account one-sixth, as representing the increased weight of the rail. The railway company would not be free to charge the whole cost in such cases to revenue even if it desired. It would have to refer any such proposal to the Railway Board, for sanction.

3940. Mr. Greenham explained that the preliminary revenue estimate which is submitted to the Railway Board in December of each year includes proposals relating both to the "programme revenue expenditure" and the ordinary revenue receipts and expenditure of the following financial year. These preliminary estimates are usually discussed in person by the agent of the railway with the Railway Board in December or January. The final issue of the revenue estimates is based on the budget orders issued in March and is sent in about May of each year as in the case of the capital budgets. The "Establishment and Authorisation Rolls" are a detailed list of sanctions embodying the whole expenditure chargeable to revenue which is contemplated in the year to which the Rolls relate. A preliminary edition of these Rolls is prepared in November of each year for the following financial year. Mr. Greenham said that it ought to be possible normally to issue the Rolls in their final form, early in April, as the changes necessitated by the final budget orders are not usually

very great. During the past year the Bengal Nagpur Railway had dispensed with the preparation of the detailed Establishment Rolls, the preparation of which presented unusual difficulty owing to uncertainty with regard to salaries and labour charges. It was possible for them to be dispensed with inasmuch as each individual item of expenditure included in them is covered independently by a specific sanction, whether of the Agent, the Home Board or the Railway Board according to circumstances.

3941. In reply to the Chairman Mr. Greenham said that from the railway point of view the numerous stages in the preparation of the budget, between the submission of the preliminary forecast in July and the preparation of the final issue of the budget, appeared to be unnecessary, and might be considerably simplified, but he thought these stages are probably necessary from the point of view of the Government of India. It would greatly simplify matters and meet the point of view of the railways if railway finance could be completely separated from the general finance of Government. The variations in the programme from year to year make it difficult in some cases for railways to carry on their work without inconvenience. Normally enough money is provided for works actually in progress and serious inconvenience in regard to these is not experienced. Owing to the unusual extent to which the railway capital proposals for next year are being cut down, it is probable that the position in 1920-21 will be exceptionally embarrassing. In his experience the variations in the budget figures after Budget orders are passed by the Government in March usually take the form of additions to rather than deductions from grants. In some cases additional grants are offered at a late stage in the year, as much perhaps as up to ten lakhs being offered for expenditure. Offers of this kind made towards the close of the year are frequently too late to permit of economical utilisation.

3942. Mr. Greenham explained that, owing to the alterations in the rate of exchange, a lapse of about 39 lakhs of rupees is anticipated at the end of the current year, having regard to the rupee figures of the railway grant. The railway's original budget was based on a two shilling rupee, but the Government made a deduction of Rs. 54 lakhs for "gain on exchange" on the assumption that the rupee might be valued at 2s. 6d.

3943. In cases in which the railway authorities consider that an excess over the grant is likely to be incurred, the practice is to ask Government for additional grants. The only case, which Mr. Greenham remembered, in which work in progress had actually had to be closed down because of the inability to secure sufficient funds for it, was a case of a line under construction on which work was practically stopped for a period of 4 or 5 months after two years' work had been done. When the financial position improved funds were allotted and the work was allowed to proceed. This was a case of many years ago.

3944. Mr. Greenham had some difficulty in estimating the real effect of "lapses" on the aggregate sums allotted to railways. It appeared to him that, if a railway could spend the full amount allotted to it, it was on the whole unlikely to get more in the long run than another railway which had lapses at the end of each year. The Chairman suggested in this connection that any lapse which occurs goes to swell the Government's surplus at the commencement of the following year and is not treated as reserved for the particular company where the lapses occurred but may be redistributed in the following years among other companies. The point was not pursued.

3945. Mr. Greenham was doubtful whether during the period of construction of a railway work was much retarded owing to insufficient supply of funds. He had known of cases of a railway taking from four to five years to construct. In such cases the capital already spent lies idle except in so far as the line might be opened in sections. The Chairman observed that five years seemed to him a long time to build even an underground line in a city. It certainly seemed too long to build an ordinary line of railway communication. Mr. Greenham agreed that the time appeared excessive.

3946. Mr. Greenham said that usually there is only one informal discussion between the agent of the railway and the Railway Board regarding the programme of expenditure. This discussion normally occupies about half a day. Any further discussion is usually carried on by means of correspondence. He was not aware if the Railway Board commonly send out an inspector to investigate proposals involving expenditure on important projects.

3947. In this connection Sir George Godfrey speaking from his own experience explained that the ordinary course of discussion with the Railway Board is for the Board to go through the proposed works item by item with the agent, and to determine the necessity or otherwise of each and to cut the programme down if this was necessary. The Board relies on the Agent to explain where expenditure can be restricted with least inconvenience. The Railway Board does not go into the details of works estimates in the course of the budget discussion, but when dealing with the individual application for sanction to estimates it does investigate the details, and not infrequently sends out an inspecting officer, usually the Chief Engineer, to investigate matters on the spot or else asks the Agent for fuller information and justification of his proposals. Sir George Godfrey thought that the Railway Board generally examines more critically the estimates submitted by State lines than those submitted by the Agents of companies' lines which have already undergone the scrutiny of the home Boards of Directors.

3948. With regard to the future prospects of the Bengal Nagpur Railway, Mr. Greenham considered that receipts could only be restored to a reasonable standard by means of a general increase in rates and fares. It would be necessary to secure about Rs. 135 lakhs gross revenue more than is estimated for the current year in order to obtain an increase of Rs. 55 lakhs of net earnings required to give a return of 6 per cent. on capital outlay. He did not anticipate any such increase of traffic in the near future as would obviate the necessity for increasing rates and fares.

3949. Mr. Greenham gave the following figures as showing the return on the capital outlay of the Bengal Nagpur Railway, from the year 1913-14:—

1913-14	5·56	
1914-15	5·07	
1915-16	5·56	
1916-17	6·51	
1917-18	7·30	
1918-19	7·48	
1919-20	6·28	
1920-21	4·85	Estimate only.
1921-22	4·60	Estimate only.

3950. Mr. Greenham was unable to indicate how far the increased dividend in recent years was due to the postponement of revenue expenditure, such as expenditure on renewals, relaying, etc., which in normal circumstances would have been carried out. He promised to furnish the Committee with figures showing the actual expenditure on repairs and renewals on permanent way and in the loco. and carriage departments from 1913 onwards. He also promised to comply with Mr. Hiley's request to supply a copy of the traffic operating statistics. He explained that statistics of wagon use are issued by the Traffic Department for the use of the operating staff.

3951. In reply to Sir R. N. Mookerjee, Mr. Greenham mentioned that although a considerable volume of military traffic had been carried during the war years, and extra earnings were secured to the railway from it, even now that military traffic had practically ceased, there was still a continual growth of traffic revenue.

3952. The following statements were subsequently furnished by Mr. Greenham:—

I. Statement of total staff employed on the Bengal Nagpur Railway, the clerical staff, and the number (included in the clerical staff) engaged on the work of accounting and statistics.

Total staff	56,694
Clerical staff	2,370
Staff employed in Accounting and Statistics (Section clerks not included) ...	777

II. Expenditure on ordinary maintenance and renewals on the Bengal Nagpur Railway, for the years 1911–12 to 1921–22 (in thousands of rupees).

—	1911–12	1912–13	1913–14	1914–15	1915–16	1916–17	1917–18	1918–19	1919–20	1920–21 (Estimated).	1921–22 (Estimated).
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Way and Works ...	18,99	20,60	24,31	21,53	23,06	23,07	25,76	26,52	31,23	36,11	36,93
Engines	12,28	14,10	15,90	15,43	16,45	21,50	26,96	28,64	34,84	40,19	45,42
Carriages and Wagons ..	14,82	17,02	17,23	15,97	16,48	21,01	32,22	43,16	61,20	60,50	65,75

Lieutenant-Colonel CAMERON, Agent of the Eastern Bengal Railway, was recalled, and examined together with Mr. C. S. SINCLAIR, Chief Auditor of the Eastern Bengal Railway.

3953. In reply to the Chairman, Mr. Sinclair explained that he was an officer of the Government of India, Finance Department, appointed by that Department to the post of Chief Auditor of the Eastern Bengal Railway, a State railway managed by Government. His pay is charged to the railway account, though he is subordinate not to the Railway Department but to the Finance Department. In the case of the State Railway there is no supervisory check over the work of the Chief Auditor corresponding to that of the Government Examiner of Accounts in the case of a company-worked railway.

3954. Mr. Sinclair promised to furnish a statement showing the number of staff employed on the railway, the total clerical staff and the total accounts and statistical staff, indicating separately under the last head the numbers separately of audit and inspecting staff. The following particulars were subsequently furnished by Mr. Sinclair in pursuance of this undertaking:—

1. Number of staff employed on the Eastern Bengal Railway		43,181
2. Total clerical staff		2,019
3. Chief Auditor's own staff:—		
(*a*) Clerks employed on statistical work		47
(*b*) The rest		513½
The details of (*b*) are:		
Officers	7½	
(The half is accounted for by the fact that this office and the Chief Auditor, Oudh and Rohilkhand Railway, have only one Travelling Auditor between them.)		
Accountants	23	
(Includes 1 Accountant at the Locomotive and Carriage Workshops at Kanchrapara and 1 at Saidpur.)		
Travelling Inspectors of Accounts	15	
Clerks	468	
Total	513½	

3955. Mr. Sinclair explained that the statistics which are provided for the use of the executive officers on the line are worked out and furnished by the Departments concerned, namely, the Locomotive and Traffic Departments, and not by the Chief Auditor's office. The figures, which are reproduced in the Railway Administration report, are prepared by his staff and furnished to the Railway Board.

3956. Colonel Cameron stated that he does not use the Administration Report to a very great extent. The report is usually published too long after the period to which it relates; the report for the year 1918-19 was printed in December, 1919. He uses the Administration Report however for making comparisons of the results obtained on his line with corresponding figures for other lines.

3957. In the forecast of capital requirements for the year 1920-21, submitted to the Railway Board in July, 1919, Rs. 202·68 lakhs had been asked for. This demand was discussed item by item with the Railway Board itself, the Board being assisted to some extent by the Financial Joint Secretary, who is a member of its own staff. The discussion occupied the greater part of one day. The Railway Board had provisionally agreed to support an application for Rs. 161 lakhs excluding suspense. Subsequently the figure of Rs. 203 lakhs was adopted; the figure of Rs. 161 lakhs representing the cash provision, and the balance to be found from the existing store balances already paid for by capital. In budget orders a provision of 239 lakhs was approved, but the figure was ultimately reduced to Rs. 204·75 lakhs.

3958. In the forecast submitted in July, 1920, relating to capital requirements for the year 1921-22 the Agent asked for a provision of Rs. 214 lakhs. In putting forward this demand, he was influenced by the knowledge which he had obtained from the Board's staff that it would be necessary for railways to keep down their requirements, as far as possible. He regarded the demand for Rs. 214 lakhs as a low one. The Railway Board accepted the figure with a slight reduction after discussion, but owing to the inability of the Finance Department to hold out any hopes of a sufficient provision of funds in the approaching year the Eastern Bengal Railway was subsequently instructed that its capital expenditure must be restricted to Rs. 96·17 lakhs. The Agent proposes to prepare his budget accordingly. He does not contemplate entering a special protest, as is being done, for instance, by the Bengal Nagpur Railway under somewhat similar circumstances. He thinks that he can manage to carry on with the Rs. 96 lakhs, but will have to restrict expenditure to what is absolutely unavoidable, postponing, for example, such urgent and desirable works as the provision of staff quarters.

3959. In the case of the Eastern Bengal Railway, a high standard of permanent way had been maintained shortly before the war, and, although expenditure was restricted because of the war, the line was not now so much in arrears as it would otherwise have been. There is a certain amount of rolling stock due for replacement. Certain engines had been ordered from home, but owing to the difficulty of financing the payment for them he had suggested their being transferred elsewhere. He thought that he could carry on without them without great difficulty. As the demand for engines had been put forward before 1919, i.e., before he became the Agent of the Eastern Bengal Railway, he was not in a position to explain on what grounds the Railway Board had been persuaded to sanction the provision of

these engines, which apparently are not urgently required, at a time when railways generally are in difficulties for want of funds.

3960. Colonel Cameron condemned the system of lapse at the end of the financial year. He considered that it operates hardly on the railway management, and leads to extravagance. He had not often been in the position of having additional money pressed on him towards the end of the year, but had this occurred, he would find it somewhat difficult to resist the temptation to spend it hurriedly, and therefore possibly not economically, rather than lose it altogether by permitting the grants to lapse. He saw no reason why any money lapsing should not lapse to the Railway Board and be available for specific re-allotment by the Board instead of allowing it to lapse to Government to swell their general balances. The logical inference from his view was the adoption of a separate railway budget. He would strongly advocate this from the point of view of railway interests.

3961. In reply to Mr. Purshotamdas Thakurdas, Colonel Cameron expressed the opinion that it would be a great improvement if the railway programme could be more continuous—from three to five years. He admitted that a provision for allowing a re-allotment of lapses from year to year would in itself be a great improvement on the existing system.

3962. The Chairman drew Mr. Sinclair's attention to the fact that in the case of an ordinary company there is never an actual closing of accounts corresponding to the closing of the Government railway accounts from year to year, the difference being that in the case of the Government the budget is practically a cash amount of operations which are necessarily kept distinct from year to year.

3963. In reply to Mr. Hiley, Colonel Cameron stated that he was confident that in the event of the Railway Board finding it possible later on to secure an additional allotment of funds it would give the Eastern Bengal Railway its fair share, even though he does not protest at once against the reduction of his grant to 96 lakhs.

3964. Colonel Cameron stated that the transfer of staff from railway to railway in the case of the State railways causes some inconvenience. During recent years, however, the Railway Board had adopted a policy of reducing such transfers as far as possible. Generally speaking, the salaries on the different State railways had been equalised, and this rendered the occasions for transfers less frequent.

3965. In reply to the Chairman, Mr. Sinclair stated that he had been Government Examiner on the Bombay, Baroda and Central India and Great Indian Peninsula Railways; and on the Southern Mahratta Railway, before the Southern Mahratta Railway was merged in the Madras and Southern Mahratta Railway system. His function was to make a test audit of the work done by the company's Chief Auditor and his staff, mainly with the object of seeing that the interests of the Government did not suffer where they were in divergence with those of the company; for example, he had to see that revenue was not benefitted at the expense of capital. The staff employed on this work had always been small relatively to that employed under the Chief Auditor, but it had been reduced still further in recent years, and the extent of the Government Examiner's check had been reduced to a minimum.

ELEVENTH DAY.

(Calcutta.)

Wednesday, 22nd December, 1920.

[The evidence of Mr. E. A. S. Bell, C.I.E., Member of the Railway Board was taken and is recorded under Numbers 3966 to 3997 in the volume of Confidential evidence.]

TWELFTH DAY.

(Calcutta.)

Thursday, 23rd December, 1920.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. F. R. BAGLEY, M.I.C.E., Retired Chief Engineer, State Railways, was called and examined.

3998. The Chairman said that the Committee had read with great interest the very full statement of his views and recommendations which Mr. Bagley had furnished, and it was proposed to ask him to elucidate only some of the matters dealt with.

See Written Statement No. 13., Vol. IV., P. 38.

3999. Mr. Bagley stated that he had been employed for 32 years on Indian State Railways, and for 13 years on company-managed railways, mainly as an engineer on open line. Of his service on company-worked railways, he had been for two years on the

Burma railways as engineer-in-chief of the open line; the remainder of his experience was that of a construction engineer. He had, however, had a great deal to do during the past 13 years with questions of railway administration in connection with the management of branch lines. Of the lines with which he was connected, the Darjeeling-Himalayan Railway was worked by its own administration, the others by the adjoining trunk lines.

4000. Mr. Bagley had changed his original opinion that State management was the best system for India. He was now satisfied, after long experience of both, that company management of railways is best, provided the companies are domiciled in India and have considerable freedom of action. State control is necessary, but should be limited to essentials. He recognised that the State must exercise, in India, greater powers of control than the Board of Trade used to do in England. For the State must protect its own financial interests as well as supervise railways in the interests of the public. In his opinion, the principal reason why the high hopes originally entertained with regard to the success of State management had not been realised was the influence of the Finance Department.

4001. He considered that the only satisfactory financial system would be one under which there would be a separate railway budget, somewhat as in Switzerland. The Viceroy in Council, he thought, should have control over the Railway Board, and the Board should have the same standing with the Government of India as the Finance Department has at present. He recognised that Government would expect a share of the railway surplus profits, since clearly they must at least be paid interest on the capital invested in the railways. As regards the balance, he considered that the Government should not regard railways as a means of profit, and thought the proper thing really would be that the whole of the net profits should be spent on railway improvement and development. He would rather trust the Railway Board in this than the Finance Department. This, however, was a counsel of perfection, and he thought that it might be reasonable to allow the Finance Department a limited share in the profits. He did not think that this would necessarily give them a right to dictate as to the management of railways. They would be much in the position of a profit-sharing debenture holder. He agreed with the Chairman's suggestion that the Government might perhaps claim to be compensated in some way for their past losses on the railway business. He would be disposed to agree that they might therefore receive a reasonable fixed rate of interest, somewhat higher than the interest charges actually paid by them, on the capital invested.

4002. Mr. Bagley would not sympathise now with the proposal made by Mr. Robertson in 1903 for drawing the personnel of the Railway Board entirely from England. He would not object to having one member with English experience, but considered that India is competent to find its own railway men.

4003. He regarded the Railway Finance and Administration Committee of 1907 as a purely finance committee. It did not investigate any system of management but that by the State.

4004. He considered that the programme system, especially in the matter of "lapses," works very unsatisfactorily for railways, even if it be true that the aggregate lapse of railway grants might be indirectly reallotted as part of the capital programme of the following year, which in practice is seldom or never done. Mr. Bagley considered the existing system of binding railways to varying annual budgets is intolerable and unreasonable. He quoted some instances of its actual effects in practice. He cited, for instance, a case of a railway under construction in Burma, on which, when it was feared that the grant would be exceeded, credits were withheld, work stopped, and labour dispersed. Mr. Bagley stated that in that case the contractors could not be paid, and their bills were offered for discount in the bazaar. The engineer-in-chief's assurance that there would be no excess was ignored. A heavy loss was incurred before work was resumed. The ultimate result showed that the engineer-in-chief was right, there being no excess. In reply to Sir Arthur Anderson, he admitted that that case was 38 years old; there were, however, more recent instances.

4005. In another case which occurred in 1892, the grant for a railway under construction was withdrawn. Mr. Bagley, who was employed on the project, took leave and succeeded in persuading the authorities at Simla that there would be a heavy loss unless the order was cancelled. He did not stop work, although he should, strictly speaking, have done so. In this case he had succeeded in securing a reversal of the original order. He mentioned another somewhat similar case. Mr. Bagley was not in a position to cite a specific recent case of the kind, though he had had reason to believe that the same sort of thing still occurs. The Chairman suggested that it would seem, from the instance quoted, that if the engineer took enough trouble he could secure authority to carry on. Mr. Bagley stated that this might be so, but the engineer risked a good deal, and not everyone would take that risk. He said that he had been told of current instances in which the Oudh and Rohilkhand and North-Western Railways are hurriedly trying to spend funds, now available, before the end of the current year for fear of the provision lapsing. He was unable to explain in detail the apparent conflict between this information and the statement at the end of paragraph 17 of his written statement, but thought it was possibly attributable to some confusion between revenue and capital expenditure, but the principle was the same in either case. It was clear, anyhow, that spare money, whether capital or revenue, which is probably wanted more urgently elsewhere, is being spent on works of a less pressing nature.

4006. Mr. Bagley said that the railway grants had always been insufficient, and were constantly altered. In his experience, frequent alterations were made even after a grant had been definitely allotted. Alterations to the extent of 15 per cent. or so were common. It was within his experience that the railways were sometimes pressed to spend as much money as they could before the end of the year. In reply to Sir George Godfrey, he said that it was not merely a case of railways being asked whether they could profitably spend additional sums of money at short notice, but of being actually urged to do so.

4007. Mr. Bagley accepted the Chairman's summing up that, firstly, inadequacy of funds, and, secondly, fluctuations in the programme allotments are the two most important considerations in the railway problem. Even with inadequate funds railways could do better if it were not for the variations in the amounts placed at their disposal. In his experience, it was far easier to carry out work satisfactorily under the more businesslike system adopted by companies.

4008. He objected particularly to railway business being regulated by an elaborate code of rules, drawn up largely by persons familiar with a different class of Government business which necessitated detailed strict regulations, but who were not conversant with railway business. Mr. Bagley believed that the agent of a company, for instance, of the East Indian Railway, had a freer hand than the agent of a State railway, for instance of the North-Western Railway. Sir Henry Burt stated from his own experience, both as agent of a State railway and President of the Railway Board, that the state of affairs of which Mr. Bagley complained no longer exists. He considered that, as a State railway agent, he had quite as much freedom as the agent of a company. Mr. Bagley said that seniority counted for much more in matters of promotion to higher appointments in State lines than on company-managed lines. Referring to paragraph 3 of his written statement, he said that, so far as he could judge, matters were just as bad in this respect as

they had ever been. He admitted, however, that there were occasional appointments by selection.

4009. In connection with the postponement of expenditure during the war, the Chairman quoted from the statement made by the Hon'ble Finance Member, Sir William Meyer, in the Financial Statement for 1918-19, that it was proposed to invest £20,000,000 sterling in Treasury Bills in order to provide for the railway liabilities which would come upon Government shortly after the war was over. Mr. Bagley said he was not aware of the announcement, and was not in a position to say whether any such actual provision was made. It was understood that provision of only £12,000,000 is proposed for the coming financial year, and he did not know what had become of the £20,000,000 which was supposed to have been placed in reserve.

4010. With regard to the opinion expressed by Mr. Bagley in favour of the sale to companies of the existing State railways, the Chairman asked whether he thought that the companies could raise all the capital necessary for new development as well as provide for the purchase of lines. He thought that they could do so, provided sufficient inducements were offered. He was inclined to think that English money could still be got at a 7 per cent. guaranteed interest. He doubted whether enough money could be borrowed in India, but believed that a substantial sum would be forthcoming provided the return offered was adequate.

4011. Adverting to the last paragraph of paragraph No. 29 of his statement, suggesting that the arrangement with companies might follow the lines of the new East Indian Railway contract, Mr. Bagley said that he was not aware of the precise terms of the contract; when the Chairman pointed out that if the company were able to earn an additional profit of one million pounds sterling, they would themselves only gain £10,000, he admitted that this would not be attractive and that it would be very necessary to give the companies a larger interest in the concerns.

4012. Mr. Bagley, speaking admittedly from little experience, as he had not had a great deal to do as a State railway officer with the Railway Board except in the first years of its existence, believed that the Board interfered too much in details. Since retiring from State service, Mr. Bagley has had twelve years of constant dealings on behalf of branch line companies with the Railway Board and has always received considerate and businesslike treatment for which he has cause to be grateful, but this experience confirmed his ideas of the extent to which the Board with the best intentions and most earnest efforts, is hampered by the Financial Department control, and its own shorthandedness. It did not help much in the elaboration of large projects, but it was the business of the railways to plan and to exercise foresight as to their requirements. He agreed, however, that the Railway Board ought to concern itself with the larger projects of railway development, especially those affecting more than a single railway system, and considered that the Board ought to include a project or development member specially to deal with such matters. He believed that the Railway Board's undue interference with railway administrations might be traced back to the requirements of the Finance Department.

4013. In addition to the President, who should be a member of the Viceroy's Council, and the projects member, he considered that the Board should also have an expert with traffic experience, an engineer and a financial member. He referred for further details on the subject to paragraph 37 of his written statement.

4014. Mr. Bagley believed that the larger portion of the capital hitherto subscribed to branch line companies, was provided by money sent from England for investment, and by the investment of European residents in India. He presumed that Indians were the purchasers of branch line investments when, on account of the rise in exchange last year, Europeans sold their holdings and remitted the proceeds to Europe. He said that branch line securities with a share return of 5 per cent. were then sold at about Rs. 73 per Rs. 100 share.

4015. He would prefer that money should be raised by the Railway Board on the security of the railway profit and without a Government guarantee. He thought that they might have to pay 1 per cent. more than the rate offered by the Government on its loans, but considered that this extra sum would be well worth paying to maintain the separation of the railway finance from the ordinary finance, and the retention of control entirely in the hands of the railway administration.

4016. In view of the fact that the results of the working of the military sections of the North Western Railway are shown separately in the Administration Report as well as in the gross figures for the entire system, Mr. Bagley desired that the remarks in paragraph 47 of his written statement might be passed over.

4017. With regard to spheres of influence, Mr. Bagley thought that branch lines ought to be developed by separate companies. He thought that the spheres of influence of existing railways would be difficult to allot and often could not be respected, and that public interests should come first. He held that nobody should have a monopoly of a geographical area; it was almost impossible, in the existing conditions of Indian railway development, to build a new line of any importance which does not somewhere infringe the sphere of influence of an existing railway. Taking the case of the Grand Chord of the East Indian Railway, he agreed with Sir Henry Burt that it would not have been fair to the East Indian Railway to allow an independent company to build that line had it so desired. In cases such as these, it might be fair to allow the main line at least the first option of building the short circuiting line required. He was not aware that it had ever been a contract provision that without the consent of the parent line a branch line company might not extend its line.

4018. Sir R. N. Mookerjee pointed out that the right to control extensions is generally reserved in the original concessions given by Government for any railway construction. The witness believed that the policy of the Railway Board in respect to branch lines had changed; his remarks led Sir R. N. Mookerjee to remark that now-a-days at least the Railway Board does usually offer the main line company the first choice of building by its own agency any new line that might be proposed, before allowing a branch line to undertake it; and that the main lines undoubtedly have a powerful influence in determining the fate of branch line proposals.

4019. In answer to the Chairman, Mr. Bagley said that owner's risk rates should be abolished, and that railways should take a carrier's risk in all cases.

4020. Mr. Bagley was in favour of the introduction of more training schools for the traffic staff on the lines of the one now working in the Chandausa, Oudh and Rohilkand Railway. It trains boys from the age of about 17 or 18 for employment in the various lower grades of the traffic department. Unfortunately the success of such schools depends largely on the chance of obtaining enthusiastic officers to take charge of them. He was of the opinion that there should be such schools on every large railway or at least in every province. He thought that the existing facilities for training locomotive engineers of the higher classes in India are deficient. He was in favour of affording such training, and was hopeful of its success if the necessary facilities could be provided. He considered that there should also be more systematic and thorough training facilities for superior traffic officers than exists at present.

4021. As regards the enlistment of the support of provincial Governments, Mr. Bagley said that they have certain powers. Under rules recently published the Communications Board of the United Provinces and Punjab have power to raise money for feeder lines and tramways, but not for railways. They

have not sufficient expert advice to enable them to judge between sound and unsound schemes and he found after talking to the Board's officials that they wanted it very badly. He proposed that the suggested "Projects" member of the Railway Board should be their consulting authority and did not think that the local Communications Boards would be jealous of him if he only acted in an advisory capacity and had not authority to enforce his advice. Mr. Bagley believed that the local boards would be grateful for expert advice.

4022. In reply to Sir George Godfrey, Mr. Bagley admitted that the methods of the English boards of directors might have improved since the time in which his own experience had been gained; he hoped so at least. He was aware that some agents of undoubted ability had been quite satisfied with their relations with their boards of directors. Very likely the matter depended largely on the personality of the agent and the extent to which he secured the confidence of his board.

4023. Mr. Bagley stated that he would be prepared, if desired, to supply in confidence the names of the high authorities referred to in paragraph 26 of his statement, one of them was the secretary of one of the London boards of directors.

4024. With respect to the possibility of Indian domiciled companies raising money in the London money market on as easy terms as the boards of directors in London, Mr. Bagley expressed the opinion that there would be no particular difference in the terms: when asked whether commission would not have to be paid both to the Calcutta house and to the London house for raising a loan through a Calcutta firm, Mr. Tuke interposed and explained that the point whether a company borrows directly or through a financial firm does not really affect the question as if underwriting is considered necessary the same commission has to be paid to the underwriters in either case.

4025. Mr. Bagley's recent experience had brought him more into contact with the firm of managing agents of the lines with which he was concerned than with the boards of directors of the lines. He presumed that the boards of directors generally guided the managing agents. He was not, however, in a position to speak from his own experience on the subject as to their relations.

4026. In reply to Sir Arthur Anderson, Mr. Bagley said that he saw no reason why there should be any difficulty in local boards raising considerable sums of money in London for the development of their lines without having any direct representation there. Indian railway investments had a good reputation for safety, and though the location of boards in London might have some influence over the reception of loans issued there, Mr. Bagley said that, so far as he knew, there would be no difficulty in firms in India raising money in London.

4027. Mr. Bagley admitted that there might be some difficulty in finding a sufficient number of competent directors for boards in India. He thought, however, the difficulty would not be insuperable, and that the demand would reveal the supply. He thought that men retiring on pensions of, say, £600 or so per annum, would be willing to remain in India for the sake of the extra Rs. 1,000 per mensem, which they might receive if they held two or three directorships. He would not object to one man being director of one or two different companies. The Chairman suggested that, in this case, it might well happen that all the boards in Calcutta would have the same individuals on their boards of directors and that, therefore, they might just as well be combined into one managing company. Mr. Bagley said he had not considered this possibility, but would not be alarmed by it.

4028. In reply to Sir Rajendranath Mookerjee, Mr. Bagley said that his reason for saying that the time was not yet ripe for training Indians as locomotive engineers, was that there were not enough facilities for it, but that if suitable facilities could be found for their training, he saw no reason why they should not be successfully trained.

4029. Mr. Bagley referred to the lack of a clearing house in India; he mentioned that there had been a good deal of discussion on the subject and suggested a reference to the Indian Railway Conference Association for fuller particulars.

4030. Replying to Mr. Purshotamdas, Mr. Bagley did not admit that the fact that companies frequently draw their officers from the State lines affords an argument in favour of the latter, in fact it proved his point. He held that the State system does not allow of the best man rising to the top any faster than those of less ability. He had never denied that there are many good men in Government service, but Government deals with the service as a whole; the best officers therefore naturally tend either to leave the service or to be borrowed by companies.

4031. Mr. Purshotamdas Thakurdas drew attention to the fact that money was being raised for Indian railways in London at 4½ per cent. or even 4¾ per cent. before 1914, whereas, before the war, the Government of India had never issued a loan in this country at more than 3½ per cent. Mr. Purshotamdas suggested that it followed that India had not been allowed to subscribe for railway purposes, although the London money market was given the opportunity. Mr. Bagley was unable to throw any light upon this matter.

4032. He admitted that he should modify his opinion with regard to the unattractiveness to Indians of railway investments if it were the case, as suggested by Mr. Purshotamdas, that, at least in Bombay, the Indian public had subscribed much more freely to branch line enterprise than he had supposed. Mr. Purshotamdas drew attention to the fact that, if Indians had lately bought from British investors, Rs.100 railway securities giving a 5 per cent. return at Rs.73, they were practically getting only 7 per cent. return on their capital, much the same as the actual return from the 6½ per cent. Income Tax free loan recently floated by the Government of Bombay, or from the 3½ per cent. Government loan now quoted at about Rs.50 per Rs.100 face value. Mr. Bagley admitted that this argument told against the opinions expressed by him in his written statement regarding the reluctance of Indians to subscribe for railway securities bearing a moderate return. He stated that, nevertheless, railways had recently failed to raise more than a part of a debenture loan at 7 per cent.

4033. With regard to the concluding sentence of paragraph 43 of Mr. Bagley's statement, Mr. Purshotamdas suggested that the difficulty of raising money in India at low rates is really due, not to any unreasonableness on the part of Indian subscribers, as Mr. Bagley seemed to suggest, but to the fact that low rates are no longer attractive in any country after the war, and that to secure subscription of funds the prevailing market rates must be given. Mr. Bagley admitted that this is the case, as regards present high rates of interest prevailing everywhere, and that the fault really lies in the lowness of the rates of interest offered. What had happened on the Bombay side did not, however, alter the fact that in the case of branch railway issues in Bengal and the Punjab, though preference was given to Indian investors, the amount of such investments was very small as compared with the money subscribed by Europeans in India or England.

4034. Referring to the grievances of the public alluded to in paragraphs 62 and 63 of his statement, Mr. Bagley was unaware whether these had been brought to the notice of the home boards of directors, but he had reason to believe that they had been brought to the notice of the railway board, who, however, had apparently been satisfied that there was no reason to take any action. He had not followed the matter up.

4035. Finally, in answer to the Chairman, Mr. Bagley stated that, even if the difficulties attributed

to the control of the Finance Department could be eliminated, he would still not advocate direct State management of railways, though he considered that it might be tolerable in the altered circumstances. He believed that company management would still be more efficient on the whole.

4036. With reference to the answer to question 26b. in Mr. Bagley's printed evidence, he subsequently advised the Committee that he had since worked out figures showing that an *average* addition of 33 per cent. to fares and freight rates would be sufficient to restore the railways to a state of solvency, and from intimate acquaintance during fifty years with all classes of Indians he believes the increased prosperity of the country justifies such increase in rates (less than half that adopted in England and Europe and America), and would not "kill the traffic" as anticipated by some. Discretion would, of course, have to be used in making the increase in different areas of country vary with the local circumstances. Thus in Behar and Oudh the passenger rates would not be raised to the same extent as in the Punjab and Bengal, and in the matter of freight rates it would be necessary to discriminate between goods that can stand the increase and those that cannot bear it.

THIRTEENTH DAY.

(Calcutta.)

Monday, 3rd January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The following representatives of the Bengal-Nag pur Railway Company were called and examined:—

Mr. A. C. CARR, Chief Mechanical Engineer.
Mr. H. G. DUNCAN of the Traffic Department, Transportation Branch.
Mr. C. CARROLL of the Traffic Department, Commercial Branch.
Mr. W. O. TAYLOR, Chief Engineer.

(Also present: Sir T. R. Wynne, K.C.S.I., etc., Managing Director, Bengal-Nagpur Railway Company, and Mr. C. Ismay, General Traffic Manager.) The examination was conducted with reference to the written statement which had been furnished by the Agent, Bengal-Nagpur Railway.

See Written Statement No. 14, Vol. IV., P. 53.

4037. Mr. Carr stated that he was Chief Mechanical Engineer of the Bengal-Nagpur Railway and had recently acted as Agent during Sir George Godfrey's absence.

4038. In reply to the Chairman, Mr. Carr stated that Sir T. R. Wynne, Managing Director of the Company, has been in the habit, for some years, of visiting India every cold weather. Mr. Miller, now Chairman of the Company, has also frequently visited India in recent years. The other four directors had not visited India recently, but three of them, Mr. G. A. Anderson, Mr. Brereton and Sir Charles Stuart Wilson had acquired an intimate knowledge of India before their retirement. The position thus was that two directors had frequently visited India during the past 10 years while all the others with one exception had Indian experience.

4039. Amplifying the reply to Question No. 6, with reference to the point that the railway runs through a number of different provinces, Mr. Carr explained that Sir Charles Stuart Wilson and Mr. Brereton's knowledge of India had not been confined to any one part of India. Mr. Carr considered that a director in Bengal would not be familiar with the interests and requirements, say, of Madras. He thought that, in this matter, India differs somewhat from England. In England the conditions in different parts of the country are more alike than in widely separated parts of India. For example, to take the example indicated by the Chairman, a director of the Great Western Railway at Birkenhead, would know enough of the conditions in Cornwall and Devonshire to enable him to fulfil his functions. Mr. Carr thought that directors are chosen at home rather for their general business capacity than with reference to their particular local knowledge.

4040. Mr. Carr was unable to express an opinion as to the form of the board referred to in the reply to Question No. 10.

4041. He explained that, in answering Question No. 11, when he said the Board should be placed in a position to act on their own responsibility without delay, he had in mind the delays that do occur, which he assumes are caused by the necessity of making references to the Finance Department and the Secretary of State. Explaining the reply regarding the Board's subordinate officers, he said he had in mind the Board's headquarters staff, for example, the Chief Engineer and Secretaries to the Railway Board; he is not aware of the precise functions of those officers. The loco. department of the Bengal-Nagpur Railway has had few visits from the Railway Board; the last occasion was a visit during the war for special purposes connected with shell manufacture. He remembered no visit from a representative of the Railway Board other than a member.

4042. In reply to Sir Henry Burt, Mr. Carr said that he thought that such appointments as those of Government inspectors, secretaries and assistant secretaries in the technical departments in the Railway Board's office might sometimes be filled by men drawn from Companies' lines. There are no Companies' men at present on the Board's establishment. The Chairman mentioned that the Committee had been told that the Railway Board would like to take Companies' men in, but that these were not willing to take up the appointments. Mr. Carr considered that, if necessary, the appointments should be made more attractive.

4043. In connection with the reply to Question No. 13, in which the Railway Board's statement, that they had no powers to compel Companies' railways to carry out certain proposals connected with the distribution of wagons, was referred to, the Chairman enquired whether such powers did not exist under the Defence of India Act. Sir George Godfrey stated that this was the case; but it had been doubtful how long the Act would remain in force, and it had not been used for the purpose mentioned. The Chairman remarked that if this was so the Railway Board's statement did not seem to be accurate.

4044. Referring to the opinion expressed in reply to Question No. 14 that the Government exercise sufficiently their powers of control over railways, the Chairman observed that the Board has no control over rates and fares except as regards fixing maxima and minima. Mr. Carroll said that complaints were not frequent; he could remember no instance of a complaint being made that preference is given to any individual over another for any particular commodity between the same points. No doubt there is a tendency for general complaint against any enhancement of charges. Mr. Carroll stated that he had only had perhaps half a dozen complaints in a year through the Railway Board with reference to individual rates being too high. The practice was that such complaints are considered and decided by the Company, the Administration of which is really the final authority in dealing with them.

4045. The Chairman observed that in other countries where railways are freer in other ways than they are in India their rates and fares are generally controlled by an independent public authority. He suggested that there is a *primâ facie* case in favour of such an arrangement, since it is always recognised that no man should be a judge in his own case. Mr. Carroll considered that the control by the application of maxima and minima is sufficient, anyhow in practice. The railway naturally considers the interests of the public as well as its own interests; the two are inseparable. In reply to the Chairman's enquiry as to what an individual, who considers himself aggrieved, does, Mr. Carroll said he could only point to the general lack of complaints as showing that, in practice, the system works satisfactorily.

4046. In answer to Sir Arthur Anderson, Mr. Carroll said that he only remembered one instance in which a complaint had been made to the Railway Board with regard to rates charged by the railway in which the Railway Board had made a suggestion as to the modification of a rate and this suggestion was accepted by the Railway Administration. Any such suggestions made by the Railway Board always received the attention of the Railway Administration.

4047. With regard to "block rates," Mr. Carroll said he does not regard any rates quoted on the Bengal-Nagpur Railway as "block rates." The rates to which the Chairman referred, he regarded as short-lead rates. In reply to an illustration suggested by the Chairman, he admitted that traffic going a longer distance over the Bengal-Nagpur Railway might get the benefit of a lower rate and a higher mileage rate is charged for a shortlead traffic. The railway certainly quotes rates which are designed to induce the traffic to flow in special directions. Mr. Carroll said that, in quoting such rates, the railway considers the needs of the public as well as its own interests. The Chairman considered that occasions must presumably arise in which the trader would wish to send his traffic by a different route from that to which the railway was endeavouring to attract it. Mr. Carroll admitted that the Railway Administration is practically the judge in such cases, but considered that the absence of complaints shows that cases are dealt with reasonably.

4048. In reply to Sir Henry Burt, Mr. Carroll said that the Bengal-Nagpur Railway charges the same mileage rates for traffic *to* a junction as for traffic *viâ* the junction *from* the same point.

4049. The Chairman asked for fuller particulars with regard to the specific instances quoted in reply to Question No. 17, which had been quoted to illustrate the disadvantages consequent upon railways' dependence on the budget system. The first case mentioned was that of the Parvatipur-Singapur extension on the Raipur-Vizianagram Railway. Mr. Taylor explained that, in this case, the preliminary arrangements had proceeded as far as the ordering of tents and equipment and the appointment of a special survey staff. In all, about two months' preparatory work was done. It was then found necessary to terminate the arrangements in view of the intimation from the Railway Board that there would be no money available to pursue the construction next year. The consequence was that the Rs. 7 lakhs available in the current year could not be spent, and would lapse. It was not within the competence of the railway to transfer this money for expenditure on other works. The provision, therefore, lapses to Government.

4050. In the second case, that of the Bermo-Sawang extension, the grant of Rs.10 lakhs was made in October, 1920; that is some six months after the commencement of the official year to which the grant related. It was impossible to spend the whole of this money in the remaining portion of the year. In this case, the work had not been stopped. The Chief Engineer expects to spend about Rs. 1 lakh during the current year, and a further sum next year. It may take 2½ or 3 years to complete this line. The line, however, would in any case have taken at least two seasons to complete, even had there been no difficulty with regard to funds, owing to the necessity for constructing a big bridge.

4051. Referring to the question of deferred replacements of locomotive boilers and of deferred renewals of permanent way, Mr. Carr stated that it had been found practicable to keep in service the boilers and permanent-way materials, which should really have been replaced. He agreed that when the time for replacement is deferred maintenance became unduly expensive owing to the greater cost and frequency of repairs. In reply to Sir Arthur Anderson, he stated that renewals of permanent way are frequently made before the track is worn out, in order to enable a heavier track to be laid; in such cases, the old material is used for sidings and lines of secondary importance.

4052. Referring to the opinion expressed in answer to Question 18, *viz.*, that the policy of devoting the greater part of the available capital funds to the improvement of existing railways is satisfactory, the Chairman said that he presumed the view of the Railway Administration was that, so long as facilities on the existing line are admittedly defective, it would only aggravate the trouble to make new extensions which would bring additional traffic on to the already congested main line, and that, evidently, the first thing is to make the existing railway work up to full capacity. Mr. Carr said that there was still something to be said in favour of continuing with the construction of new lines because additional traffic on the old lines tended to hasten the provision of funds for necessary improvement and facilities on the line.

4053. The Chairman drew attention to the rough estimate of 4 crores of rupees per annum for ten years, given in reply to Question No. 19, as being the approximate needs of the Bengal-Nagpur Railway for further capital expenditure. In this connection, Mr. Carr gave the following figures:—

	Rs.
A demand in July, 1920, by Bengal-Nagpur Railway for 1921-22...	524 lakhs.
Agreed in August, 1920, with Railway Board for 1921-22	392 lakhs.
Further cut down by Government in November to	163 lakhs.

4054. Mr. Carr explained that the reduction from 524 to 392 lakhs had been made, not by any process of revising estimates, but merely by cutting out whole items from the list of proposed works. The Bengal-Nagpur Railway considers the existing promise of 163 lakhs as entirely inadequate and is protesting to the Railway Board on the subject. It is pressing

for a provision of at least 302 lakhs. Mr. Carr and Mr. Taylor stated that prices both in England and in India still show a tendency to rise. The estimate submitted in July was based upon prices current about that time and would now be inadequate.

4055. With regard to the figures included in the July forecast for the years 1922-23 and 1923-24 for Rs. 513 lakhs and Rs. 503 lakhs respectively, Mr. Carr stated that the railway has details working up to these estimates; these estimates are not regarded so seriously as the estimate for the immediately approaching year, but are worked out to a large extent in detail. It was correct to say that the estimates for the latter years are to some extent detailed estimates, but they would be revised and checked before they came into the budget for the actual years concerned. With regard to the subsequent years, his estimate of four crores was merely a rough estimate, based upon his general estimate of probable necessary works. Mr. Carr promised to submit for the information of the Committee a statement showing, year by year, for the past 10 years:—

(*a*) the capital sums asked for by the railway;
(*b*) the actual grants as finally allotted by Government; and
(*c*) the actual expenditure incurred against the grants.

(*N.B.*—In submitting this statement, the expenditure on open lines and new construction will be kept distinct.)

4056. The Chairman invited attention to the answer to Question No. 26, regarding the suggested increase of railway rates. Mr. Carr stated that he did not think that the 7 per cent. return on capital could be maintained unless rates are increased as suggested. He said that, when speaking of the return on capital, he had in mind the existing capital. He recognised, however, that attention must be paid to the continuous increase of capital and the return secured must be sufficient to give a reasonable return on the whole capital invested from time to time.

4057. With regard to passenger fares, Mr. Carroll said that it was not proposed at present to make any further increase. Passenger fares had been substantially raised, generally speaking, by about 20 per cent. or more, in 1917. As instances of the increase made, Mr. Carroll gave the following figures:—

Increase of fares for 75 *miles*:—

	per cent.	
1st class	about 30	
2nd class	,, 50	
Inter class	,, 28	by pass.
	,, 42	by mail
3rd class	,, 33	by mail
	,, 19	by pass.

Increase of fares for 900 *miles*:—

	per cent.	
1st class	about 5	
2nd class	,, 10	
Inter class	,, 34	by mail
	,, 28	by pass.
3rd class	,, 18	by mail
	,, 41	by pass.

4058. Mr. Carroll quoted certain figures of coaching earnings for the years 1913-14 to 1919-20, but promised that he would furnish the Committee with a fuller statement tabulating passenger miles and earnings. Sir George Godfrey mentioned that the increases of passenger fares made during 1917 were really made rather with the object of restricting traffic owing to the existence of war conditions and the curtailment of railway services than with the object of increasing earnings. They had, however, been accompanied by a steady increase of earnings.

4059. Mr. Carroll said that he could not give definite particulars with regard to the revision of goods rates referred to at the end of the answer to Question 26. The revisions had been made in hundreds of special items; the general effect certainly was an increase of earnings. He did not think that in any important case, the increase already made had arrested the growth of traffic, nor did he expect that the further 20 per cent. increase of goods rates now proposed would do so. In view of the fact that the increase of rates already made probably amounted to about 20 per cent., the net result of the further increase now contemplated would be to make the goods traffic bear about 44 per cent. higher charges than before the war. He thought that the value of commodities generally had risen more than this. The effect, therefore, would be that the railways would still be charging proportionately less of the value of the merchandise than formerly. Mr. Carroll thought that he could secure the increases of rates in question without infringing the existing prescribed maxima in most cases.

4060. In reply to Mr. Hiley, Mr. Carroll admitted that, to some extent, the alteration of rates is a leap in the dark in the absence of any precise calculation as to the amount of additional revenue which would be obtained.

4061. Alluding to the statement made in answer to Question No. 27, regarding the growing trade of India being hampered by lack of railway facilities and new lines, Mr. Carr instanced the increase of traffic anticipated from the development of the iron and steel industries. Taking together the two iron and steel and steel works near Kulti, it was estimated that the inward traffic would ultimately require about 400 wagons a day to meet the total requirements of existing and new works as against the present demand of about 100 wagons per day. In the case of the Tata Works, the increase anticipated is from about 250 to 700 wagons per day.

4062. As regards coal traffic, the railway requires increased facilities; it can only handle about 650 wagons per day, and the facilities should be enhanced at a very early date to enable it to handle about 1,250. Of this, some 550 would be for traffic towards the docks and 700 for traffic to the steel works and towards western India. Of the latter figure, probably some 250 would be for short distance traffic and 450 for long distance traffic.

4063. Mr. Carr agreed with the Chairman's summing up of the position with regard to the lapse system, dealt with in reply to Question No. 28, as being that individual railways may suffer even if railways as a whole do not. The lapse system would be less injurious if the particular railway on which a lapse occurred had the same amount re-allotted to it in the following year. He recognised, however, that this might mean that some other railway, having a still greater need, might suffer.

4064. Referring to Question No. 30, in reply to which the opinion had been expressed that the Government exercised adequate control in respect of rates and fares, Mr. Carroll accepted the Chairman's statement in that few other Governments exercise so little control as in India.

4065. With regard to the provision in the Indian Railways Act for the appointment of a Railway Commission, he did not think that there ever had been an application for a Railway Commission in respect of the working of the Bengal-Nagpur Railway. In answer to the Chairman, Mr. Carroll agreed that, should occasion for the appointment of a commission arise, he would prefer that disputed questions of rates and fares would be handled better by a man of technical railway knowledge than by a High Court Judge whose appointment would be necessitated by the existing provisions of the Railways Act.

4066. Mr. Carroll was doubtful as to whether it would be desirable to empower the Railway Board definitely to settle disputes regarding rates and fares. He thought that the control exercised through the maxima and minima is really sufficient. On the whole, however, he would not object to the Railway Board having the power.

4067. With regard to making up arrears of work deferred during the war, Mr. Carr promised to submit a statement, both in respect of rolling stock and permanent way, showing deficiencies and the action taken in connection with them, on the same lines as given in the evidence of the agent, East Indian Railway. He stated that the Bengal Nagpur

Railway had not reached the stage at which renewals of locomotives are necessary; ordinary locomotive repairs have been caught up. The locomotives now on order or under erection are all additions on capital account; since December, 1918, 35 broad gauge and 2 narrow gauge locomotives had been placed on the line. Thirty-six and 7 respectively are now under erection in India, and 73 and 5 respectively are under order in England.

4068. Mr. Taylor stated that the railway is decidedly behind-hand in re-laying track. About 50 miles per annum ought to be re-laid normally. Owing to stoppage during the war, they had fallen into arrears to the extent of about 150 miles. Ten miles had been caught up last year. At the present time, the difficulty is not the supply of funds for this work, but the difficulty of securing rails from the Tata Works.

4069. In answer to Mr. Purshotamdas, Mr. Carr stated that the Railway Administration has no power to alter the classification of commodities. The increase in passenger rates which had been made in 1917, as explained above, had been made as the result of informal conferences between the several Railway Administrations and the Railway Board. Each railway, however, exercised its own discretion as to the extent to which rates should be altered. In the case of the third class, the sanctioned maximum has been reached on the Bengal Nagpur Railway.

4070. Mr. Carr expressed the opinion that, if he could be assured in sufficient time of the provision of 4 crores of rupees for next year he could spend the greater portion of it and did not doubt the ability of the railway to spend that sum to advantage in subsequent years. But he would not be able to spend it unless sufficient notice were given.

P.S. (1).—The following note was subsequently received from Mr. Carroll:—

"I note that the Committee wish to have some idea of the total number of complaints received "by the railway irrespective of the channel through which such complaints are received.

"To give you a more or less accurate reply I have examined my office records, and I find that "during the year 1920 we received, at the most, a dozen complaints. This number includes four refer- "ences received through the Railway Board, two of which related to the general enhancements made "in our coal and manganese rates respectively. From this it will be seen, therefore, that my previous "estimate, given off-hand, of complaints received through the Railway Board was on the high side.

"I ought to mention that during the last two or three years our policy has been to enhance "gradually our goods rates in order to make them more suitable to prevailing conditions, and in regard "to the dozen complaints received in 1920, I find that they are *all* protests against the enhancements "we made or proposed at the time to make. When a rate is enhanced it is natural that the party or "parties interested in its incidence should protest. In 1920 hundreds of individual rates relating to "various commodities, and applicable between pairs of stations were enhanced, and when it is con- "sidered that only 12 complaints in respect of these enhancements were received, it may be said that "the public receives reasonable consideration at the hands of the railway company.

"Before our policy of enhancing rates came into operation complaints from the public against "the existence of high rates were very rare indeed, one, or perhaps two at the most, in a year."

P.S. (2).—The following statements were also furnished to the Committee by the agent, B.N. Railway Company, in connection with paragraphs 4055 and 4058 above:—

COMPARISON OF CAPITAL DEMANDS WITH BUDGET ALLOTMENTS AND ACTUAL EXPENDITURE; BENGAL NAGPUR RAILWAY.

	1911–12	1912–13	1913–14	1914–15	1915–16	1916–17	1917–18	1918–19	1919–20	1920–21	1921–22
NEW LINES AND LINES UNDER CONSTRUCTION.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
July Forecast	61,98	93,19	71,01	36,50	42,94	10,15	,15	,15	14,03	48,00	52,39
Budget orders	69,98	42,19	30,57	3,00	,93	,15	,15	,15	16,65	40,15	16,24†
Actually spent	41,62	33,76	23,04	2,24	,14	,10	,10	,81	7,53	45,25*	32,39‡
OPEN LINES.											
July Forecast	59,05	72,00	146,64	171,02	204,38	135,90	54,34	79,76	67,63	449,98	524,03
Budget orders	37,94	59,54	149,37	133,91	98,66	34,99	69,79	60,60	218,11	344,38	162,92†
Actually spent	36,18	64,94	165,24	143,79	56,01	22,26	39,58	62,09	279,00	353,86*	302,24‡
Total July Forecast ...	121,03	165,19	217,65	207,52	247,32	146,05	54,49	79,91	81,66	497,98	576,42
Total Budget orders ...	107,92	101,73	179,94	136,91	99,59	35,14	69,94	60,75	234,76	384,53	179,16†
Total actually spent ...	77,80	98,70	188,28	146,03	56,15	22,36	39,68	62,90	286,53	399,11*	—

For 1920–21 and 1921–22.

* Estimated.
† Provisional Grant.
‡ Estimated minimum requirements.

STATISTICS OF PASSENGER MILES AND EARNINGS ON BENGAL NAGPUR RAILWAY FROM 1913–14 TO 1919–20, INCLUSIVE.

Year.	Passenger miles.	Passenger earnings.	Earnings per mile.
		Rs.	Pies.
1913–14	922,495,845	1,25,64,425	2·62
1914–15	847,487,090	1,16,00,395	2·63
1915–16	836,210,897	1,14,48,759	2·63
1916–17*	893,366,009	1,23,01,157	2·64
1917–18	814,304,932	1,34,85,419	3·16
1918–19	929,262,486	1,55,92,878	3·21
1919–20	1,097,494,941	1,83,78,240	3·21

* Passenger fares for all classes enhanced on and from 1st May, 1917.

Sir T. R. Wynne, K.C.S.I., K.C.I.E., Managing Director of B. N. Railway Company, was called and examined upon the written statement which he had furnished to the Committee.

See Written Statement No. 15, Vol. IV., P. 55.

4071. Sir T. Wynne said in reply to the Chairman that he is Managing Director of the B. N. Railway; he is also Chairman of the Burma Corporation, Limited, and Director of the Anglo-Persian Oil Company. He has interests also in other companies in the East. He had had 13 years' service on the State railways, in which he started as an assistant engineer, and had been employed mostly on construction and working of railways. Subsequently he was employed for 18 years as Agent and Chief Engineer on the Bengal-Nagpur Railway, and later for three years as member and for six years as President of the Railway Board. After this he had been Government Director of Indian Railway Companies at the India Office for one year, and since then has been Managing-Director of the Bengal-Nagpur Railway.

4072. He stated that the Parliamentary enquiry in England, to which he referred in the opening paragraph of his written statement, was a Committee which, he believed, sat in 1880 or 1882.

4073. Referring to the advantages of management of railways by companies enumerated in the opening part of the statement, the Chairman asked what were the corresponding advantages of State railway management, which led the witness to support the retention of the double system of management. Sir T. Wynne said that the only advantage on the side of State management to which he could point was the fact that, in the officials of the State railways, Government has a convenient reserve to fall back upon in times of difficulty; for example, it was in a position to claim men from the State railways, and had frequently done so for frontier wars even before the Great War. The Chairman observed that in England men were readily obtained from the company-managed railways. Sir T. Wynne said that it had not been the practice, until the recent emergency arose, to ask companies to lend their staff. He was not, however, disposed to attach great importance to the argument, as no doubt men would be forthcoming from the company-worked lines if required. He ended by saying that the existing system whereby some railways are managed by State and others by companies works satisfactorily, and for this reason therefore it might reasonably be retained.

4074. The Chairman drew attention to Sir T. Wynne's remarks regarding the complexity of the management of a large system, and the conditions of the companies' contracts which give Government control in different ways, notably over the raising of capital and the spending of it, and over the disposal of the monies earned by the railways and the outlay on working expenses.

4075. Sir T. Wynne admitted that it was the case that the companies submit for formal approval a detailed budget estimate of revenue receipts and expenditure although the Railway Board in practice deals only with the total provision proposed. In connection with this control by Government, the Chairman drew attention to the statement by Sir T. Wynne that the Railway Board has very great powers over railway administrations under their contracts if it chooses to exercise them; and to his opinion that nowadays the Railway Board can order a railway company to carry out any order they wish to enforce, and that the company will carry out the order. The Chairman suggested that if the Government of India are in a position to exercise such wide powers, the powers left to a board of directors, whether in India or in England, must be small, and in fact must be advisory only. Sir T. Wynne did not admit this but observed that the Government asks for the advice of the boards of directors which thus help Government in exercising its control.

4076. The Chairman suggested that the result would apparently be that the authoritative body is Government, while the directors are more or less influential advisors. Sir T. Wynne laid stress on the fact that the board of directors originates proposals although the decision in many cases rests with the Government of India. The Chairman suggested that the Indian public might claim to take the part of boards of directors under this system. Sir T. Wynne did not consider that the advice obtainable by Government in India would be as valuable as that of the experts on the London boards. He did not admit that the advice even of a given man on the spot would necessarily be better than the advice of the same man at a distance. He considered, for example, that the advice on such questions as come before his Board of Directors, of those directors who had Indian experience but who had not been in India since about 1912, is not materially less valuable than if they had more recent knowledge of India. He considered it easy for such people in England to keep in touch with Indian developments. He stated that the Financial Member of his Board is an expert in matters affecting the London money market. He had not been in India.

4077. In answer to the Chairman Sir T. Wynne said that it was not the case that new development proposals usually originate with the agent and not with the Board of Directors. He cited a recent instance in which the Board of Directors had to put forward a development scheme for consideration. In reply to the suggestion of the Chairman that this had really originated with himself, being one of the directors who had the most up-to-date knowledge of India, he said that there is no reason why the other members of his Board also should not similarly originate proposals.

4078. With reference to Sir T. Wynne's written allusion to the disadvantage of the Railway Board having no direct access to the Viceroy's Executive Council, the Chairman suggested that possibly the agent, for example, of the Bengal-Nagpur Railway, might suffer in the same way owing to his not having direct access to his Board of Directors who are situated 6,000 miles away. Sir T. Wynne considered that the cases were not similar. The trouble in the case of the Railway Board is with the Finance Department, and unless the Railway Board is represented in Council, its views cannot be effectively upheld against any hostile criticism from the Finance Department which is represented there. The agent is in a different position with reference to his own home Board, in which there is no question of conflict of interests.

4079. The Chairman suggested that at least the Financial Member of the home Board might have objection to proposals sent forward home by the agent, especially as he had no personal Indian experience. Sir T. Wynne observed that there was no reason to anticipate objections ordinarily as the entire Board of Directors have the same interests as the agent. In case of any objection arising it would be communicated to India and the agent would have an opportunity of replying. Some little delay might no doubt occur, but he did not regard this as important; it would usually be in connection with some large question, the ventilation of which would do no harm. There are always many more projects ready for action than there are funds available for, and the delay of one of them for further examination could do no harm. Sir T. Wynne explained the ordinary course of discussion of any important project, at the principal stages of which the agent refers to his Board of Directors to keep them advised of the progress and take their orders on new developments. In this connection he subsequently answered a question raised by Sir George Godfrey and explained that in submitting to Government his preliminary forecast of capital requirements in June of each year, the agent is free to put down in the list of unsanctioned projects a scheme, the full details of which may not have been worked out or approved by his home Board. Before such a scheme would appear in the final budget proposals, there would have been ample opportunity of settling the question of its inclusion or otherwise with the Board of Directors.

4080. The Chairman drew attention to Sir T. Wynne's expression of opinion that the heads of the business community in India are too busy to devote their time to railway work. Sir T. Wynne said that in India a commercial man usually devotes his whole time to ensuring the success of his own business. He does not usually find himself free to devote attention to public affairs. The Chairman asked whether there is no hope of a change of attitude in this respect; might not business men be expected to realise the obligation to devote some part of their time to the service of the country in which they make their money? He did not mean that a man could be expected to remain practically idle in India for the purpose of attending occasional board meetings; but might not a man engaged in business devote a moderate amount of his time to such public work? Sir T. Wynne thought that the hope might be entertained, but he was not very sanguine as to its realisation. Subsequently Sir Henry Ledgard suggested that conditions in India are changing to some extent in respect of this matter. Formerly the heads of large commercial concerns were older men than those now seen at the head of important businesses, and he knew of several instances of men being inclined to remain in India for some years even after they had secured a competence enabling them to retire. Sir T. Wynne said that he was not in a position to support this view from his own experience.

4081. The Chairman drew attention to Sir T. Wynne's opinion, stated in the course of his reply to Question 3, that any change in the existing system of domicile of the companies would give all holders of Indian securities, whether shareholders or debenture holders, the right to claim immediate repayment of their investments, in view of the change in the conditions under which they had been induced to invest their money. The Chairman suggested that this could hardly apply to a debenture holder, since debenture stock, though nominally issued by and in the name of the Board of a railway company domiciled in England, rests upon the security of the Government of India and only secondarily, if at all, upon the security of the Company whose name it bears. In this connection Mr. Tuke asked whether the money so raised by the company was exclusively spent on the particular railway by whom the issue was made. Sir T. Wynne said that this was not the case and that the money goes into the common pool, whether it be raised by means of debentures or share capital. He agreed with the Chairman that possibly the claim of the debenture holders would not hold good but he believed that it would undoubtedly be made, and would cause some trouble in meeting. He recognised that the debenture is really a loan issued by Government.

4082. The Chairman asked who was responsible for preparing the prospectus in the case of Indian railway debenture borrowings. Sir T. Wynne said that this was done jointly by the Board of the company concerned and the India Office. Usually the prospectus takes a form which has long been in use and which is merely brought up to date and gives particulars of the capital and revenue position of the issuing company. He promised that he would endeavour to procure and supply for the information of the Committee copies of some of the prospectuses to which he referred.

4083. The Chairman remarked that it would appear doubtful whether, in the case of a loan, the proceeds of which are devoted not to any particular railway but to railways at large, it is not misleading to give figures relating to the one particular railway only. Sir T. Wynne disclaimed responsibility for the form of the prospectus which he said rests really upon the India Office.

4084. Some discussion arose on observations made by Sir T. Wynne with reference to the value to the Boards in England of the opportunity which they enjoy of obtaining direct access to the Secretary of State. Sir T. Wynne would not say whether he had held the same view as President of the Railway Board. He was prepared to admit that there might be another side to the question from the point of view of the authorities in India. The same point was discussed further at the instance of Mr. Purshotamdas Thakurdas, who suggested that it might be decidedly objectionable from the point of view of the Legislative Assembly in India and the authorities in this country that the companies should be able to approach the Secretary of State behind their backs. Sir T. Wynne explained that the Bengal Nagpur Railway was not in the habit of referring questions direct to the Secretary of State. In view of this fact, he expressed the desire to remove the paragraph in question from his written statement. It was accordingly withdrawn.

4085. The Chairman drew attention to the fact that the Bengal Nagpur Railway has a share capital less than one-seventh of the interest of Government in the railway, and asked whether Sir T. Wynne knew of any other case in which the holders of one-seventh of the ordinary shares were employed to represent the interests of the holders of the remaining six-sevenths. Sir T. Wynne observed that this case is a special one and that the minor partner exercises its powers only with the consent of and under conditions laid down by the major partner. In his view the working company was simply in the position of a managing agent. He cited examples of businesses in India being administered by firms of managing agents. These agents usually have a share in the business controlled by them.

4086. In this connection Sir T. Wynne explained to the Chairman that although the share capital which might be raised by a company goes into the general Government purse, it affects the Bengal Nagpur Railway directly by altering the ratio of the company to the Government capital and would thus increase the company's share of surplus profits.

4087. The Chairman suggested that if the company may be regarded as managing agents of Government, there is a *primâ facie* case in favour of that managing agent being on the spot and not being dealt with at the distance of London. He suggested that, in a parallel case no company owning a business in Calcutta would employ as managing agent a person resident in London. Sir T. Wynne pointed out that the managing board had a highly paid and competent representative in India, namely, the agent of the railway company assisted by a large staff; he considered that the point is the difficulty that would be experienced in finding suitable Boards of Directors in India, as set forth in his written evidence.

4088. With regard to the question of the difficulty of finding suitable agents for the management of railways in India, Sir T. Wynne explained that, generally speaking, agents are obtainable on the lines themselves. The men obtain the necessary experience and qualifications as the lines grow. He could not contemplate the case of Government abruptly coming into possession of a new railway without having a staff on the line itself from which it could obtain an agent.

4089. The Chairman drew attention to the statement occurring in the course of his reply to question No. 3 in which Sir T. Wynne assigned the second degree of importance to the control of revenue expenditure by the London Boards of Directors. Sir T. Wynne explained that, although the agent works against sanctioned expenditure rolls approved by the Home Board, he does not refer to the Board before incurring expenditure, for example on a larger labour force than provided for in the rolls. He would, however, have to justify his action in any case of importance to the Board of Directors which requires explanations of any important variations from the sanctioned expenditure.

4090. Sir Henry Burt alluded to the absence in India of anything corresponding to the Parliamentary control exercised in Great Britain over the construction of new lines, and suggested that it may be an advantage of the London Board system that new construction schemes receive a greater amount of criticism than if they were left entirely in the hands of the Railway Board in India.

4091. With regard to the observations made in the written evidence which suggested that few agents in India have been trained in the work of more than one Department, and that they can secure the advantage of technical ability and more varied railway experience provided by the Directors under the company system, Sir T. Wynne mentioned that, for example, Mr. Brereton of the Bengal-Nagpur Railway had had experience in the traffic department of State railways and had been a manager of a State railway in India. He admitted that the agent necessarily gets a pretty comprehensive general knowledge of the business of the different departments and may have as much experience of this kind as any of the Directors.

4092. The Chairman referred to the work of the India Office Stores Department, which has recently been placed under the control of the High Commissioner for India, which he understands does a great deal of work in buying and inspecting stores required for the State railways and for public bodies in India. He asked whether there would be any difficulty in a single authority doing similar work for the railway companies instead of having it divided between eight or ten of these. Sir T. Wynne thought that the work might be done by one authority, but he was not aware that any advantage would be secured by the change.

4093. Referring to his remarks regarding the delay caused by the numerous references which the Government system requires to be made to different departments, officials, and others, before coming to a decision, Sir T. Wynne said that the Railway Department might get on quicker if it were free to control its own business; the Railway Board might even now deal with its business more expeditiously than others but it could not control the disposal of its cases once they have been referred to another department. He observed that delays in the disposal of business did not rest wholly with the London Boards of Directors.

4094. Sir T. Wynne was questioned with regard to his written opinion that directors of all nationalities would unconsciously be biassed in their consideration of railway policy by their own interests. The Chairman suggested that this would not seem to have been the experience of the Boards of Directors in England which frequently comprise important traders. He suggested that in practice people of such standing as would be appointed to be Directors of railway companies in India would not allow their private interests to prejudice them. Sir T. Wynne differed from this opinion and thought that if, for example, a director of a railway was specially interested in a particular jute mill, it would be pretty certain that the railway would pass fairly close to that mill.

4095. The Chairman quoted from the note recorded in reply to question No. 9, by Mr. G. Anderson, one of the Bengal Nagpur Railway Company Directors, in which he stated that the essential attitude for a company's agent is one of " absolute aloofness from local influences." He suggested that such aloofness might be interpreted less favourably as " absolute indifference to local opinion." Sir T. Wynne agreed that the agent must be a man who must be accessible and who will pay due attention to local requirements.

4096. With regard to the branch line terms, Sir T. Wynne said that, in his opinion, reasonable financial conditions would be those which had recently been put forward in a specific case, namely, that Government should guarantee a return of one-quarter per cent. less than the rate paid by Government on Government loans, Government on the other hand taking one-half share of the surplus earnings above the guaranteed rate; alternatively, the rebate terms should provide for a rebate up to eight per cent. with a similar provision regarding the sharing of the surplus.

4097. With reference to his observations at the close of his reply to question No. 10, Sir T. Wynne explained that his view in regard to the submission of its opinions by the Railway Board as a whole rather than by each member individually was based on the consideration that if notes for example were placed before the Finance Department with two or three divergent views expressed in them, it would afford the Finance Department an opportunity of seizing and making capital out of the particular opinion which happens to be in accordance with its own views. It was for that reason that he considered it desirable, and as President of the Board had himself enforced the view, that only one note should be submitted by the Railway Board to other departments instead of allowing them to see the whole of the Board's domestic discussions.

4098. With reference to his opinion that the head of the Railway Department should be a full member of the Viceroy's Council, he said that, while he would prefer him to have some technical knowledge, he would not be dissatisfied if he were a non-technical man, provided he were a man of first-class administrative capacity. He considered that the head of the railway department should have full control over the railway finances.

4099. In reply to the Chairman's question what the relations would be between the Government of India, Finance Department, and the Railway Department in respect of the money already invested by Government in railways, Sir T. Wynne said that he would have the railway budget entirely distinct from the ordinary Government budget. The railway budget would have to hand over to the Finance Department the interest on the railway capital and would retain any surplus. The Railway Department would raise further new money by loans backed by the security of the Government. Sir Arthur Anderson asked what would happen if the receipts were not sufficient to meet the charges. Sir T. Wynne thought that the contingency was very unlikely to occur. The Chairman observed that he did not think that there was any question that the separation of railway finance from the general finance of Government is most desirable from the railway point of view. The question is how it can be made effective.

4100. Sir T. Wynne took strong exception to the existing system under which it is possible for the Finance Minister to upset the railway programme and still to hold the Railway Board responsible for failure to work the railways satisfactorily.

4101. Referring to Sir T. Wynne's suggestion for the appointment in India of a Railway Committee from the members of the Imperial Legislative Assembly, the Chairman observed that apparently Sir T. Wynne wished the functions of such committees to be different from those of a Private Bill Committee of the House of Commons or House of Lords in Great Britain. Sir T. Wynne explained that his object was to bring public criticism and advice more directly to the aid of the Railway Minister. He thought that it would be undesirable to give this Committee definite powers, and that it would preferably be only an advisory body.

4102. The Chairman drew attention to the evidence which had been given by representatives of the Bengal Nagpur Railway with reference to the control of rates and fares. He suggested that it was unreasonable to leave discretion to the Agent to alter fares entirely at his own option between widely separated maxima and minima limits. Sir T. Wynne thought that the Railway Board is much more accessible to complaints than any public body in the United Kingdom. He thought that it would destroy vested interests to impose a more restrictive control upon the railway companies in the matter of their charges.

4103. Turning to the answer to question No. 19 in which Sir T. Wynne suggested that no less than £25 millions per annum should be raised for expenditure on capital account, Sir T. Wynne said that this was only an approximate estimate. In his experience £12,000,000 was the largest capital programme that he had known. Having regard to the increased cost of materials and labour, he certainly did not think that his present estimate of £25,000,000 per annum could be regarded as in any way extravagant. He had, in fact, put the figure low in view of his doubt whether the money would be forthcoming.

4104. In his opinion money might well be raised for immediate requirements by the issue in London of short term bonds, which might be renewed later on terms suitable to the market. It would no doubt be necessary at present to pay a high rate of interest. He considered that Indian railway investments are popular in the London money market. They are particularly popular as trust investments. The Chairman remarked that railway annuities are not a popular form of investment in London, and that they found only a limited market when they had to be sold, for example, in realising the assets of a deceased holder. Government did not appear to have done much to popularise the Indian Government loans.

4105. Sir T. Wynne was in favour of raising money by means of premium bonds in India. He believed that this would attract a large amount of capital for railway purposes. The principal attraction is the element of chance which they import. He thought it best that they should be issued by the railway companies and not directly by Government, mainly because it would obviate a certain amount of adverse criticism. He did not think that there is any strong public opinion in India against this form of borrowing such as exists in Great Britain. In answer to Mr. Tuke, he agreed that the bonds would be an issue made through the Companies by the Government, and that as they would not be specially charged on any of the Companies' assets, they would really rest upon the guarantee of Government, but he thought the name of the local Company would exercise an influence to attract capital in each district.

4106. The Chairman drew attention to the illustration given by Sir T. Wynne in reply to question No. 23, in which land assessment had been raised 300 per cent. because of the increased value due to the construction of a railway, and asked Sir T. Wynne kindly to furnish the Committee with any further instances which he might be able to give.

4107. The Chairman observed that in his reply to question No. 28 Sir T. Wynne had furnished an additional argument against the existing lapse system by indicating that in certain cases an engineer has a special inducement to restrict expenditure in any particular year even when he is in possession of ample funds, because of the uncertainty whether he may not be starting a rate of progress which he will subsequently be unable to maintain. The result is that work is not pushed on at a reasonably economical speed.

4108. Sir T. Wynne agreed in the Chairman's summing up of his opinion as being that India for the last 20 years had never had enough money spent on its railway system; there certainly is room for a much greater mileage of railways than at present exists; and that one of the chief causes for the existing deficiencies is the linking of railway finance with the public finance. He considered that more money might be raised by new methods. He considered that if the capital money were properly expended, and if rates and fares were increased to a total extent of perhaps 40 or 50 per cent. of the pre-war level, there was no risk that the railways would fail to meet the interest charges on their increased capital.

4109. Sir T. Wynne drew attention to the fact that the Railway Board had recently found it necessary to issue to the Press a warning that false conclusions must not be drawn from the continuous rise of the railways' gross receipts which are published weekly. The Chairman expressed surprise that the receipts figures should be published without any corresponding information regarding increased expenses.

4110. In Sir T. Wynne's opinion the root and foundation of any reform is the entire separation of railway from general finance. He believed that commercial interests would readily face increased transit charges if they were sure of getting their goods carried. Sir Henry Ledgard endorsed this opinion.

4111. Sir Henry Ledgard mentioned that Rs. 183 crores had recently been subscribed for new industrial ventures in a single year; not all of this was new money, but probably about Rs. 100 crores represented new capital. In face of this he suggested that the prospect of getting capital for railway investments was good. Sir T. Wynne did not entirely agree, as he thought that the prospect of a large profit in industrial enterprise is a consideration which does not apply in the case of railway investment.

4112. In answer to Sir Arthur Anderson, Sir T. Wynne remarked that if the companies were domiciled in India, the cycle of discussions between Government and the companies would still be much the same as at present, although some little time might be saved.

4113. In his opinion the question of re-arranging the railways in a smaller number of groups might well be considered; he thought that a system of about 5,000 miles should be regarded as a maximum, the North-Western Railway had already reached, if not exceeded, the desirable limit. In answer to the Chairman's suggestion that the revenue of that line is relatively small, he admitted this, but observed that in India a large system cannot be administered so easily as might be possible in a temperate climate.

4114. In answer to Mr. Hiley, Sir T. Wynne did not think that there was much difference between the actual results of company and State-managed railways. If company boards were domiciled in India, he thought that there would be difficulty in raising money in London. The shareholders there subscribe really more on the strength of the names of the directors than on the actual merits of the case set out in the prospectus. In the case of Indian domiciled companies, the directors would not be known in the London money market, and would not therefore enjoy the same confidence. Mr. Hiley suggested that the value of the names would in any case disappear when once it was known that the expenditure of the money was not really controlled by the directors.

4115. In reply to Mr. Hiley, Sir T. Wynne said that at the present moment the vital question is that of funds. The funds are really controlled by the Railway Board and distributed among the railways. Sir T. Wynne said that the agent of the Bengal-Nagpur Railway, supported as he is by the Home Board, is able to make his influence felt in the Railway Board, and that it was not therefore necessary for any member of the Board at home to be present. There is no definite principle adopted in cutting down the budget estimates of railway companies, but it depended on the individual who is at the head of the Railway Board at the time. No doubt the persuasiveness of the agent is also a factor.

4116. Mr. Hiley drew attention to the illustrations given by Sir T. Wynne in his written evidence with regard to the functions of the London Boards of Directors. He observed that most of the items enumerated appear to be matters which in ordinary railway business do not come before Boards of Directors at all, but are dealt with either by the manager or even the heads of departments. Sir T. Wynne urged that much attention is paid by the Board of Directors to the introduction of improved equipment and the methods of working. There was a good deal of correspondence on such subjects between the Bengal-Nagpur Railway Board of Directors and its agent. Mr. Hiley observed that in one at least of the instances which had been referred to by Sir T. Wynne (namely, negotiations with the Tata Iron and Steel Company) the Board of Directors is dealing with a company domiciled in India: if such discussions were carried on successfully, it must be not because, but in spite, of the fact that the Railway Board of Directors is in London. Sir T. Wynne pointed out that the Tata Steel Company has a representative in London with whom the Board can communicate.

4117. Mr. Purshotamdas Thakurdas suggested, with reference to the alleged advantage that the Board

of Directors furnishes means of resisting political and local influences antagonistic to the successful working of the railway, that this would hardly be regarded as a strong argument. The Government of India ought to be able to resist any pressure which should be resisted without sheltering itself behind a railway company. It hardly appeared to him a strong argument for introducing a board of directors that the Government of India may not have the strength of its own opinions.

4118. In reply to Mr. Purshotamdas, Sir T. Wynne explained that in alluding to the working of the railway as a commercial proposition he meant that every railway must earn a dividend. He considered that it might be regarded as a commercial proposition so long as it is paying its way and giving a reasonable dividend. He did not think that Government interference which did not interfere with these requirements should be regarded as objectionable. He quoted an instance in which the Finance Department had exerted pressure to make the railways reduce their charges for the carriage of salt to a nominal and unprofitable rate in order that the Finance Department might maintain its Excise revenue while the price of salt was reduced to the public. In that case the Railway Board resisted the pressure put upon it, and had succeeded in having the proposal withdrawn. Mr. Purshotamdas considered that the case must have been an exceptional one.

4119. Mr. Purshotamdas said that apparently Sir T. Wynne's objections to boards of directors in India on the ground of personal prejudices would apply equally to the trustees of a Port Trust. Sir T. Wynne said that in his opinion the objection does apply there also.

4120. A reference was made to a case in which the merchants of Broach had protested strongly against the imposition of certain block rates in respect of traffic from Ahmedabad to that port; the Government of Bombay had strongly supported them, but the Railway Board declined to interfere. He said that the case had occurred about 1909 or 1910; the result of the railway's action was that it cost six times as much to carry sugar from Ahmedabad to Broach, an intermediate station, as from Ahmedabad to Bombay. Sir T. Wynne did not remember that occasion, and was therefore not prepared to discuss it. It was decided that the Committee should take steps to obtain information about this case from other sources.

4121. Mr. Purshotamdas drew attention to the prevalence of complaints of undue preference. He suggested that the reason why relatively few complaints are now made to the railway administrations, as stated in the evidence of the Bengal-Nagpur Railway representatives, was possibly not the lack of ground for complaints, but the feeling of the commercial community that it was useless to make them. He mentioned an instance in which the Indian Merchants' Bureau of Bombay had complained against undue preference given to a particular firm, and in which Sir T. Wynne, as President of the Railway Board, had personally enquired into the matter and given redress. Sir T. Wynne admitted that an easier method of obtaining redress than the appointment of Railway Commissions under the Railways Act might perhaps be taken greater advantage of by the public.

4122. Mr. Purshotamdas expressed regret that Sir T. Wynne had not dealt in his written evidence with the extent of the popular agitation as indicated by non-official resolutions in Council in favour of the State management of railways. He did not, however, press the matter in the absence of any expression of Sir T. Wynne's views.

FOURTEENTH DAY.

(Calcutta.)

Wednesday, 5th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E., (*Secretary*).
Mr. E. R. POLE, (*Assistant Secretary*).

Mr. C. D. M. Hindley, Agent, East Indian Railway, who was accompanied by Col. P. C. Sheridan, C.M.G., General Traffic Manager, East Indian Railway, and Mr. Purcell, Rates Manager, was called and examined upon the written statement which he had furnished to the Committee.

See Written Statement No. 16. Vol. IV., P. 63.

4123. The Chairman opened the proceedings by thanking Mr. Hindley for the complete and careful note which he had furnished and for the constructive proposals which he had put forward.

4124. With reference to his training and experience, the witness stated that, since 1914, he had been employed at the headquarters of the Railway, in appointments which brought him into contact with railway management questions of all kinds. He had been at an earlier period for a year and a half in a secretarial post, but even in that appointment he had exercised to a considerable extent administrative functions owing to the absence of a deputy Agent on the railway.

4125. The Chairman drew attention to Mr. Hindley's recorded opinion that the necessary stimulus to efficient management is the possession of a substantial stake in the undertaking. Mr. Hindley did not regard the existing one per cent. stake as being substantial. As observed in his written evidence, it meant that he would have to effect economies or increase earnings to the extent of Rs. 40 lakhs in a year to enable 1s. extra dividend to be paid to the shareholders.

4126. He was also of opinion that the contract with the working agency must be for a sufficiently long period to enable the policy adopted by the Company to be effective. The Chairman asked whether it was in fact possible for the managing company to pursue a policy of its own, having regard to the restrictions imposed by its contract with the Secretary of State. Mr. Hindley thought that, within limits, this was

possible. He observed, however, that, in recording his written statement, he had rather assumed a case in which the company would have a freer hand, especially in matters of finance, and that, though his theory presupposes the existence of a substantial stake in the property with reasonable freedom in management especially as regards finance, this hardly existed at all in the existing conditions.

4127. If he were Manager of a commercial concern with such manifest signs of prosperity as the East Indian Railway, he would launch out much more boldly than he is at present in a position to do. For instance, he would make much more adequate provision for dealing with the coal traffic the lack of facilities for which at present is well known. He thought he would be able to handle a larger volume of business, but he could not say whether he could do so cheaper than at present. He did not think that the particular instance mentioned by the Chairman, *viz.*, the ceasing to handle coal in covered trucks, would afford much scope for economy. Hopper wagons might of course be used, but this would depend upon the introduction of mechanical loading and unloading appliances at the collieries and the docks.

4128. The Chairman in connection with Mr. Hindley's recorded opinion that the Agent of a Railway Company is likely to be allowed greater freedom of action by his Home Board than the Agent of a State Railway is given by the Railway Board drew the witness's attention to a statement made by Sir Henry Burt that a State Railway Agent was not in practice any more hampered in his actions than a Company's Agent. Mr. Hindley observed that this was only a record of his impression and he had no intimate personal knowledge of State Railway working. He judged from his conversation with State Railway Agents and others. It appeared to him that under the Company system the Agent is encouraged to exercise more independence, and is naturally less disposed to refer trifling matters to higher authority. In answer to Sir Henry Burt he said that, although it was the case that the powers of the State Railway Agents are not less than those delegated to the Companies Agents, it seemed to be usual for State Railway Agents to refer cases of minor importance to the Railway Board.

4129. The Chairman drew attention to Mr. Hindley's observations in his written evidence regarding the advantage of the close connection which could be kept through the Board of Directors in London, with modern developments in railway working and policy. In this connection Mr. Hindley referred to the relations of the Boards of Directors with their Consulting Engineers. For instance in a case of designing bridge girders it is necessary for the designer to be in close touch with the manufacturing concerns. The Chairman said that it appeared to him that this rather suggested the need for closer touch between the Agent and the Consulting Engineer than between the Agent and the Board who seemed to be only intermediaries. He remarked that the Secretary of State also has the same Consulting Engineers as many of the Railway Companies. Mr. Hindley said that there were many other instances in which the advantage mentioned by him had been secured through the Board of Directors though he was not in a position to quote specific instances off hand. Thereupon Sir Henry Burt suggested, and Mr. Hindley agreed, that the Boards of Directors could help in such matters as development in locomotive design. Mr. Hindley mentioned a recent case of introduction of super-heater engines which was almost directly due to the insistence of the Home Board, there having been at one time great opposition in India to their use. The Agents out here were a great deal assisted by the Home Boards in keeping up to date matters such as safety appliances, interlocking and signalling, etc.

4130. The Chairman referred to the information given by Mr. Hindley that the gross earnings of the Railway during the first complete half of the year of the new contract had amounted to Rs. 729 lakhs, giving Rs. 347 lakhs net earnings which furnished the company with a share of surplus profits, after paying Indian income tax (not English income tax), of only Rs. 3½ lakhs for the half-year, roughly 1 per cent. of the net earnings. Mr. Hindley did not consider that this represented an adequate interest in the business.

4131. The Chairman questioned Mr. Hindley with reference to his suggestion that there is always likely to be more difficulty in getting proposals accepted by the Railway Board than by the Board of Directors. He asked whether the difficulty is not really due to the fact that the Railway Board has naturally to consider the possibility of providing funds before they accord sanction to a proposal. Mr. Hindley thought that the difficulty of procuring funds no doubt made for delays, but he was inclined to think that the organisation of the Railway Board also contributed to delay by making it difficult for the Board to come to rapid decisions. He understood that the President of the Railway Board had no power of veto, and thought that a good deal of time must be lost in endeavouring to secure unanimity amongst the members who have had different kinds of experience. The Chairman remarked in this connection that Mr. Hindley had mentioned elsewhere that the Board was overworked and was charged with multifarious duties and encumbered with details that should not go to it.

4132. Mr. Hindley mentioned in his written statement that a Board located in India would resolve itself into the Agent and a body of commercial and financial advisers. The Chairman asked whether this was not true of any Board of Directors, irrespective of its location. Mr. Hindley thought that in India the Agent would be, so far as the directors are concerned, in much the same position as that which he now holds in regard to the advisory committee. The Chairman suggested that, in any successful concern, the manager or managing director must tend to occupy a similar position, and that, in practice, this is probably the most satisfactory arrangement. The Board of Directors would normally accept the recommendations put before it by the Manager. Should, however, the Board persistently reject his recommendations, it would seem to indicate the need for a change in the management. Mr. Hindley agreed that much depended on the personality of the manager. He observed however that there was an essential difference between advising and directing; his Board of Directors are not advisers, but have the authority to enforce their wishes if they differed from him (the Agent). He admitted that, with ideal appointments, there would be no occasion for differences between the Agent and the Board, but ideal appointments could not be counted upon.

4133. Sir Henry Burt drew attention to the suggestion which had been made in the questionnaire that continuity on the Board of Directors might be secured by having a Chairman nominated by Government, and asked whether this would not in fact destroy the independence of the Board. Mr. Hindley thought it would be difficult to preserve the principle of company management and secure the advantages derived from that system if the Chairman were a Government official or nominee.

4134. The Chairman drew attention to the remarks recorded by Mr. Hindley in connection with the personnel of the Calcutta Port Commissioners in support of his belief that it would be impossible to secure in India the continuity required in a Board of Directors. He referred to the Calcutta Port Commissioners, a body formed from the class of men who would probably be directors of a Railway; in this case he had remarked that, of the members who sat in this body in 1918, at present only 3 remained unchanged.

4135. Mr. Hindley's written evidence suggested that another difficulty would be that men, otherwise suitable to be directors, would be undesirable because of their direct connection with particular industries or areas. He considered this a serious difficulty. Sir R. N. Mookerjee asked whether it would not be

met by the withdrawal of any director personally interested in any particular question coming before the Board. Mr. Hindley thought that this would mean in practice that the Agent would frequently be left alone in the room, as the directors would so frequently be interested in one or another of the matters requiring decision. He did not in the least impute dishonesty of intention, but he thought it was difficult to exclude altogether the possibility of prejudice and of cases occurring where undue influence might be exercised by interested directors. In reply to Sir R. N. Mookerjee who asked whether the same difficulty did not present itself in connection with the members of the advisory committee, Mr. Hindley observed that he had never found or heard of any ground for complaint in connection with gentlemen who were or had been members of the Local Consulting Committee. He had personal knowledge of cases in which heads of firms in Calcutta would have exercised influence upon the railway management in their own interests, had they been in a position to do so. He had in mind a particular case in which there had been a clear indication of this. The Chairman summed up by saying that it would appear that, in the opinion of Mr. Hindley, the number of persons in India competent to be employed on Boards of Directors is not large, and of those competent not all would be desirable.

4136. With regard to the witness's observations regarding the interest of directors in particular areas, the Chairman said that it appeared to him that, in the case of directors of English railways, the same objection might be raised, and that it did not apply specially to Boards of Directors in India. Adverting to Mr. Hindley's recorded opinion that ultimate control must rest definitely either with a Board in India or one in England, and that, if a scheme is devised for a combination of English and Indian management, one of the Boards must be advisory, Mr. Hindley said that he had not considered the diarchy system as applied to a railway. He was inclined to think that the problems of railway management are so interwoven that it would be impracticable to divide control between two boards. The Chairman remarked that he had himself failed to see any solution on the lines indicated. Mr. Hindley stated that, in many respects, the full powers of the company were already delegated to the Agent in India.

4137. The Chairman asked what his opinion was as regards an appeal to the Railway Board by the Consulting Committee in cases where the Agent declined to follow their advice. Mr. Hindley thought that if the Consulting Committee had such a right of appeal it would wreck the organisation. It would mean practically that they would have power of life and death over the Agent. The Chairman suggested that possibly the converse might equally hold good. Mr. Hindley said that this would depend on how the advisory committee was constituted and by whom it was appointed. He explained that the difference between the Consulting Committee of the East Indian Railway and that of the Eastern Bengal Railway is that, whereas the members of the latter are nominated by certain public bodies, those of the East Indian Railway Committee represent specific *interests* such as coal, shipping, etc., and that the Agent is thus enabled to get a purview of the whole interests served by his railway. In the case of the East Indian Railway the members of the Committee are invited to serve by the Board of Directors. Mr. Hindley thought that though the distinction was an important one, and the method adopted by the East Indian Railway probably resulted in more assistance being given by this body in actual practice some of the members at the present time happened to be members of both Committees. The Chairman remarked that neither Committee appeared to have any representative of the public as such, for instance of 3rd class passengers, and enquired whether there was any way in which this could be provided. Mr. Hindley thought that, in practice, it would be extremely difficult to secure a satisfactory representation of passengers. He said that generally speaking the railway officers and employees are in far better touch with the problem of passengers' requirement than any outside representative could be. The East Indian Railway endeavours to work on the principle of treating passengers as its guests and considers their interests to the utmost. He did not think an outside representative would help very much though he might be of use occasionally. The Chairman suggested that some guests complained of the hospitality they received, and that possibly a representative might be useful, if not to the railway management, at least to his clients in making them realise that there are difficulties in meeting their requirements. Mr. Hindley thought the difficulty of representing the large numbers and diverse classes of the passenger public in all the different districts through which the railway ran would be very great. Even if there were Advisory Committees at more than one centre it was doubtful whether suitable representatives could be obtained. In answer to Sir Henry Burt he agreed that the requirements of one class of the public are often not those of another. He remarked that the East Indian Railway already employs ex-Indian officers as passenger superintendents to look after the interests of passengers at some of the larger stations. The Chairman said that representations had been made to the Committee about the grievances of 3rd class passengers, and he felt that, if possible, more publicity should be given to the effort made to meet their requirements.

4138. Sir Henry Burt mentioned that he had once presided at a third class passengers conference at Lucknow. So many different and conflicting proposals were put forward that it was difficult to deal with them. Mr. Purshotamdas remarked that some good, however, must have come out of it, in which Sir Henry Burt agreed. In answer to Sir George Godfrey, Mr. Hindley remarked that the principal source of all difficulties and inconvenience to passengers was overcrowding, which the railways would gladly remedy if it was in their power. The difficulty was inadequacy of funds, which lay at the root of this and of most of the difficulties.

4139. The Chairman observed that in view of the definite orders of the Railway Board quoted by Mr. Hindley in his written evidence that expenditure must be restricted to absolutely necessary traffic facilities, it would seem clear that any complaint about such things as waiting and refreshment room accommodation was really a complaint against the Government, and not against the railway organisation though the latter is blamed. Mr. Hindley said that he would hesitate to throw publicly the whole blame on Government. The Chairman thought that some suitable form of publicity might nevertheless be found.

4140. Adverting to Mr. Hindley's observations regarding the difficulty which the Railway Board must experience owing to the need for their acting jointly in coming to a unanimous decision, Sir Arthur Anderson remarked that the decision need not really be unanimous, and that the majority prevails and although a member has the right of recording a dissent this right has never been used. The Chairman pointed out that the evidence of Sir T. Wynne was to the contrary effect. He had stated that the Finance Department made use of discordant opinions of the members of the Railway Board to support the course which, from the Finance point of view, seemed most desirable, independently of considerations which from the railway point of view might be important. Sir Henry Burt thought that at least the Railway Board system must be cumbersome. Mr. Hindley said that he could not of course speak with inside knowledge, he could only judge from the results. It appeared that considerable delay must occur through the Board's members being unable to come to unanimous conclusions. He referred in this connection to the Board's letter given in Appendix A of his written statement on a case in which very great delay had occurred in getting sanction to an

important project after it had been discussed with, and the action taken approved by, two members of the Railway Board. In this case the extreme urgency of a certain work had been shown on the spot first to one and subsequently to another member of the Railway Board. Funds had been provided, and the work was put in hand in anticipation of official sanction of Government. Subsequently, however, the Railway Board wrote to the railway commenting on the impropriety of starting the work without official sanction, and asking for full information and directing a limitation of expenditure until the matter had been referred to the Secretary of State—this notwithstanding that the necessity of the work had been proved as stated to two members of the Railway Board on the spot and accepted by them many months previously, and the fact that these two members knew that the work had been begun. Mr. Hindley was unable to explain the process of discussion of such cases in the Railway Board's office, or between the Railway Board and the Finance Department or Secretary of State. He recognised that the Board is not a free agent in such matters, and is doubtless controlled by stringent orders of the Secretary of State, as observed by Sir Arthur Anderson.

4141. The Chairman briefly reviewed the recommendations made by Mr. Hindley in Part II of his written evidence, in which he suggested, firstly, that the management of State railways should be delegated to local boards of management, either controlling or advisory, and, secondly, that the functions of Government under the Railway Act should continue to be exercised by Government inspectors. In the latter connection, Mr. Hindley had used the expression "Inspectors under the Secretary to Government in the Railway Department"; he explained to the Chairman that here he had assumed that there would be no Railway Board, but a reorganised Railway Department of Government with Secretaries as in other Departments.

4142. With regard to his further recommendation, that Government control in respect of rates and fares should be entrusted to a statutory body for the whole of India, Mr. Hindley said that he was not in a position to pursue the question of the analogy of the Interstate Commission in the United States, with regard to which he had little information. The Chairman observed that that Commission had always been almost wholly composed of lawyers. Mr. Hindley said that what he wanted was to provide a body which would be able to deal with questions of rates and fares and complaints in regard to these questions in respect to which the interests of different provinces might conflict. He had not gone into details, but was satisfied of the need for a body containing representatives of different areas to which cases requiring settlement could be referred. The Chairman instanced two different classes of cases which would require decision:—

(*a*) Should a railway be allowed to make its rates so as to encourage one port rather than another, which was a broad question of policy; and

(*b*) whether the rate charge on a railway for AB was fair compared with CD's rate, which was a mere question of fact on an individual case.

4143. He enquired whether Mr. Hindley would give the body proposed by him authority to deal with both classes of cases. Assuming that the company's powers to alter rates within the maxima and minima as at present were to remain, he asked whether Mr. Hindley would put to the proposed body a large question such as (*a*) above, and whether the same body would be suitable to decide a dispute, for instance, between two traders in Cawnpore, or whether it would not be necessary to have a smaller and simpler machinery for dealing with cases of the latter class. Mr. Hindley thought that cases of minor importance might require no special machinery. He would not use the body recommended by him for dealing with them, but would leave such matters to be adjusted directly between railways and the persons concerned as is done now by the staff specially detailed to deal with such questions.

4144. Sir Henry Burt observed that, unless the powers of the railway company regarding rates and fares are altered, the statutory body would only be in a position to deal with settlement of disputes. He asked whether Mr. Hindley would object to power being given to the Railway Board to settle minor disputes regarding rates and fares. Mr. Hindley thought that it would be very difficult for the Railway Board to act as a judicial body in such matters, apart from the fact that it would be adding to their already excessive work. He hardly thought that the Board, which represents the owners and is a predominant partner in the railway business, could act as a fair and impartial judge in disputes with the public.

4145. The Chairman turned to Mr. Hindley's recommendations that the Advisory Board on railway policy proposed by him as an integral part of a reconstructed Railway Department might be constituted from the Legislative Assembly and the Council of State in view of its probable relations with the railway budget. Mr. Hindley explained that his idea was that the body referred to by him should be the first body to deal with the railway budget, after the main dimensions of the budget had been worked out and approved in consultation between the Railway and Finance Ministers. It would report the budget to the Legislative Assembly, which might be expected to vote in accordance with its recommendations.

4146. Referring to his mention of the Finance Minister, the Chairman asked what Mr. Hindley's views would be with regard to the complete separation of railway finance from the public finance. Mr. Hindley said that he had not contemplated this as a practical measure, and he had not been able to visualise it. The Chairman drew attention to the fact that separate railway finance exists in other countries, for instance, Canada, Switzerland, Italy and South Africa, and that it is now being discussed in Belgium. Mr. Hindley said he was glad to hear this; he agreed that complete separation of railway finance is desirable from the point of view of railways if it be found practicable.

4147. In reply to a question put by Sir Henry Burt, Mr. Hindley stated that if the separation of the railway and public finance could be brought about, he could see no objection to the Advisory Board on Railway Policy which he had proposed being given definite powers to determine policy, approve schemes of development and railway projects generally, and to settle questions relating to finance and allotment of funds.

4148. The Chairman said he supposed that Mr. Hindley would agree that such an undertaking as that of the East Indian Railway ought to be looking ahead with regard to its future requirements with a view to placing the railway in a position to deal with traffic likely to be offered in future years. He presumed that this is not done in practice, because of the known and constant difficulty of securing necessary monies for expenditure. Mr. Hindley said that the attempt to look ahead is made, but undoubtedly initiative is weakened in view of the hand-to-mouth policy actually pursued by Government; one does not naturally dwell upon schemes, the realisation of which is known to be practically impossible because of the certain inadequacy of the means to carry them into effect.

4149. The Chairman mentioned that the representative of the Bengal Nagpur Railway had explained that the budgets for the two later years of the capital programme were not worked out so accurately in detail as that for the first year. Mr. Hindley said that in practice the first year's programme of the three-years' period is composed largely of works for which detailed estimates have been prepared, and, as many of these are works requiring several years to complete, there are always a number of works in the second and third years of the programme for which detailed estimates are available. As years go

by and inadequate funds necessitate postponement the tendency is for the second and third-years' programme to become more and more filled up with works estimated for in detail. Generally speaking, owing to the limitation of funds the programme of future development consists mainly of specific items of work which, it is known, will extend over several financial years.

4150. The Chairman referred to Mr. Hindley's opinion that Government should not exercise any greater control than at present over matters relating to the requirements of the travelling public and of trade. He suggested that what Mr. Hindley was pressing for was the establishment of a consulting body which would exercise at least a moral control. Mr. Hindley said that he thought that the word "influence" better represented the idea than "control."

4151. Answering the Chairman, he said that the Railway Board has no traffic inspectors corresponding to the engineer inspectors employed by them. He said that Government inspectors do, however, to some extent, deal with traffic questions; these officers are no doubt engineers by training, but they have to be conversant with operating rules. Generally speaking, however, it was the case that the railway educates the inspectors in such matters rather than obtains much expert assistance and advice from them. He was doubtful whether traffic inspectors were necessary in the Railway Board's organisation, and thought that, if they were trained by a railway, they would be better retained on it than attached to the Railway Board.

4152. The Chairman asked, with reference to Mr. Hindley's opinion that Government should exercise greater control over companies in the matter of standardization so as to ensure the interchangeability of wagon parts, etc., whether there is no body at present which deals with such matters. Mr. Hindley explained that the Railway Conference Association had taken it up. This Association, however, has no compulsory powers; it acts within the powers delegated to it by the railways, and any railway is at liberty to record its refusal to be bound by the Conference decisions.

4153. Referring to the relations of the railways with Government, Mr. Hindley said that he would like the Railway Department to be in the hands of a member of the Executive Council. He would prefer that he should be a man of railway experience, but he did not regard it as necessary provided he were a competent administrator.

4154. Mr. Hindley emphasised it as his opinion that experience shows that any new line in India creates or attracts sufficient traffic in a short time to make its construction commercially justifiable. There are undoubtedly large areas which need railway communications. In the 14 years since 1906, the East Indian Railway, which is one of the biggest systems in the country, had opened only about 400 miles of new line. With regard to maintenance, Mr. Hindley said that, on the whole, sufficient provision had been made for ordinary day to day maintenance. During the war time, maintenance fell somewhat into arrears, more owing to lack of materials than to lack of funds. Broadly speaking, day to day maintenance has been kept up, but renewals are undoubtedly in arrears.

4155. The Chairman drew attention to the statement in Mr. Hindley's written evidence that the railway is now waiting for the Railway Board's sanction to an increase of the revenue expenditure estimate from Rs. 648 lakhs to Rs. 750 lakhs, although the Board had tacitly admitted the necessity by placing the railway in funds. Mr. Hindley explained that what this practically meant was that the railway was spending at the higher rate. He had succeeded by sending telegrams every few days to the Railway Board in obtaining the necessary funds to enable payments to be made, but the company did not expect the Railway Board's formal sanction to the revised estimates until shortly before the close of the financial year.

4156. Mr. Hiley observed that, with regard to permanent way relaying, the line appeared to be about 360 miles in arrears. Mr. Hindley agreed, and said that relaying on the East Indian Railway usually involves not mere replacements with new materials of the same standard, but putting in heavier rails with a consequent partial debit to capital under the Indian accounts system. The Chairman drew attention to certain figures furnished by Mr. Hindley which suggested that the cost of relaying is at present about 4½ times more than the pre-war rate, whereas the estimate for 600 wagons was only put at 2½ times the pre-war cost. He had some difficulty in understanding why there should be so great a difference in the increased cost between relaying and wagon construction estimates. The matter was not, however, pursued.

4157. In reply to Sir Arthur Anderson, Mr. Hindley stated that they were putting in English rails and not Indian rails, and that Tatas had not enough rails to supply even a fraction of what other railways required in India. He added that they had not got contracts with Tatas, and that they thought themselves rather lucky at present that they had gone elsewhere. The people who had contracts with Tatas are not getting rails while the East Indian Railway is.

4158. The Chairman drew attention to Mr. Hindley's statement comparing the cost of the annual renewal programme on the present and pre-war figures, which brought out the following totals:—

Pre-war	...	...	Rs. 50·40 lakhs.
Present	...	...	Rs. 172·80 ,,
Budget (1921-22)	...	...	Rs. 130·44 ,,

Mr. Hindley's explanation showed that the reduction from 172·80 lakhs to 130·44 was due only to provision being made in the budget for less than what was really required, not to any improvement in prices.

4159. With regard to another statement which showed that it has frequently been the experience that less money was actually spent by the railway than had been allowed in budget orders, Mr. Hindley explained that one reason of the failure to spend money allotted was due to the time taken to obtain materials. In a particular instance, it was due to the issue on revenue account of stores which had been provided for capital purposes. Mr. Hindley said that, on at least one occasion the railway had been forced to spend money which they did not wish to spend or would have preferred to spend in another manner. The railway had been compelled by the Railway Board to take over 2,500 wagons which had been ordered by the Board some years ago on account of apprehended wagon shortage. The wagons were not such as the East Indian Railway Company desired to have owing to their being of a different standard from other wagons on the system and their parts being not interchangeable. But the Railway Board had finally decided that they should be added to the authorised stock of the Company; had provided the money to pay for them, and had debited the amount against the Company. The Chairman summarised the discussion by saying that as he understood it, the Railway Board, acting no doubt with the best intentions and in view of such information as was then available, had made what turned out to be a bad bargain. The whole responsibility was on the Railway Board. But the loss was charged by the Board in proportion to the respective interests, 99 per cent. to the Government and 1 per cent. to the shareholders in the Company. Mr. Hindley agreed.

4160. Sir Arthur Anderson suggested that the wagons were especially suitable for the traffic between Calcutta and the coalfields. Mr. Hindley agreed that this had been used by the Railway Board as an argument for their being taken over by the East Indian Railway, though he was doubtful whether it was in fact the case. Mr. Hiley asked further whether the railway had been given the option of erecting the wagons, and Mr. Hindley stated that the railway had wished to do so, but the contract had already been given by the Railway Board to a private firm.

4161. The Chairman observed that it appeared from a statement elsewhere given by Mr. Hindley that to meet budget restrictions, the Railway Board had had to eliminate from its programme some extremely urgent works such as the doubling of the Grand

Chord, and that the practical effect of this appeared to be that the railway was compelled to spend money on wagons which it did not particularly want, to the detriment of much more urgent necessities. The Chairman drew the conclusion that the action taken by the Railway Board had been to place the East Indian Railway in a position in which it would suffer in its earnings through no fault of its own.

4162. In his written statement, Mr. Hindley had observed that it is impossible to estimate the loss to trade and to the public which would be brought about by the delay in providing essential facilities and the persistent failure to keep the capacity of the line up to the demand for transportation. Mr. Hindley stated that, in his opinion, the position is going to be even worse in the near future than it is at present. Mr. Hindley mentioned that the position is already so bad that at times the railway has to restrict or even entirely to close down the acceptance of goods traffic. Colonel Sheridan promised to furnish a memorandum for the use of the Committee in this connection. Colonel Sheridan explained that he has at present to limit each district daily to a particular quantity of traffic. He read out as an example the orders issued that day with reference to the allotment of wagons, showing that over a large part of the system only one-half of the demand for wagons for merchandise traffic other than coal would be met.

4163. In reply to Sir Rajendra Nath Mookerjee as to whether action of this kind could be taken without consulting the public, Colonel Sheridan stated that it was done in the best interests of the public as a whole. As regards differentiation between the different kinds of traffic, there was Government authority for preference being given to coal traffic.

4164. The Chairman asked what would happen if a merchant were to sue the railway for losses consequent upon preferential allotment. Mr. Purcell observed that he could not sue in an ordinary civil court, but must apply for a Railway Commission. The Chairman observed that that appeared pretty effectively to debar him from a remedy, since there has been no instance of a Railway Commission having been appointed during the last 40 years.

4165. Mr. Purshotamdas enquired whether the position with regard to the restrictions of traffic had ever been placed before the Local Consulting Committee. Mr. Hindley stated that they knew all about it and had approved of the action taken, and this was confirmed by Sir Rajendra Nath Mookerjee, a Member of the Committee. In answer to the Chairman, who enquired how it was expected to meet the difficulties which would arise through want of carrying capacity, Mr. Hindley said he could only hope that the railway would "muddle through" in the current year as it had in the past.

4166. Mr. Hindley was not in a position to give a precise reply to the question whether traffic had actually been lost, as distinguished from postponed, for instance, by grain deteriorating and having to be fed to cattle. He said that there had been a case in which oil-seed merchants had complained of their exclusion from the European market owing to the lack of railway transport. It had been stated in this case that they had definitely lost their market. It was possibly due partially to other causes such as instability of exchange. He promised to give particulars of the case to enable the Committee to follow it up.

4167. The Chairman drew attention to the statement made in Mr. Hindley's written evidence that the Railway Board had definitely instructed the railway that, owing to the shortage of funds, new works must be restricted to those required for providing increased traffic facilities and *for providing* additional quarters and accommodation. In Mr. Hindley's opinion, this led to development being paralysed and to efforts in constructive imagination of the administrative officers and their assistants being stultified by the want of money, both present and prospective.

4168. The Chairman drew attention to Mr. Hindley's written evidence that under the existing definition of "new lines," there are occasionally classified works which more properly should be considered as improvements to existing routes, as an instance of which he mentioned the Burdwan-Howrah Chord. It did not appear to be sufficiently appreciated that a relief line is really an open line facility rather than a new line in the ordinary sense. When railway programmes are restricted the first things to be cut out are invariably the new lines.

4169. Mr. Hindley was questioned with regard to his estimate of 6 crores per annum for some years to come as representing the capital requirements of the East Indian Railway. He said that this was based, broadly speaking, on details which have been worked out both as regards quantities and prices. He was not in a position to speak as to the requirements of other railways, but on general considerations would estimate the requirements of the whole country at about 30 crores of rupees per annum, exclusive of new extensions. He drew attention, however, to his recorded opinion that even more than he had stated could be spent profitably and with great advantage to the country, but that it must be remembered that profitable expenditure depends on an adequate organisation which has to be built up gradually. It was quite impossible to provide such an organisation so long as expenditure is regulated in the existing hand-to-mouth and spasmodic manner.

Mr. Hindley's further examination was postponed until 3.30 p.m.

Mr. OSWALD MARTIN of Messrs Martin & Co. was called and examined upon the written statement which he had submitted to the Committee.

4170. Mr. Martin explained that he was a partner in Messrs. Martin & Co. He had a good deal of experience in connection with branch lines and was speaking as representative of the firm as well as expressing his own views.

4171. On the whole he preferred company management to State management. He would not press to have all the railways managed by companies. He attached importance to officers remaining on the same line instead of being transferred from one line to another. The Chairman suggested that this might be advantageous from the point of view of an individual railway, but there may be something in the way of getting the advantage of wider experience on more than one line. Mr. Martin thought the experience that can be procured on one line is sufficient. He is not prepared to say whether this was the case with the South Indian Railway of which he had no personal experience. He admitted that there is possibly another side to the question.

4172. With regard to domicile of managing companies it seemed to him a matter mainly of finance. He was of the opinion that companies should be domiciled in India if the necessary funds could be raised in India. He was unable to form an opinion as to whether sufficient funds could actually be raised in India. He thought the tendency to invest money on Indian railways is growing rapidly. He had no doubt that money would be forthcoming if the branch line terms were improved so as to correspond with the altered value of money: branch lines, however, are relatively small. He did not feel really competent to say whether as much as 9 crores of rupees could be raised for railway purposes, corresponding to the 9 crores recently raised in Bombay by the Improvement Trust Loan. He was not disposed to attach much importance to the argument that London Boards of Directors are out of touch with Indian conditions, nor to the fear that Indian domiciled Boards would lack continuity. In the case of Indian Boards, there would be Indian as well as English members and these would certainly tend to give continuity. It is also a common practice in India for one partner of a concern to succeed to the outside positions vacated by another; and continuity of policy would be secured in that way.

4173. He was inclined to think that a board might consist of an agent, traffic manager, and four or five commercial members. With regard to his suggestion regarding a Government nominee, he did not put it forward because he thought Government had too little power of control, but he thought they ought to be represented in view of their stake in the railways. The Chairman said that he had been told elsewhere that Government nominees tend to be either dummies or despots. Mr. Martin agreed that he did not desire either. Still he thought the Government Director should have a watching brief; and that it would be necessary for him to have a vote and the full authority of a Director. He found it difficult to see how a dual system with boards both in India and in London could work and it might only be attempting to bridge over a gap. He was inclined to think that for reasons of finance it will be necessary to keep Financial Boards in London; possibly a board in London might delegate some powers to an Indian Board and if it were satisfactory increase these powers gradually. He was unable however to schedule powers which might reasonably be so delegated. His general impression was that the Railway Board's control over Railway Administration is too tight. He was not in possession of details. In reply to Mr. Purshotamdas Thakurdas, Mr. Martin said that he was speaking both of companies and State railways.

4174. The Chairman referred to Part III of Mr. Martin's evidence and said that it appeared to him that the conclusion was that the sum and substance of the present problem is want of money. All the witnesses received and examined by the Committee had agreed in this. Mr. Martin was in favour of bringing existing railways up to full capacity before extending them.

4175. With reference to the branch line terms he complained that when the main line undertook the construction of the branch line there was no finality regarding the cost as estimated by the main line, and nothing to prevent the original estimate, on which the branch line company framed its prospects, being exceeded. In his opinion it would be desirable that the main line should undertake construction for a lump sum figure; but it is not a very general practice in India to make lump sum contracts. Mr. Martin said that branch line companies should be free to put the construction contract up to public competition in the event of the main line not being prepared to tender on the terms suggested. Ordinarily, however, outsiders could not be expected to build a railway cheaper than the main line. A promoter of a branch line company would naturally wish to be in a position to point out to the main line that a proposition at a certain cost of construction may be good, but would be financially unattractive if risk is run of the cost being considerably higher. It would not be necessary to have an unqualified lump sum contract for construction. There might be a reasonable allowance for contingencies.

4176. Sir Arthur Anderson asked whether Martin & Co. had not constructed their own railways. Mr. Martin stated that the company had been both promoters and contractors and that formerly they had built all their railways. They were stopped from building any more by the Railway Board on the ground that it was not right for the promoters to build the railway, although he could see nothing improper in their occupying this dual capacity since the shareholders were fully aware of what was proposed.

4177. Sir R. N. Mookerjee explained that originally the main line company made estimates and that these were criticised by the Public Works Department of the province concerned and by the Government Inspector of Railways, and, if necessary, modified in consultation. The promoting firm was then authorized to float a company and take the contract practically on lump sum terms. The shareholders were entirely satisfied. He ascribed the objections which had since been taken to the continuance of this practice to certain influences which had now ceased to operate. So far as he knew there was no reason why a lump sum contract system might not be revived, although it had been objected to in the past. He did not think that there was on record any formal ruling preventing a firm of promoters acting also as contractors for the construction of the lines.

4178. Referring to Mr. Martin's opinion that every effort should be made to raise funds in India, the Chairman asked whether Mr. Martin could indicate the methods to be adopted for this purpose. Mr. Martin said that this is a matter for an expert financier to advise upon. He thought it would probably be easier to get subscriptions for a portion of a big railway project than to raise the same amount representing the whole capital of a smaller project.

4179. With reference to the question of raising rates and fares, Mr. Martin thought that the commercial community would probably prefer to pay higher charges than have defective transport service. He agreed with the Chairman that, if the present rates can only carry the existing capital, it will probably be necessary to increase charges in order to secure a satisfactory return on enhanced capital, since an increase of capital outlay will necessarily reduce the return temporarily. In his opinion the carrying capacity of railways ought to be ahead of their immediate requirements. It is an ordinary business principle to make advance provision for reasonable expansion.

4180. The experience of his firm in dealing with Government in connection with branch line proposals had been that there were great delays in obtaining sanctions and vexatious and unnecessarily prolonged discussions at every step. The firm's remuneration had been reduced by successive stages until the company ceased to promote construction. In one case it had taken some four years' negotiations in connexion with the grant of a concession for a scheme of construction of a single line before sanction was obtained for it.

4181. The firm is managing agent, actually for about nine companies. There is only one contract relating to each line. The main principles of the contracts are the same but there are differences in details. Some of the differences are accounted for by the fact that some of the earlier lines were built on the guarantee of the district boards and latter ones on the guarantee of the Secretary of State, while others are on rebate terms. Of the District Board Guaranteed Railways, three are in Calcutta, suburban railways really approximating to tramways on roads, but they are run as railways and worked under the Railways Act.

4182. Mr. Purshotamdas Thakurdas drew attention to Mr. Martin's contention that company railways are in better touch than those managed by the State with the public, especially with the commercial public. Mr. Martin said that this statement was a record of his general impression. Commercial people always prefer to deal with business management rather than with State management. He was not, however, in a position to give definite instances in support of his opinion. He stated that his experience of State management had been confined to the Eastern Bengal State Railway. It was impossible to come to a fully reasoned conclusion as to the respective merits of State and company management. There was no such demonstrable advantage on the one side or the other as to justify a categorical decision.

Mr. C. D. M. HINDLEY, Agent of the East Indian Railway, was recalled and examined.

4183. Referring to information given by Mr Hindley with regard to wagon supply, the Chairman said that the Committee had been given to understand, by other witnesses, that the difficulty was not so much the actual number of wagons available as the inadequate capacity of the railway for moving

See Written Statement No. 16, Vol. IV., P. 63.

them. Mr. Hindley agreed that the line capacity must be increased together with the increase of wagon stock. At the present time, the stock of the East Indian Railway is about 37,000 wagons. Possibly two, or even three, thousand more wagons might be added to this with some advantage under existing conditions. More would cause embarrassment unless the capacity of the line were also increased. During the present year he expected roughly some 500 additional wagons in addition to the American wagons referred to in the morning's evidence.

4184. The Chairman quoted statistics derived from the Railway Administration Report which show that the East Indian Railway is obtaining a service of 63 miles per diem per wagon as against 37, 48 and 39, respectively, for the Bengal-Nagpur, Bombay-Baroda and Central India, and Great Indian Peninsula Railways (broad gauge). He expressed surprise at the results reported for the East Indian Railway and asked whether the figure was reliable. Mr. Hindley replied that he believed that the figures were statistically accurate. The results attained on the East Indian Railway might naturally be higher than on other lines, in view, especially, of the long lead of the coal traffic which is carried in full wagon loads.

4185. Turning again to the question of facilities, the Chairman enquired whether the open line facilities such as doubling, etc., enumerated in Mr. Hindley's schedule of works was to be regarded as alternative or complementary to the supply of 9,500 wagons also mentioned in the list. Mr. Hindley explained that the two are complementary. If all the line facilities desired were provided, they could not be adequately used without the additional wagons, nor the wagons without the facilities for moving them. Sir George Godfrey drew attention to the necessity for improved facilities not only on the East Indian Railway, but especially on the adjoining lines and at junctions. Mr. Hindley agreed that such improvements are necessary. He considered that the actual facilities at the Jubbulpore Junction (which belongs to the East Indian Railway) are sufficient, but the Great Indian Peninsula Railway capacity beyond is inadequate.

4186. In reply to Sir R. N. Mookerjee, Mr. Hindley promised that the General Traffic Manager would supply, for the use of the Committee, a statement showing the restrictions imposed in respect to merchandise traffic due mainly to foreign railways not returning empties. It was explained that the Committee desired to be placed in possession of concrete evidence with regard to the existing defects of which complaint has been heard.

4187. Mr. Hiley enquired whether there is any conference which enables the agent to bring pressure on adjoining lines to ensure due co-ordination of their development programme with that of the East Indian Railway. Mr. Hindley said that such matters as these are not strictly within the purview of the Indian Railway Conference though the opportunity of the meeting of the conference is frequently taken for informal discussions with other railway administrations. He mentioned that in the course of the discussions with the Railway Board, arising out of the budget proposals the Railway Board sometimes calls in its Financial or Technical Secretary. Generally, however, questions affecting the co-ordination of the railway policy in general are discussed only with the members of the Railway Board. They also occasionally make visits of inspection to various parts of the railway on occasions, and Mr. Bell, one of the members, had recently made an extensive tour of the coalfields in order to obtain first-hand information as to the various problems there.

4188. In reply to Sir George Godfrey, he stated that apart from special conferences there are frequent meetings with the representatives of adjoining lines. It was convenient, in Calcutta especially, which is the headquarters of three important railway systems, to have such meetings.

4189. Mr. Hindley said that he would not be disposed to add to the traffic of the main lines by building further branch lines until money has been provided to improve the capacity of the main lines themselves.

4190. Sir R. N. Mookerjee questioned Mr. Hindley's opinion that it is necessarily more expensive to raise money through branch line companies or managing agents than by Government loan or by the existing main line companies. Mr. Hindley thought that, if a loan were to be raised by main lines, it should be a big loan and not such as is generally raised through branch line companies.

4191. The Chairman drew attention to the particulars given in Appendix B to Mr. Hindley's written evidence detailing the history of the financial arrangements between Government and the East Indian Railway Company. He observed that the remuneration of the company for its services had been reduced by successive revisions of the contract terms. The original contract provided for a guaranteed return of 5 per cent. plus one-half of the surplus profits. This had been subsequently reduced to $\frac{1}{2}$th of the first Rs. 25 lakhs and $\frac{1}{15}$th of the balance; till finally the contract of 1919 provides that the company shall only receive $\frac{1}{5}$th of the first 29 lakhs of surplus profits and $\frac{1}{105}$th of the balance. Mr. Hindley said that, in his opinion, the Government had made a good bargain all through, but he thought that the Company had been unduly squeezed in the final arrangement. It should have been allowed a bigger share of the surplus and a longer currency for the contract. He thought Government should give better terms to the Company on the condition that it should raise additional capital. He thought that any additional capital raised by the Company should be secured on the whole property and not only of the Company's interest in it. The Chairman suggested that this would amount to mortgaging the interest of Government for the benefit of the Company. Mr. Hindley suggested that this is already the case when the Company raises debenture loans. The Chairman pointed out, however, that the difference is that the debenture loan does not dilute the Government profits It is to the advantage of the Government that money should be raised on debentures. He agreed that, if the Company were to raise money on the security of the whole undertaking, it would benefit Government as well as the Company; the property hypothecated, however, would be that of the Government. He further suggested for Mr. Hindley's consideration that, while it is true that the East Indian Railway is abundantly prosperous, many other lines are not, and if a separate loan were secured on the more profitable asset, it would correspondingly depreciate the remaining security. Mr. Hindley hesitated to express an opinion on this point which he thought was more a matter for an expert financier. Looking at the matter from the point of view of the East Indian Railway he thought it clearly desirable to increase the investment in so profitable an undertaking.

4192. Referring to the question of raising money by means of equipment bonds Mr. Hindley agreed that it would be expensive at the present time. Within reasonable limits, however, it would be advantageous to pay more to secure the necessary facilities. Mr. Hindley said that he was not in possession of details of the terms published in the prospectus issued when debenture loans are raised through the railway companies. He presumed that the investors familiarise themselves with the actual conditions as regards the guarantee by the Government attaching to such debentures.

4193. The Chairman observed that from Mr. Hindley's recorded evidence it was clear that he considered the dependence of the railway budget on the power of Government to finance the railways annually as the main cause of the backward condition of the lines.

4194. Mr. Hindley was not aware whether there had been any public discussion of the suggestion, brought out in the course of his written evidence, that it would have paid Government, instead of devoting a large portion of the clear profits secured from railways directly to expenditure on capital account, to have used this income as service for a

loan or additional share capital. He was aware of no reason why Government should not have done this.

4195. The Chairman drew attention to the particulars recorded by Mr. Hindley in reply to question No. 29 of the questionnaire showing the profitable nature of the East Indian Railway return to Government. Mr. Hindley had remarked in his written evidence that so long as the railway budget forms merely an appendage to the Imperial budget it is difficult to see how the inconveniences and difficulties arising from the lapse of grants at the close of the financial year can be avoided. He had instanced cases in which the budget system had worked very much to the disadvantage of the railways. He agreed with the Chairman in summing up the Upper Sone Bridge case, which he had mentioned, as being one in which it was only by chance that a considerable sum of money had not been spent upon preliminary work which would have been unproductive for years. The system under which lapses on the general railway budget are in fact generally re-allotted in the following year might, as he had pointed out in his written evidence, work satisfactorily for railways as a whole, but it undoubtedly causes great inconvenience and uncertainty to individual railway administrations which do not know whether they will or will not have re-allotted to them a sum lapsing in any year.

4196. Referring to expenditure in England Mr. Hindley explained that lapses in the English grant are apt to occur owing to the impossibility of ensuring that supplies ordered from England will actually be delivered and paid for within the year to which the grant relates. Normally the Railways are allowed to send forward advance demands for supplies up to a limited total cost. In the present year, however, this permission had been so far withheld, in view of the anticipated restriction of expenditure in 1921-22. Recently, Mr. Hindley said, he had had occasion to apprehend finding himself at the beginning of the next financial year with a large quantity of the rails and sleepers intended for a doubling project and precluded from making use of them for want of Capital Funds necessary to pay the labour for laying the track.

4197. He explained that grants are given separately for expenditure in England and in India and it is frequently difficult, in the event for example of a portion of the English grant not being required owing to deferred supply of materials, to obtain sanction for transfer of the provision to India. The result is very embarrassing for the Railway; although he recognised that probably the Railway Board were helpless in the matter. He presumed that the difficulty was due to the effects of transferring provision for expenditure from England to India or *vice versa* and its bearing on the exchange position or trade conditions.

Mr. Hindley's further examination was postponed until the 7th January.

FIFTEENTH DAY.

(Calcutta.)

Thursday, 6th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

BABU DEBI PRASAD KHAITAN, representing the Marwari Brothers, Limited, was called, and examined upon Association, and speaking also for the firm of Birla statements which he had furnished to the Committee in each capacity.

See Written Statements Nos. 18 and 19, Vol. IV., P. 98/9.

4198. Mr. Khaitan explained that the Marwari Association is a body representative of the Marwari community, mostly in Bengal. It is composed in the main of prominent merchants of all classes, commission agents, millowners, *banians* of European firms, shopkeepers, etc., and represents a merchant community, originally springing from Rajputana and some of the tracts outlying it, but whose activities for several generations have extended widely throughout India.

4199. Mr. Khaitan was definitely of opinion that state management, without qualification, is desirable in India. He had set forth the grounds on which the Marwari Association based this view in the course of his written statement. He admitted that perhaps he was too optimistic in stating positively that all the advantages enumerated by him would be secured, but he at least hoped that they would be.

4200. Where he referred to existing differential treatment in the matter of goods and passenger traffic, he had in mind the tendency at present of railways to fix rates so as to favour traffic to and from ports as against internal traffic, and the failure of railways to treat Indian passengers as well as Europeans.

4201. It had been mentioned in the written statement as one advantage of state management that it would secure a substantial saving to Government by making available the amount now paid as companies' share of the surplus profits. The Chairman observed that payments made to the companies could not be regarded wholly as "profits." The companies had provided about £25 million capital, and, if they had not done so, the Government would have had to pay interest on a corresponding amount raised by it; so that interest should be deducted from the amount paid to the company, and the difference only between what is paid to the company and the interest which Government would otherwise have had to pay represents the profit to the company. The Chairman suggested that this difference, though possibly a considerable sum itself, would not be large relatively to the sums dealt with for railway purposes. Mr. Khaitan admitted that it might not be relatively great, but it was still considerable.

4202. Mr. Khaitan referred to the circumstances that India had not been given an opportunity of subscribing to funds raised for railway capital expenditure in India, though these were actually raised in the United Kingdom at a higher rate in some cases than was paid at the same time for Government loans in India. The Chairman said that he thought all would agree it was a pity that India had not had this opportunity. He imagined that it was due to Government thinking that enough money would not be subscribed in India. Mr. Khaitan observed that there was no reason why Government should have made such an assumption. The Chairman observed that all would agree at least that the money required in future should be raised in India if it could be got here.

4203. Regarding certain comparisons made by Mr. Khaitan between the return of the Japanese railways and that of the Indian railways, the Chairman observed that the Japanese figures at his disposal did not agree with those quoted by Mr. Khaitan. Accepting them however, as approximately accurate, it was clear that the Japanese return was good. But to make comparison of the profits secured to the respective Governments it would be necessary to deduct from the Japanese figures which were gross profits the 5 per cent. which they had to pay for interest on their loans, and this would bring the figures of profits for Japan and India very close together. Some misunderstanding was obviated by Mr. Purshotamdas' suggestion that what was in Mr. Khaitan's mind was not the profits, but the net earnings secured by the railways. Mr. Purshotamdas observed that Mr. Khaitan's point was that Japanese railways earned about 8 per cent. whereas Indian railways only earned about 6. The Chairman suggested that this fact did not furnish an argument either for or against state management and that the return in India could easily be raised by the simple expedient of putting up rates whereupon the differences would disappear. With regard to the rate of interest paid he emphasized that India had had the advantage of the British connection which enabled it to borrow money in London at 3½ per cent. while Japan had to pay 5 per cent. In both cases there was still 3½ per cent. profit after meeting interest charges.

4204. Referring to Mr. Khaitan's statement on behalf of Messrs. Birla Brothers, Limited, the Chairman suggested that, whatever the reason might have been why India did not subscribe the whole of the funds for railway development, it seemed reasonable, that, as the subscribers were in fact English, they should claim some control over the railways. Mr. Khaitan urged that they had lent to Government on Government security which gave them no right to claim control of the business to which the Government devoted the money. The Chairman asked whether, if money were lent to a jute mill, the lender would not be careful to see that the mill was run properly. Mr. Khaitan said that all that he would be entitled to claim is that the property on which the money was secured, was not allowed to depreciate. The point being further developed by Mr. Purshotamdas, Mr. Khaitan said that the lender would not be interested in the profit made by the mill, as the English companies are in the profit made by the railways and so long as the security was good, he had no further claim to interfere. He considered that, if money be not forthcoming from England otherwise than on terms, which afford the subscribers dictatorial rights over the management of Indian railways, India should not borrow from her, but should rather depend on what money she could herself raise, and, if necessary, should postpone railway development. He explained subsequently to Mr. Purshotamdas that in urging postponement, he did not overlook the fact that the community which he represented, was one which would directly suffer from such postponement. But he felt that it was preferable that India should wait for its development rather than submit to outside dictation in its railway policy.

4205. He agreed that money was badly wanted for railway expansion. Mr. Khaitan was unable to estimate the amount that would be subscribed in India. He thought that undoubtedly Indians would subscribe more freely for railway purposes if they were sure of exercising reasonable control over the railway administration. Just at the present time there is, no doubt, a stringency in India as well as elsewhere, but a year ago he thought that some crores of rupees might have been obtained for railway purposes.

4206. In answer to the Chairman Mr. Khaitan said that he was not at all satisfied with the existing railway facilities, but he thought that the railways would be better off had a different policy been pursued in the past. He considered that improvements could be effected even with the existing funds if the railways were placed under one management. It would mean that there would not be the uneconomical use of rolling stock which we find at present. The Chairman observed that there might well be some force in the contention that improvements might be effected by using the most direct route and by common user of rolling stock, but he thought that those of his colleagues, who are railway experts, would all agree that the really important thing was the inadequacy of existing facilities for carrying the traffic.

4207. In answer to Mr. Purshotamdas Mr. Khaitan said that, with the promise before them of Indian aspirations being realised, the Marwari community would certainly be likely to subscribe largely though he could not of course, specify the sum. They had been among the principal subscribers to the war loan and individual subscribers had put up as much as one crore and sixty-six lakhs of rupees respectively.

4208. The Chairman invited Mr. Khaitan's attention to his reference to Sir Vithaldas Thackersey's speech in 1912 regarding the economic development of the country, and drew attention to the actual instances which Sir V. Thackersey cited namely, the rate for cotton from Multan to Karachi, a distance of 458 miles, was Rs. 1-3-6. The complaint related to the higher charge for a shorter distance. Mr. Khaitan admitted that in this case the railway of whose action complaint was made, was the North Western Railway which is managed by the State. The Chairman said that the companies could not be blamed in this instance. Mr. Khaitan admitted this, but thought that companies' lines, were even worse. The other instance quoted was that of traffic from Chandausi to Cawnpore, a distance of 230 miles, at the rate of Rs. 0-5-7. In this case also the Chairman remarked that the instance was taken from a State railway, namely the O. and R., Mr. Khaitan urged that there were many other instances. The Chairman observed that the cases cited by him were those to which Mr. Khaitan had drawn particular attention in his written statement.

4209. Subsequently, in reply to Mr. Purshotamdas, Mr. Khaitan agreed that a reason which had been suggested for the preference given to Cawnpore as against Delhi traffic was that the business interests in the former city are more largely European than in the latter. He would not grudge Cawnpore a lower rate if it could be shown that traffic could be carried to Cawnpore more cheaply than to Delhi. The Chairman said that it was at least clear from the instances quoted that the action complained of in each case was that of a State-managed railway, and that it was not always port traffic for which low rates were given. Subsequently, Mr. Purshotamdas enquired whether the reason why Sir Vithaldas Thackersey had cited instances from the State railways might not probably be that it emphasised the demand of Indians for more control in the Council, and Mr. Khaitan agreed.

4210. With reference to the failure of the railways to attend to the needs and comforts of the travelling public, the Chairman drew attention to the evidence of Mr. Hindley, Agent, East Indian Railway, who had quoted specific orders from Government that money should be spent only on absolute necessities and not on such items as waiting room accommodation and other conveniences. The railways were thus not to blame for their failure to provide for public comforts and conveniences. Mr. Khaitan urged that the railway had been to blame in the past. He

emphasized that, in pressing for state management, his community had in mind that, in future, they would have more control over the operations of the state than in the past. He did not regard state management, as hitherto experienced, as being satisfactory, but he believed that under it they would be in a better position to secure their objects in future. The Chairman said that even under state management something must be sacrificed if money could not be provided. In the case of meeting passengers requirements he emphasized that the East Indian Railway Company were anxious to introduce facilities, but were debarred owing to the failure of the Government to supply funds. Mr. Khaitan considered that, even if funds were limited, they should be spent to improve the condition of all classes of passengers, and not exclusively in the interests of one class. The Chairman observed that the 1st class fares had recently been put up much more substantially by about 75 per cent. that in the case of 3rd class passengers whose fares were increased by only some 20 per cent. Mr. Khaitan, however, considered that 1st class passengers could afford to pay relatively more than the passengers of the lower class. The Chairman observed that in England the 3rd class fare was approximately 10 times that in India and suggested that the same accommodation could not reasonably be expected for a sum so much smaller. Mr. Khaitan said that the railways should not be regarded purely as revenue making machines. So long as they met public requirements he would not mind so much about their making profits. In answer to the Chairman's enquiry whether the public would be prepared to submit to taxation to meet a deficit on railway working, he considered that India is entitled to have state management and to make the best of it and that it would be for the Legislative Assembly to decide in what way the case should be met. They might face taxation or might prefer to develop more slowly. The Chairman observed that, in the case of Italy, where the state manages the railways, receipts only barely cover working expenses, and the interest on capital debt has to be paid out of taxation.

4211. With regard to observations in the written statement on the subject of employment of Indians, Mr. Khaitan admitted, in reply to Sir Henry Burt, that Indians are now being trained to some extent, and that there are a certain number of Indian officers employed particularly as A.T.S. on the Indian railways. It was suggested to him that this was at least a good beginning. He recognised it as a beginning, but did not think that it was particularly a good one, and thought much more might be done in this direction. In answer to the Chairman, he said that if two individuals were applying for an appointment, one an Indian and the other a European, he would give the appointment to the better of them regardless of race. If, however, their qualifications were equal, he would naturally give preference to the Indian.

4212. The Chairman drew attention to Mr. Khaitan's illustration of racial prejudice in the refusal of a certain important company managed railway to extend to Indian employees on other railways the same free pass concessions as they gave to Europeans. Mr. Khaitan said he had been given to understand that the complaint referred to staff of the same grade. He did not know the name of the company, or whether the discrimination still exists. The Chairman said that he believed that everybody would agree that there should be no racial descrimination in such matters. There might be discrimination based on the class of employee in accordance with usual railway practice. The Chairman said that he understood that the discrimination complained of had existed in the past on a certain railway, but existed no longer.

4213. Referring to Mr. Khaitan's statement that he did not clearly understand what was meant by political influence, the Chairman suggested the following instances.

4214. If two men are competing for a post, the man who gets it, gets it not because he is better qualified, but because he is a friend of a member of Parliament. Or again, a railway may be built under state management, not on the merits of the proposition, but because a member of Parliament is influential and desires it. Mr. Khaitan said that this was probably true in England, and that Boards of Directors show the same kind of favouritism. He was not prepared to quote specific instances, but based his opinion on his knowledge of human nature in general.

4215. In answer to the Chairman, Mr. Khaitan said that the figure quoted by him of 4·31 per cent. net receipts on capital in the United Kingdom as contrasted with 5·76 per cent in Germany, if it did not prove that state management is better at least showed that it need not be less economical. He thought that the fact that in Italy the railways paid only ½ per cent. suggested that they serve the industries of the country as it is desired that they should in India. The Chairman assured him that industries are no better satisfied there than here.

4216. Referring again to Mr. Khaitan's figures showing the number of employees per mile in different countries the Chairman mentioned that a detailed comparison between Belgium and French railway working showed that the Northern Railway of France which ran for some distance into Belgium had fewer men for the same amount of work than the adjoining Belgian state lines.

4217. Mr. Khaitan said that he approved of the Government control system introduced in Canada. The Chairman suggested that this was really an argument against state management. They had for 50 years had state management in Canada and were so little satisfied with it that, expressly to eliminate political influence, they had entrusted the railways over to Company management.

4218. Mr. Khaitan suggested that the management was placed in a Board of representatives of the people. The Chairman explained that they were persons of the same kind of qualifications as an ordinary board of directors. Mr. Khaitan said that they were at least Canadians, and, in the case of India, the managing bodies should in the same way be representative of the people of the country. The Chairman said that he understood, however, that Mr. Khaitan would not wish to entrust the railways even to companies in India. He drew attention to the announcement made by the Secretary of State regarding his intention to transfer the management of the East Indian Railway to India, and asked whether he would object to an Indian Board of Directors, Mr. Khaitan replied that he would prefer state management outright.

4219. Mr. Khaitan said that he would not object to an Indian loan being floated in London provided the whole of the money required could not be raised in India, and provided also that subscription to the loan was not associated with the terms to which he had objected. It had formerly been possible to obtain money cheaper in London than in India, although it has not always been raised more cheaply there. He was uncertain as to whether this would be the case in future. The Chairman said that in view of the rapid development of Indian Industries, there seemed a possibility of all the available money being put into industries, and that enough might not be forthcoming for railways. Mr. Khaitan said that there were many investors who would still be attracted by railway loans. He cited for instance such funds as those in the hands of Court of Wards which would be invested in trustee securities.

4220. Sir George Godfrey suggested, with reference to Mr. Khaitan's observations regarding 3rd class passengers not being allowed to enter on platforms, that this was done in the interests of the passengers themselves to prevent dangerous rushes towards the trains, on their arrival at intermediate stations, and consequent accidents. After some discussion, Mr. Khaitan explained that what he really objected to was the inconvenience and discomfort to which 3rd class passengers were exposed. They have not sufficient time after the gates are opened to take their

seats, nor is there proper waiting room accommodation and shelter provided for them. He said that, even at Howrah, passengers are not allowed on the platform until ten minutes before the trains start. Mr. Khaitan thought that there would be no difficulty in obtaining suitable representatives of the travelling public provided that the Government are willing to listen to fair criticism and not merely to flattering advice. His Association would be prepared to help if invited to do so.

4221. In answer to Sir Henry Burt, he said it might be a fact that to some extent the railways had given special facilities to encourage Indian industries. He thought, however, that there were many more cases in which assistance should have been given, but actually was not. With reference to the cases of certain important firms which were mentioned, he said that those were firms with considerable influence.

4222. In answer to Mr. Hiley, he admitted that undoubtedly traffic had far outgrown the railway facilities for dealing with it. The Marwari Association was not represented on the advisory committees of the E.I.R. and E.B.R.

4223. In reply to Mr. Purshotamdas, Mr. Khaitan gave instances of what he had in mind when he spoke of the lot of low class passengers being miserable. He instanced the want of waiting rooms at almost all stations and the failure to open booking offices until very shortly before the starting of trains. He mentioned Purulia and Chandel as examples near Calcutta.

4224. With regard to the lack of refreshment rooms for Indian passengers, which is another outstanding grievance, there is only one on the East Indian Railway at Moghul Serai. This was run by the Marwari Association, which wished to extend it and had written several times to the railway administration, but without success. They also wished, but were not allowed, to put in waiting rooms at Cawnpore and Delhi.

4225. His Association had been representing the need of water supply at stations. For example, at Howrah station there was no tap except at one end of the platform. Attention was drawn to this, but the railway administration did not consider it necessary. In reply to Mr. Godfrey he admitted that this was a terminal station, but he urged the need for supplying water to passengers even in trains at starting points. They could not go back outside the barrier after once entering, nor could they go to the end of the platform for water after they had taken their seats. It may be that water is not supplied in similar conditions in other countries, but in India it is an undoubted necessity.

4226. The Chairman finally asked whether the community would be prepared to meet the increased charges for railway transport consequent on increased working costs; Mr. Khaitan was disposed to think that increased charges would be objected to so long as railways were not managed by the State.

P.S.—The Marwari Association subsequently furnished the Committee with papers relating to the subject-matter of paragraphs 26 and 27 above; these are not reproduced.

Mr. J. J. GODFREY, representative of Messrs. McLeod & Co., Calcutta, was called, and examined with reference to a statement which he had furnished to the Committee.

4227. Mr. Godfrey explained that Messrs. McLeod & Co. is a firm dealing with many interests such as tea, coal, jute, etc. They are the managing agents of two or three jute mills.

4228. He was in favour of railways being managed by companies, either on a profit sharing basis, or independent of Government assistance and finding their own capital. In his opinion, State railways tend to develop into political machines. He considered, however, that the State must retain control of strategic railways, though it would be proper to charge the cost of these to the military and not to the civil budget. He was of opinion that railways built for the purpose of opening up districts which are not productive, likely to render a return on their capital cost within a few years, should also be managed by the State.

4229. In reply to the Chairman's inquiry whether, so long as there are profitable lines awaiting construction, it is desirable to invest at all in unprofitable lines such as those instanced, Mr. Godfrey said that this appeared to be rather a question of policy.

4230. The Chairman invited Mr. Godfrey's attention to his suggestion that there might be a combination of management by a board in England and a local board in India. Mr. Godfrey stated that he would consider a board in England necessary to protect the interests of European shareholders and to attract capital. He admitted that a board such as this must exercise a real control. He thought it might, however, delegate powers to the board in India. He found some difficulty in suggesting precisely what definite powers could be delegated. He thought that there would necessarily be for each company an annual conference at which one of the London directors would discuss matters and general policy with the local board in India, and that then the local board might be entrusted with the carrying out of that policy. He would allow the local boards to make contracts within the sanctioned limits. The appointment of an agent would have to be made by the English board after consultation with the local board. He contemplated that the agent would be the Chairman of the local board in India. The local board might control the appointments of staff engaged in India; the English board, of staff engaged in the United Kingdom.

4231. The Chairman enquired who would be the final authority to decide specific questions, for example, questions as to rates and fares. Mr. Godfrey thought that the local board would usually advise the agent. He was inclined to think that they might share the responsibility. The Chairman observed that the sharing of responsibilities is impracticable, and asked whether there could be a definite delegation of authority from the English to the local board or not. A case might, for instance, arise in which the Indian board of a railway might wish to put on a new train, whereas the agent might consider it unnecessary. Mr. Godfrey thought that the local board could hardly overrule the agent. He admitted that examination of the question really seems to suggest that the local board would necessarily be an advisory, and not a controlling board. It might, however, be given the right to call for information and papers.

4232. The Chairman, summing up, said that Mr. Godfrey's view appeared to be that the local board should be as influential as possible, but that, in the last resort, it could only be an advisory body.

4233. Mr. Godfrey thought that the existence of such a board as this would undoubtedly encourage Indian investment. He did not think there would be serious difficulty in securing suitable directors. There is no difficulty in getting them for the boards of small lines. He agreed with Sir Henry Ledgard that there is an increasing tendency for European business men to remain in India for some time after retirement. He thought the difficulty of securing the personnel would be less as time went on.

4234. Mr. Godfrey considered that the President of the Railway Board should be the Railway Minister, and that the staff employed under the Railway Board ought to be selected from the general body of railway men and not exclusively from the State-worked railways.

4235. Referring to the powers of the boards of directors of branch line companies, he complained that no powers, corresponding to those, for instance,

emphasized that, in pressing for state management, his community had in mind that, in future, they would have more control over the operations of the state than in the past. He did not regard state management, as hitherto experienced, as being satisfactory, but he believed that under it they would be in a better position to secure their objects in future. The Chairman said that even under state management something must be sacrificed if money could not be provided. In the case of meeting passengers requirements he emphasized that the East Indian Railway Company were anxious to introduce facilities, but were debarred owing to the failure of the Government to supply funds. Mr. Khaitan considered that, even if funds were limited, they should be spent to improve the condition of all classes of passengers, and not exclusively in the interests of one class. The Chairman observed that the 1st class fares had recently been put up much more substantially by about 75 per cent. that in the case of 3rd class passengers whose fares were increased by only some 20 per cent. Mr. Khaitan, however, considered that 1st class passengers could afford to pay relatively more than the passengers of the lower class. The Chairman observed that in England the 3rd class fare was approximately 10 times that in India and suggested that the same accommodation could not reasonably be expected for a sum so much smaller. Mr. Khaitan said that the railways should not be regarded purely as revenue making machines. So long as they met public requirements he would not mind so much about their making profits. In answer to the Chairman's enquiry whether the public would be prepared to submit to taxation to meet a deficit on railway working, he considered that India is entitled to have state management and to make the best of it and that it would be for the Legislative Assembly to decide in what way the case should be met. They might face taxation or might prefer to develop more slowly. The Chairman observed that, in the case of Italy, where the state manages the railways, receipts only barely cover working expenses, and the interest on capital debt has to be paid out of taxation.

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4228. He was in favour of railways being managed by companies, either on a profit sharing basis, or independent of Government assistance and finding their own capital. In his opinion, State railways tend to develop into political machines. He considered, however, that the State must retain control of strategic railways, though it would be proper to charge the cost of these to the military and not to the civil budget. He was of opinion that railways built for the purpose of opening up districts which are not productive, likely to render a return on their capital cost within a few years, should also be managed by the State.

4229. In reply to the Chairman's inquiry whether, so long as there are profitable lines awaiting construction, it is desirable to invest at all in unprofitable lines such as those instanced, Mr. Godfrey said that this appeared to be rather a question of policy.

4230. The Chairman invited Mr. Godfrey's attention to his suggestion that there might be a combination of management by a board in England and a local board in India. Mr. Godfrey stated that he would consider a board in England necessary to protect the interests of European shareholders and to attract capital. He admitted that a board such as this must exercise a real control. He thought it might, however, delegate powers to the board in India. He found some difficulty in suggesting precisely what definite powers could be delegated. He thought that there would necessarily be for each company an annual conference at which one of the London directors would discuss matters and general policy with the local board in India, and that then the local board might be entrusted with the carrying out of that policy. He would allow the local boards to make contracts within the sanctioned limits. The appointment of an agent would have to be made by the English board after consultation with the local board. He contemplated that the agent would be the Chairman of the local board in India. The local board might control the appointments of staff engaged in India; the English board, of staff engaged in the United Kingdom.

4231. The Chairman enquired who would be the final authority to decide specific questions, for example, questions as to rates and fares. Mr. Godfrey thought that the local board would usually advise the agent. He was inclined to think that they might share the responsibility. The Chairman observed that the sharing of responsibilities is impracticable, and asked whether there could be a definite delegation of authority from the English to the local board or not. A case might, for instance, arise in which the Indian board of a railway might wish to put on a new train, whereas the agent might consider it unnecessary. Mr. Godfrey thought that the local board could hardly overrule the agent. He admitted that examination of the question really seems to suggest that the local board would necessarily be an advisory, and not a controlling board. It might, however, be given the right to call for information and papers.

4232. The Chairman, summing up, said that Mr. Godfrey's view appeared to be that the local board should be as influential as possible, but that, in the last resort, it could only be an advisory body.

4233. Mr. Godfrey thought that the existence of such a board as this would undoubtedly encourage Indian investment. He did not think there would be serious difficulty in securing suitable directors. There is no difficulty in getting them for the boards of small lines. He agreed with Sir Henry Ledgard that there is an increasing tendency for European business men to remain in India for some time after retirement. He thought the difficulty of securing the personnel would be less as time went on.

4234. Mr. Godfrey considered that the President of the Railway Board should be the Railway Minister, and that the staff employed under the Railway Board ought to be selected from the general body of railway men and not exclusively from the State-worked railways.

4235. Referring to the powers of the boards of directors of branch line companies, he complained that no powers, corresponding to those, for instance,

over expenditure, entrusted to the larger railway companies, had been delegated to them. He promised to furnish for the information of the Committee an extract of the list of powers which have thus been withheld. The matter had been under reference for some years to Government, but with no result yet. (Mr. Godfrey subsequently furnished the Committee with a list of 58 heads under which powers to sanction expenditure had been specifically delegated by Government to the main line companies' boards of directors; and with copies of correspondence between Messrs. McLeod & Co., and the Railway Board extending from March, 1918, to April, 1920; which shewed that the question of defining a similar schedule of powers in the case of companies under the branch line terms had been raised at the earlier date and was still unsettled two years later.)

4236. The Chairman mentioned that a certain witness had recently suggested that the Railway Board appeared to aim at the discouragement of private railway company promotion, and put difficulties in the way of proposals. Mr. Godfrey thought that this did seem to be the case. He instanced the case of the Bisnath Tramway scheme in which a concession under the branch line terms had been applied for as long ago as September, 1915. This line has no junction with any existing railway, but would act as a feeder line to the Brahmaputra river service, and the question therefore arose as to whether a subsidy under branch line terms was admissible. After some intermediate correspondence, the Railway Board in August, 1917, informed the firm that the proposal would require the sanction of the Secretary of State. It was not until February, 1919, that the Railway Board informed the firm that the Government of India would shortly refer the matter to the Secretary of State. He was not yet aware of the result of the reference.

4237. The Chairman read from a note which had been placed before him and indicating that, in this particular case, the Secretary of State had sanctioned the application of the branch line terms, while reserving a decision on the general question whether these terms should apply to cases of isolated lines not connecting with the main railway system.

4238. Mr. Godfrey mentioned that, in another case, that of the Barmpur-Mujilpur project, the concession either with or without subsidy had been applied for in March, 1916, and a report and estimate furnished in February, 1917, on which the Railway Board deferred decision until an investigation had been made by the Eastern Bengal Railway of a proposed extension of that Railway's Diamond Harbour Branch. In December, 1919, the Railway Board intimated that the Diamond Harbour Extension having been abandoned, a traffic survey of the Mujilpur project work would be made by the Eastern Bengal Railway. Circumstances changed in the meanwhile, and the firm had lost interest in the case and had not pursued it.

4239. Mr. Godfrey explained that surveys had been made by his firm at the cost of Government. Sir Rajendranath Mookerjee explained in this connection that, of late years, the Railway Board had insisted on applications being made to it for permission to make any survey, and, if this were granted, it then provided the funds; it was a condition, in the event of the line being subsequently approved that the firm making the survey has no prior right of construction.

4240. With reference to rates and fares, Mr. Godfrey thought the trading community would recognise the necessity for increases in the altered conditions. In the case of the branch lines with which Messrs. McLeod & Co. are concerned, there is a limit imposed by the competition provided by Byle Gharrys or country boats. The highest schedule obtaining in the case of any of these railways for goods is as follows:—

First class	·44 with a sanctioned maximum of	·96 pies per maund per mile.		
2nd "	·60	do.	1·20	do.
3rd "	·80	do.	1·44	do.
4th "	·90	do.	1·68	do.
5th "	1·00	do.	1·92	do.

this schedule being about 30 per cent. higher than that obtaining on the other small lines and on main lines, for goods carried at first-class rates, and about 50 per cent. higher than main lines carrying similar commodities under special schedule rates.

4241. In practice Mr. Godfrey stated that the rates had frequently to be adjusted upwards and downwards to meet the fluctuating conditions of competition; for example, the bullock cart competition only becomes serious at periods of the year when the animals are not required for agricultural purposes.

4242. In reply to Mr. Purshotamdas, Mr. Godfrey said that he did not consider it necessary to curtail the existing measure of State control, he added that this is not large in the case of an independent railway company, and should continue: he had no objection to it so long as it is exercised properly.

4243. Mr. Godfrey said that there are two classes of railways which should be State-owned and managed: one is the strategic railway, and the other is the railway which is not likely to pay for ten years or so. He was of opinion that the companies should work and manage any railway that was likely to pay within ten years, it would pay the Government to subsidise them for such a period for the sake of developing the districts.

4244. Mr. Purshotamdas suggested that, if State management is good enough for railways built for the purpose of opening up districts which are not productive during the unprofitable portion of their existence, it would seem reasonable that the State should manage them throughout instead of handing them over to companies once they had reached a more satisfactory basis. Mr. Godfrey said that permanently unproductive lines are not liable to be used for political ends.

4245. Mr. Purshotamdas asked whether, under the present circumstances, he would recommend competition with the country carts and boats, and whether these are not desirable. Mr. Godfrey said that it is of decided advantage to merchants and people of the district to be able to use bullock carts and country boats when, for example, there is a restriction on railway booking owing to wagons not being available, but under normal conditions he would prefer to see these methods of transport employed in developing agriculture and in carrying produce to the nearest railway station.

4246. Mr. Purshotamdas pointed out that the Committee had been told that the districts in which oil-seeds are grown have missed markets owing to wagons not being available. Mr. Hiley asked if the main lines are also restricted for booking traffic. Sir George Godfrey observed that if the main lines have had to restrict the booking of traffic, that would affect the whole traffic whether reaching them by feeder lines or by road.

4247. In reply to Mr. Purshotamdas, Mr. Godfrey said that he knew of country carts carrying jute to Calcutta from distances of 70 or 80 miles; this was in addition to what the railway carries.

4248. Sir Henry Ledgard inquired whether, if it were not for the delays in obtaining sanction from the Railway Board, to which Mr. Godfrey had drawn attention, the firm would have been more active in the construction of new lines. Mr. Godfrey said he undoubtedly thought this would be the case.

Mr. H. F. YEOMAN, Senior Partner of Messrs. Place, Siddons and Gough, Stock and Share-brokers, was called and examined.

4249. The Chairman thanked Mr. Yeoman for coming to meet the Committee, and explained that while he supposed Mr. Yeoman would not wish to express opinions on technical railway matters, the railway questions before the Committee resolve themselves very largely into a question of finance, and it was hoped that he would be able to give some advice as to how, and the extent to which, the funds necessary for railway purposes might be procured.

4250. Mr. Yeoman said that except the East Indian Railway few of the railways of India showed a very attractive return and would thus not attract share capital. He thought that in favourable years, if a loan were placed on the market at a suitable time (and not after the most favourable opportunities had already been taken advantage of, for example, by the Government of India), a railway loan might be successful if based on the security of the existing lines. It would, of course, be necessary to pay the market rate prevailing from time to time. He had in mind debentures, which would be issued both in England and in India. He thought that practically there is only a particular class of investors likely to be interested in such securities as Government, municipal or railway loans, &c.

4251. In reply to the Chairman who asked whether, assuming for the sake of argument that money can be raised at 6 per cent. in England, it would be necessary to pay at the same time a higher rate in India, Mr. Yeoman said that he thought that it would usually be necessary to pay a little more in India, perhaps one-half per cent. additional. In the case of an Indian railway loan secured on the earnings of the particular railway in whose name it was issued, and not backed by a Government guarantee, he thought that probably about one-half per cent. more would have to be paid than is paid on Government paper. The Chairman remarked that this estimate agreed with experience in England before the war, when a good railway debenture gave a return barely one-half per cent. above Consols.

4252. The Chairman asked whether Mr. Yeoman thought there is anything in the suggestion which had been placed by others before the Committee that Indian investors are more likely to be attracted by a security based on such tangible assets as the earnings of a particular railway rather than on the security of Government. Mr. Yeoman was doubtful whether there was much in it, though Government loans had undoubtedly been somewhat unpopular in recent years, he was disposed to ascribe this to the rate of interest having been kept low. Government loans had been issued at the lowest possible rate of interest before the war. Government loans used to be issued by tender, and were mostly taken up by the Presidency banks. The last was the loan in 1913, the 1914 loan was underwritten by the Bank of Bengal.

4253. Mr. Yeoman thought that a railway loan for a considerable amount would be more popular than a number of smaller issues. As an indication of the extent to which money can be raised in India, he mentioned that during the war Government had issued in 1917 a short term war loan on which Rs.55 crores was raised; in 1918 a series of bonds terminable in 3, 5, 7 and 10 years had been issued giving respectively 25 crores, 2 crores, 4 crores and 25 crores. This was a 5½ per cent. loan; the division of the bulk of the subscription was between the longest and the shortest terms according to the requirements of the various investors. In 1919 Government had raised Rs.21 crores by the issue of a 5 per cent. loan, and in the current year Rs.26 crores on a 6 per cent. loan repayable in 1930.

4254. The Chairman observed that it appeared that on the average Government in recent years had raised roughly, about Rs. 30 crores per annum. He asked whether there is any prospect of continuing the same rate in the future. Mr. Yeoman thought that the pace could not be kept up. He thought that possibly Rs.20 crores for railways might be secured annually, but it would be necessary to offer generous terms.

4255. With regard to the popularity of the Government loans, the Chairman asked for information regarding the inducements to brokers and others to promote their success. Mr. Yeoman said that one-eighth per cent. commission is paid by Government to recognised brokers. There are about 200 members of the Stock Exchange of Calcutta, in addition to which there are a certain number of Exchange brokers and banks to all of whom a similar commission on applications made through them is paid. Possibly, in Bombay, the number of such persons is somewhat greater, and there might perhaps be about 500 in all in Calcutta and Bombay, there would certainly not be more than 500 in the rest of India. Mr. Yeoman mentioned that Government officers, such as Commissioners and Deputy-Commissioners, used a certain amount of influence to ensure the success of Government war loans. He did not think that a very large amount was subscribed through the Post Office. The large numbers of people in India who are in the habit of hoarding, are not readily accessible, and he was aware of no means by which they could be induced to invest their savings. There is no machinery for getting at these people or of educating them in this respect.

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4257. He did not attach much importance to the Marwari community as prospective investors in railway debentures, as he thought that they take more interest generally in investments of a more speculative character. He did not think that the instances to which the Chairman referred, namely, the large subscriptions made by Marwaris to the war loan, could be taken as establishing the contrary. Subscriptions to the war loan had in many cases been made under a certain amount of persuasion. The investors to whom he attaches real importance on this side of India are such persons as the Bengal zemindars, landholders and holders of Hindu family funds. He did not think that these would be deterred from investing because of the issue of the loans in the name of an English domiciled company. Sentiment is no doubt changing in this respect, but he doubted whether it would have much effect.

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4259. The Chairman remarked that, apart from what might be decided on in respect of permanent policy, there can be no question as to the immediate crying needs of the railways for money, and he asked Mr. Yeoman's opinion with reference to the question of raising funds at once upon short-term bonds of 5, 10 or 15 years repayable at an advance beyond the issue price. Mr. Yeoman was doubtful whether there was much to be hoped for, as he thought that at present the market had been pretty well exhausted. He did not think there was much hope of success in appealing to speculative interest. He cited a case in which a first-class commercial security of this kind had recently been offered in the shape of 5 per cent. bonds issued at 75, repayable annually after 1923 by drawings of a lakh of rupees annually. Out of Rs. 40 crores offered, only Rs. 6 crores were subscribed. The fact appeared to be that the Indian public do not appreciate complicated offers of this kind. They prefer a simple form of security bearing a plain indication of the return obtainable. He thought the same objection would apply to profit-sharing debentures guaranteeing an additional return in the event of the profits of the undertaking rising beyond a fixed limit.

4260. In reply to Mr. Tuke, Mr. Yeoman said that the debentures he was speaking of would be issued by the English companies. They would be acceptable to the people in India. He did not think that the co-existence of the sterling debentures would be a practical difficulty, and he instanced the case of the Indian General Navigation Company, which issued rupee debentures though they have no rupee capital; but if the sterling debenture is cheaper than what is offered in India, the people would not subscribe much.

4261. Mr. Tuke pointed out that, if the domicile of the company were in London, the accounts would naturally have to be made up in sterling, and the rupee debentures would require to appear therein at a certain rate of exchange. Furthermore, the exchange, if fluctuating, might affect the question of the return on a rupee debenture as compared with that on a sterling debenture. Mr. Yeoman realised this, and suggested that this could be got over probably by fixing the exchange value of the rupee for this purpose.

4262. The security for the debentures would be the earnings of the railway, but it would be desirable if the Government were also to add their guarantee, and it would be reasonable for them to do so, as debentures are issued generally at the instance of Government, and, moreover, the money raised would help both Government and the company.

4263. Mr. Tuke remarked that in India conditions are peculiar. Government practically owns the railways, and their guarantee is important. In the circumstances, he inquired whether it would not be better that the money required be raised by Government rather than by an English company. If this were done, it would be simply a Government railway loan. Mr. Yeoman replied that the whole question is one of generous interest. If Government were to issue the debentures and call them a railway loan, it would be necessarily a secondary loan, and if the ordinary Government loan had not been a success, the railway loan would not stand much chance. Government can hardly be expected to raise a loan for general purposes at 6 per cent., and for special purposes at something more; still the railway loans would need a higher rate of interest, as otherwise Government would mop up all the available money in the market. In his opinion, failing borrowing through the companies, the real solution of the difficulty would be for Government to raise a general loan on more generous terms and divide the proceeds among the railways; but that is a thing which Government would never do.

4264. The Chairman drew attention to the fact that the commercial public at least might be expected to subscribe to a specific railway loan, knowing that the money so subscribed would go to the railways rather than to a loan the proceeds of which might be devoted to other purposes, and asked whether they would prefer to subscribe to a loan which would be used entirely for railway purposes. Mr. Yeoman thought that the commercial public and the trading class would subscribe to a railway loan, because they have been hampered hitherto by the defective condition of the railways. He thought that the railway loan would have a chance of going well, but remarked that the financial policy of the Government of India was so peculiar that one never knew what they were going to do with their loans. Government itself might want more money for other purposes. If so, then the railway loan might fail.

4265. The Chairman inquired whether such an arrangement as the following would work, namely, assuming for the moment Government issues a loan, say, for Rs. 40 crores, of which they say Rs. 30 crores will be required for railway purposes and Rs. 10 crores for general purposes, and say that if anything is subscribed for general purposes and comes to more than 10 crores it would be used for railway purposes, and also if anything is stated to be subscribed for railway purposes only it would not be used for any other. Mr. Yeoman considered that it would be impracticable to make an issue on such terms as these.

4266. The Chairman asked whether the general railway loan would be better than the present debentures. Mr. Yeoman said that the railway loan would be better, provided it could be got clear away from the Government loan of the year.

4267. In reply to Mr. Purshotamdas, Mr. Yeoman said that the rate of interest which the Calcutta Port Commissioner gave before the war was 4 per cent., and the stock was nearly always issued at par, unlike Bombay, where it was done at a premium for many years.

4268. Mr. Yeoman said that a considerable quantity of feeder line shares are held by Europeans. Many had sold out at the time of the favourable exchange, in order to remit the proceeds to England, but all who wished to do so had not been successful as there was not a sufficient demand for the shares. The average market rate was about Rs. 60 for a Rs. 100 share with 3½ per cent. guarantee.

4269. With regard to the illiterate investors in the districts, referred to in the course of Mr. Yeoman's reply to the Chairman, Mr. Purshotamdas asked what has been the difficulty with him and why he does not come forward to invest if the proverbial hoard is really there. Mr. Yeoman said that he did not know the reason. Probably they do not quite understand the advantages of investing. It might also be due to the fact that the villager does not think that the paper that is given him in return for the money is safe with him. In support of this statement, he instanced the facility with which villagers had been persuaded to sell their war loan certificates immediately after they were issued. He could not suggest a remedy but had not made a special study of the problem as he had not lived in the mufassal.

4270. Referring to the opinion expressed in the course of his reply to the Chairman that the trading class would subscribe more readily to a railway loan than to the annual Government loan, Mr. Purshotamdas inquired whether the commercial community if they were satisfied with the constitution of Government and only were sure that they could make their voice heard through the Legislative Assembly, would not subscribe more readily and willingly even to the general purposes loan. Mr. Yeoman agreed that they would probably do so.

4271. In reply to Sir George Godfrey, Mr. Yeoman said that he had no precise idea as to how much trust money is available in Calcutta for investment, but it would be by no means substantial. The Official Trustee holds a large number of trust and semi-trust investments such as bank shares. Most of this money comes in on the death of the person creating the trust.

4272. Sir H. Ledgard inquired whether he thought in Calcutta if a loan were put forward at the present time on somewhat similar terms to the Improve-

ment Trust loan of Bombay recently issued, it would be as successful as that loan had been. Mr. Yeoman doubted whether it would. The success of the loan there was largely due to persuasion and to local patriotism.

4273. In answer to Sir Henry Ledgard, Mr. Yeoman said that it would be difficult to say what would be the commercial rate of interest for a good industrial concern for there are industrials of different standings. The rate of dividend on what would be called a first-class industrial concern, the shares of which remain at par, might be about 10 per cent. The difference between that and the rate of interest on a Government loan might be about 2 to 2½ per cent.

4274. Regarding the question of liability to Indian and English income tax the Chairman asked Mr. Yeoman if he would inform the committee whether the Indian holder of a debenture of the East Indian Railway Company, which is a company domiciled in London, would have to pay the English income-tax. Mr. Yeoman advised the committee that interest on debentures is a charge before the income taxable profits are arrived at and therefore rupee debentures would not be concerned with the English income-tax.

SIXTEENTH DAY.

(Calcutta.)

Friday, 7th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH—(*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon. Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E.—(*Secretary*).
Mr. E. R. POLE—(*Assistant Secretary*).

Mr. J. MacKenna, C.I.E., I.C.S., Development Commissioner, Burma, was called and examined with reference to a note expressing his personal opinions which he had submitted to the Committee. (Mr. MacKenna explained that the official views of the Government of Burma would be communicated to the Committee after replies had been received to enquiries instituted by them.*)

4275. Mr. MacKenna explained that, for the purposes of the Railway Committee's enquiry, Burma might be regarded as being on the same footing as India under the Reform Scheme; although it had not yet been brought under the Reform Scheme, present indications are that this is likely soon to be done.

4276. With reference to his expressed preference for the management of railways by companies on a profit-sharing basis, he understood that the Burma Railway Company has an interest of about one-third in its undertaking. He hesitated to say whether, in the case of Indian railways in which the companies' interest is much less, the share they hold gives them a sufficient stake. He thought that, in the case of the East Indian Railway, if the only inducement to work to the best advantage which they have were a one-hundredth share in the surplus profits, this could not constitute a powerful motive towards efficient working.

4277. With reference to his objection to frequent transfers of officers on State railways, he admitted that there might be another side to the question, and that some advantage owing to wider experience might be obtained by means of transfers.

4278. Mr. MacKenna explained that his views were expressed generally with reference to his knowledge of the conditions affecting the Burma railway; he was not prepared to say that a system suitable for Burma would be in all respects applicable or suitable in the very different conditions in India.

4279. It seemed to him very unreasonable that the responsible Board of Directors and Agent should have only such limited powers as have been delegated to them by the Government. For instance, he thought the limit up to which appointments of staff might be created, is fixed very low at Rs. 250 per mensem; he agreed with the Chairman that this was like using a Nasmyth hammer to crack a nut. Sir Arthur Anderson observed that Mr. MacKenna must have been misinformed regarding the inability of Companies to grant leave to temporary staff as they have power to grant leave within certain limits. Mr. MacKenna thought that such matters as leave to the staff might reasonably be left entirely to any competent Board of Directors and their Agent.

4280. In recommending an increase of the powers of Boards of Directors and the devolution from these to local management, he meant devolution to their Agent in India and did not mean to local Boards. He thought the Agent should be given the same powers of independent action in general as are given to the head of a large commercial firm.

4281. Mr. MacKenna said that, having been away from the province for some years and not being closely in touch with Railway matters there, he was unable to give full information regarding the frequency of visits of the Railway Company's Directors. Mr. Home, one of the Directors, had visited Burma last year and he understood was expected again this year.

4282. The Chairman observed that, in his written statement, Mr. MacKenna had not quite correctly explained the English practice with regard to the appointment of Directors. The Directors are not customarily selected from the most substantial shareholders. They often only become qualified as shareholders after appointment as Directors.

4283. Mr. MacKenna agreed that, in view of the large powers of control exercised by Government, if they were also to nominate the Chairman of companies domiciled in India, there would not be very much left to the Boards to do. They would practically become a Government managed concern.

4284. The Chairman observed that Mr. MacKenna had recorded his inability to see how companies domiciled in England and in India could be combined, and his opinion that this would lead to an impossible situation and cause delays in the adminis-

* *See* Written Statement No. 91 in Volume IV, subsequently received.

tration, and remarked that nobody hitherto had appeared who was able to devise a workable system on these lines.

4285. With reference to Mr. MacKenna's observations regarding the Railway Board holding the balance even between the financial claims of the different railways, the Chairman suggested that these remarks had probably been made under the conviction that the present conditions must always continue, and that there would never be sufficient money for all the railways. Mr. MacKenna admitted that this was so: he did not see much hope of improvement. He agreed that a commercial firm having so solvent a property as the Indian Railway system and with a good record for success in the past, would have no difficulty in borrowing money. He agreed that there seemed to be no reason why railways should not raise sufficient money for their requirements. If it could be managed, he thought that it would be very desirable to make the railway system an independent financial concern.

4286. Mr. MacKenna thought it desirable that there should be less frequent changes in the personnel of the Railway Board in which he thought changes had been more frequent in recent years than is usual in other Government departments; some of these were doubtless due to war requirements. The Chairman mentioned that another witness had instanced the Port Commissioners of Calcutta as a body on which only three members now remained unchanged out of 16 who were on it in 1918. Sir Arthur Anderson said that the term of appointment of Members of the Railway Board was five years, the same as that of the Viceroy's Executive Council Members, and longer than the three years allowed to a Secretary to the Government of India. Mr. MacKenna agreed with the Chairman's summing up that greater permanence is desirable but he was not in a position to indicate how it could be secured.

4287. With reference to the separation of railway finance from the general finance system of Government, Mr. MacKenna thought it should be possible to frame a workable plan for eliminating the control of the Finance Minister over the railway budget, provided always that he should have a claim to a fair return on the capital already invested in the railway system.

4288. He was of opinion that the Railways of Burma are under-equipped though he thought it would be an exaggeration to say that they have been starved.

4289. He was inclined to think that an expenditure of Rs. 30 lakhs a year might be profitably spent on further construction, while to put the supply of wagons on an adequate footing a grant of Rs. 20 lakhs annually for the next five years would be required. The lines at present in view would give an adequate return within a reasonable period. The Government of Burma had lately had a fortuitous windfall accruing through the control over export of rice, and proposes to spend out of this Rs. 2 crores on the construction of three railways; these it is contemplated should be worked by the Burma Railways Company on branch line terms. The Chairman observed that only in the case of the Straits Settlements did he know of any precedent for building railways from revenue earnings. Mr. MacKenna explained that the rice control profits were quite exceptional and could not be regarded as ordinary revenue.

4290. The Chairman referred to Mr. MacKenna's opinion that ordinary shareholders would not agree to the issue of preference shares, but might not object so much to the issue of debenture capital. He pointed out in this connection that there did not seem to be any reason for a distinction since interest on the debentures must be met before there could be any division of profits. The ordinary shareholders would thus be equally affected in either case and the witness agreed.

4291. Mr. MacKenna observed in his written statement that railway improvement and development had been detrimentally affected by the general revenue position of the Government of India. He was of opinion that railways cannot avoid raising their rates if further capital is to be attracted. Owing to the high cost of materials and labour, rates have already been put up to some extent in Burma, and he understood were likely to be still further increased. Generally speaking he thought that the public would recognise the necessity for this.

4292. Mr. MacKenna promised to furnish for the use of the Committee such specific information as he could collect to illustrate the advantages to the general revenue from the construction of railways. In this connection the Chairman mentioned that another witness had placed before the Committee an instance in which the land revenue assessment in Central India had increased 300 per cent. owing to the construction of a railway.

4293. With regard to the re-allotment of grants, Mr. MacKenna was doubtful whether grants were really re-allotted as suggested by the Mackay Committee. The Chairman observed that, in any case, there was no guarantee that the lapse occurring in any one year would be re-allotted in the following year to the railway on which it had occurred.

4294. Mr. MacKenna agreed that the existing provision of the Railway Act for the appointment of a special Railway Commission consisting of a High Court Judge, a railwayman and another, for remedying minor complaints of undue preference was too formidable a procedure, and that something simpler appeared necessary. In view of the lack of any other means of securing redress he was disposed to modify his opinion that the machinery provided under the Railways Act for the settlement of railway disputes are adequate.

4295. With regard to his expressed opinion in favour of private ownership of railway trucks in Burma, Mr. MacKenna admitted that after discussing the matter with railway officials, he recognised that there were probably considerable difficulties, though he thought they might not be so great in Burma as elsewhere. He agreed with the Chairman that the main point is that additional wagon stock is required and should be provided whether privately or otherwise. He did not press the need for private as opposed to railway ownership.

4296. In reply to Mr. Purshotamdas Thakurdas, Mr. MacKenna admitted that his opinion that a Board of Directors would be likely to take a more active interest in the productive aspect of railway administration, was based on his experience in Burma, but he could not say whether this would hold good in the case of India also.

Mr. C. D. M. Hindley, Agent, East Indian Railway, accompanied by Colonel P. C. Sheridan, C.M.G. and Mr. Purcell, was recalled and examined with reference to part IV. of his written evidence.

See Written Statement No. 16, Vol. IV., P. 63.

4297. Mr. Purcell said, in answer to the Chairman, that Railway Companies could vary their rates and fares within the maxima and the minima prescribed, and that these are in the ratio of about 3 to 1. As to parcels and luggage, individual railways had no such discretion, as the actual scale of charge leviable was laid down, that is, separate maxima and minima were not fixed. He could not explain why the railways should be left so free in the much more important matter of fixing goods rates and fares while they were not entrusted with similar powers in respect to the comparatively trifling matter of charges for parcels, luggage, etc. Mr. Purcell said that the Government of India had delegated the power it possesses in the matter of fixing these rates to the Railway Conference Association, which prescribes the charges for luggage, parcels, treasure, and so on. The public could not appeal against the decision of the Association, powers in this respect having been delegated to it by the Government of India. The rail-

ways, however, might go direct to Government and get special sanction independently of the Conference Association.

4298. The general classification of goods varies for some commodities according as whether traffic is carried at owners' or railway risk, but does not in each case vary with differences in size of consignments; variations of the latter kind do, however, exist in some cases. For instance, "fibrous materials for paper manufacture" and "ginger" are classified lower for large than for small consignments.

4299. The Chairman summed up that, though the classification is fixed for the railways, their power of varying the rates under the classification is very large and in fixing rates, for instance a sliding scale or telescopic (called in England a tapering) rate, they are entirely free so long as the maximum and minimum are not exceeded. Mr. Purcell agreed that they could charge the same rate per mile for a consignment carried 10 miles as for one carried a thousand miles. He also agreed that railways had ample freedom in the matter of fixing rates. The question whether the fixed classification is inconvenient or whether the machinery for varying it is suitable, did not arise in practice very frequently; the procedure for altering a classification is rather cumbrous as it involves reference to the Railway Conference Association as well as to the Railway Board.

4300. Mr. Hindley agreed that the public ought to have more protection from unreasonable charges. The Chairman explained that the conciliation clause of the English Railways Act of 1888 would probably be superseded very soon by Legislation establishing a body of five members, comprising an impartial Chairman, who would be a lawyer but one who would be or become conversant with railway business, representatives of railways and of trade, assisted in each case by assessors with a knowledge of the special trade in connection with which the dispute has arisen. He asked whether Mr. Hindley would agree that a body should be established in India. Mr. Hindley agreed, but said that the body should be easily accessible to the different areas concerned; he suggested that it should visit periodically the three or four more important centres in India. He was of opinion that it would be injudicious to create local bodies in different centres.

4301. The Chairman stated that in England a great many preferences are given, such, for example, to a man who takes ten tons rather than to a man taking one ton and so on and that, whether preference is due or undue is a question of the individual merit of the case in question. Mr. Hindley agreed that a trader should be entitled to challenge any rate which he considered unreasonable, and not only cases of undue preference. A rate might be an unreasonable rate in itself.

4302. With reference to Mr. Hindley's statement in his written evidence as to the results that would accrue if absolute power to fix particular rates were retained by the Government, the Chairman enquired whether anybody had suggested that Government should absolutely fix rates, i.e., whether Government should take from the Company the power of varying rates. Mr. Hindley said that instead of the word "Government," his note should be read as "any body or authority outside the railway."

4303. In reply to the Chairman, Mr. Hindley agreed that the East Indian Railway should continue to fix any rate they please subject to liability to be challenged on the ground of general reasonableness. The extract from the Railway Gazette quoted in his written evidence expressed his views on the subject. (The reference is to an article advocating liability to have to satisfy an independent tribunal.)

4304. With reference to the statement that certain special rates have been cancelled bringing the charges up to the maximum in certain "classes," the Chairman enquired whether by "classes," he meant the technical sense of the classification. Mr. Hindley replied that the word should have been "cases."

4305. Replying to the Chairman, Mr. Hindley stated that they had a different schedule for coal and a different maximum apart from the ordinary schedule applicable to merchandise traffic. They had a special coal tariff. Asked whether he could give an indication of the charges leviable on coal traffic when the proposed new scale of charges is introduced on 1st April, 1921, Mr. Hindley said that the East Indian Railway quotes rates for coal per ton per mile but only undertakes to carry in wagon loads. The rate per ton for 200 miles at the present scale works out to Rs. 4 and for 700 miles, Rs. 8-4-0. Terminals are not included in these calculated rates. The rate they are now proposing for 700 miles is Rs. 10-1-0, that is, the total charge without adding terminals.

4306. With reference to his statement that, speaking generally, "excluding coal," 87 per cent. of the East Indian Railway goods traffic is carried at rates below the maximum authorised, Mr. Hindley replied that coal, which represents 66 per cent. of the total weight moved, has always been carried at very low rates, the words used were not meant to suggest that coal was carried at the maximum rate, but that coal was excluded from consideration in the statement referred to.

4307. In answer to Mr. Hiley, Mr. Hindley pointed out that the terminal charge of 2 annas a ton made by the East Indian Railway covered the services rendered in the coalfields and was only imposed at the despatching point. Replying to Sir Henry Ledgard, he said that the East Indian Railway does not charge special terminals at Kidderpore and Cawnpore. The rates only extend to delivery at the Port Commissioners' sidings and not delivery to the docks for which the Port Commissioners make charges.

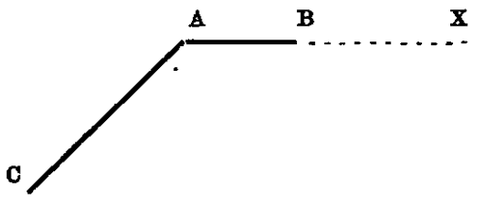
4308. With reference to Mr. Hindley's statement that at times when demands for coal reach their maximum the available capacity of the line for carrying ordinary goods is very considerably less than what is required, and that hardly a year passes but large quantities of merchandise offered for transportation have to be refused, the Chairman enquired how long this condition of affairs had existed. Col. Sheridan replied that he had been on the line for the past 26 years and there had always been an inability to provide transportation to the extent demanded. In his experience, the position was getting worse day by day, and the prospects for the future are worse than the condition at the present moment.

4309. The Chairman stated that it appeared that the East Indian Railway were not attempting to make an all round percentage increase of rates but were revising individual rates. Mr. Hindley agreed that this was correct because it appeared advisable to make a thorough examination of all rates, with a view to making such increases as would be the least burdensome on the traffic. Generally speaking, there was some margin available between the rate charged and the maximum for the class. In certain cases where the rates are at or near the existing maximum and they wish to raise them, they are applying to the Railway Board to sanction the transfer to a higher class. The cases in mind include some important items of traffic on the East Indian Railway.

4310. Questioned as to whether he knew of other railways asking for their maximum rates to be raised, Mr. Purcell observed that it had been recognised that increases were necessary on all railways to meet increased expenses. During the last few years, endeavours have been made to get a uniform classification, and in securing uniformity it has been frequently necessary to level up instead of levelling down. The procedure in regard to this was rather cumbersome. For instance, the Traffic Committee of the Railway Conference considered several changes in classification last June and issued a circular to railways giving them 60 days in which to lodge an objection. The East Indian Railway did not raise any objection. They had not asked to increase the figures for the different classes but only to put the commodity in a higher class.

4311. Replying to Mr. Hiley, Mr. Purcell explained that, if they wanted a classification altered, the procedure was to go up to the Traffic Committee of the Indian Railway Conference Association and make a recommendation suggesting a revised classification; for example, that iron and steel should be transferred from the first class to the second. If the Committee agreed with the suggestion, they made a formal recommendation to the Railway Board that sanction should be accorded. The Committee does not deal with individual rates, and if a railway is dissatisfied with the Committee's decision, it is not bound to accept the classification recommended.

4312. Turning to the question of block rates, the Chairman informed Mr. Hindley that the Committee had been told by representatives of another Company that the block rate is merely a short distance rate on the line where the traffic originates. Mr. Purcell in reply said that he thought that it meant much more than that and involved important issues, such as the general question of relative charges on foreign and domestic traffic which again involved large issues such as the importance of exports and imports. He understood that a block rate meant the levy of a higher mileage rate over certain sections of the line for traffic going in a particular direction than is charged for the same traffic carried in other directions and for a longer lead. The Chairman instanced a case of traffic originating at A and arriving at B and there passing to



X on another line, and traffic originating at A and going a considerably greater distance from the point of origin to C in the opposite direction entirely on the line of the originating Company and terminating there. He enquired whether the latter traffic was likely to be charged a lower rate than the former. Mr. Purcell said that this might be the case, but that a difference in the basis of charge for traffic moving over different distances was a general practice everywhere and such differences did not necessarily constitute unreasonable discrimination. He pointed out that in respect to traffic moving over two lines, over one of which a so called "block" rate was levied, provided the aggregate charge was not higher than the traffic could bear there was no real cause for complaint, and the division of the total rate between the two systems did not affect the trader in any way. Even where block rates were charged, there were no complaints that the total charge was excessive—the general complaint was that the practice tended not to force rates up but keep down rates to the ports and so prejudice internal industries. The Indian Industrial Commission had gone fully into this question and came to a similar conclusion, *viz.*, that the practice tended to prejudice local industries by forcing rates on export traffic down to a lower level than was perhaps necessary, with the result that the export of raw materials which might have been worked up locally was encouraged.

4313. The Chairman observed that rates on export traffic had nothing to do with the rates for domestic traffic. Mr. Purcell agreed and pointed out that the Industrial Commission had also recorded that export rates had to take into consideration the transport charges to the final destination. The report, however, established that the complaint against block rates was not that they made the total charge too high, but were prejudicial to local industries by encouraging export of raw materials and produce.

4314. Mr. Purshotamdas drew the attention of Mr. Hindley to the fact that in the East Indian Railway pamphlet No. 1 containing the General classification of goods and the special rules for booking goods, etc., the East Indian Railway share of the freight from Dhulkot (D.U.K.) to Delhi for traffic to Bombay is higher than the East Indian Railway share for traffic to Howrah. In the former case, it was 7 annas 1 pie per maund, and in the latter, 5 annas 10 pies. Mr. Hindley explained that this must be a mistake, because under the contract for working the D.U.K. Railway, the East Indian Railway are bound to give it the same share of the through rate in both cases. So far the East Indian Railway had received no complaint in regard to this. Mr. Hindley promised to look into this matter and furnish an explanation.

4315. Mr. Purshotamdas quoted a second instance, Dhulkot to Bombay and Dhulkot to Ahmedabad has the same lead up to Delhi. The East Indian Railway rate is shown as annas 4 and pies 4, so that for traffic coming to the Bombay port, the East Indian Railway share is higher up to Delhi than for traffic going to Ahmedabad, which, he suggested, means handicapping Bombay port.

4316. Mr. Purcell said that the East Indian Railway, in protecting the interests of the Delhi-Ambala-Kalka, were entitled to secure for that system as large a share as possible of the total through rate to Bombay, and as long as the total rate is not unreasonable, the public have no reason to complain of the arrangements made between the two carriers as to the division of the aggregate charge. The apportionment was purely a matter for settlement between railways and did not, in any way affect the trader.

4317. The Chairman drew Mr. Hindley's attention to the fact that the representative of the Marwari Association in Calcutta, who had given evidence to the Committee, had made a complaint in regard to the Marwari refreshment room at Moghalsarai, on the ground that it was inadequate and that permission to extend the buildings had been refused. Mr. Hindley admitted that the statement was correct to some extent. Under great pressure from the Marwari Association, they had allowed them to take charge of this refreshment room. Judging from what could be seen of it from the outside, he imagined that it is not satisfactorily managed. Owing to caste restrictions, none of the officials were allowed to inspect the place. But, apart from this, additional space on the platform could not be conveniently spared. He said he did not, therefore, feel justified in giving permission for the extension of the building. Personally, he did not believe that this refreshment room is used very largely by any other than the Marwari community. It has not, in his opinion, fulfilled the object expected that it would cater generally for Hindus. It was a difficult matter for him to deal with. Speaking generally of Moghalsarai, Mr. Hindley observed that the island platform and the other platforms are not altogether suitable for such facilities. Outside the station, accessible by means of an overbridge, are a passenger waiting hall, shops, water-supply and the conveniences which the ordinary passenger requires. It would be quite clear on inspection that it would be impossible to cater in the same way for all classes of passengers who use the station, on the platform. The management of the refreshment room in this particular case is entirely in the hands of the Marwari Association. The East Indian Railway does not interfere with them in any way.

4318. Col. Sheridan corroborated Mr. Hindley's statement and added that the place always gives the impression of being dirty. He would not like to see it enlarged. It is a fact that the Marwari community freely uses the refreshment room.

4319. In reply to Mr. Purshotamdas whether the East Indian Railway had written to the Marwari Association and told them of the insanitary condition of the place, Col. Sheridan stated that this had been done but no improvement has been secured. Mr. Purshotamdas suggested that surely some Hindu railway official could go and visit the place. Mr. Hindley observed that a notice is put by the Association outside the room that no one should go in with his boots on, and, as a matter of fact, the authorities of refreshment room do not like them to visit the place.

4320. The Chairman drew Mr. Hindley's attention to another complaint about water supply at Howrah which Mr. Khaitan, the representative of the Marwari Association, had also made. The complaint was that water was accessible in the waiting area outside, but was not obtainable from the platform unless people left the train to go into the waiting area. Mr. Hindley explained that Howrah is a terminal station, and water supply is not provided on the departure platforms which are separated from the main waiting area. He did not consider that there would be any difficulty in providing it, but so far they had received no complaint. The Chairman suggested to Mr. Hindley that this was a matter which might be usefully discussed with those who had made the complaint, and Mr. Hindley saw no objection to this.

4321. The Chairman referred to a third complaint by Mr. Khaitan. It was that passengers were kept off the platform until too short a time before the trains start. It had been pointed out that if they were allowed to come on the platform when the train was running in, there would be great danger of accidents owing to passengers rushing towards the moving train. This could be avoided if there were adequate waiting sheds. Mr. Hindley observed that it was quite impossible to deal with a general complaint of this sort. Under the recent orders of the Railway Board, nothing more could be done for some time to come for want of funds.

4322. The Chairman enquired what arrangements the railway had to deal with the grievances of the lower class passengers. Mr. Hindley stated that, if there were real matters of hardship, the railway staff enquire into the matter and remedy them as far as possible. They had food inspectors, both for Hindus and Mohammadans, whose duty is to inspect the food at a certain number of stations and see that the vendors keep adequate and proper supplies. They report in cases where their directions are not complied with. There are also passenger superintendents whose sole duty is to look after the interests of third-class passengers. This system is not extended to all stations. In the first instance they have applied it to Howrah, Delhi and Allahabad. During the hot weather they employed 50 per cent. extra Hindu and Mohammadan water men.

4323. In reply to Mr. Srinivasa Sastri, Mr. Hindley observed that one naturally gets a large number of complaints, but, so far as he knew, there was no complaint of any great importance, except that of the third-class passengers being over-crowded in the trains; this is due to the fact that the railway cannot run any more trains. The line is so taken up with the carriage of coal and other goods that to put on an extra passenger train they would have to reduce the goods train capacity. They cannot afford to do this. In the circumstances, he acknowledged that the passenger trains are exceedingly crowded, but until they get money for extra facilities nothing could be done, in his opinion.

4324. With regard to passenger superintendents, Mr. Srinivasa Sastri enquired if they were persons whom the passenger can easily find on the station platforms; speaking of his own experience, he had never seen one. The reply was that they had a special uniform, and the words " Passenger Superintendents " were marked thereon, but in English. Mr. Hindley said that at present they have these officers only in Howrah, Delhi and Allahabad. These superintendents are generally recruited from retired officers of the Indian Army, such as subedar-majors.

4325. In reply to an enquiry by Sir Henry Ledgard as to how many of these officers there were in each station, Mr. Hindley replied that they have three at Howrah, three at Delhi, and two at Allahabad.

4326. Mr. Srinivasa Sastri pointed out that, in his opinion, a military man is not the sort of person who would treat people politely. The passenger would not be likely to go to him at all; he would rather go to the policeman. Mr. Hindley thought it very difficult to find men who would really do this work properly. It had been thought that the retired military officer, who is a gentleman, and moreover is in receipt of a pension, would be more useful than others and likely to be disinterested. He was perfectly prepared to consider suggestions as to employing some other class in addition.

4327. Sir Henry Ledgard enquired whether delays in transit are not caused by shortage of wagons. Mr. Hindley was not prepared to answer the question in that form. The Chairman put it differently, and enquired whether delays are not caused by the fact that the number of wagons in the possession of the company is insufficient to deal with existing traffic. Mr. Hindley could, generally speaking, say that that was not the case, but would ascribe it rather to insufficient traffic facilities and carrying capacity generally.

4328. Continuing, in reply to Sir Henry Ledgard, Mr. Hindley stated that they expected to spread over three years the estimated cost of the proposed doubling between Allahabad and Tundla referred to in his written evidence. The sum of Rs.55 lakhs mentioned there was the estimated expenditure for the first year. The total scheme had been estimated approximately to cost about Rs. 167 lakhs. From Allahabad to Cawnpore (which was about 120 miles or so) the cost would be about half of this amount. In his opinion, it would roughly take one working season to double the track between Allahabad and Cawnpore. This estimate, of course, depended on materials, etc., being available. By making a push, the work could be done in a year. Asked whether, apart from doubling the line, there are any important facilities he would require to enable him to deal with traffic more expeditiously, Mr. Hindley said he did not think he could furnish a list of facilities that they would require to deal specially with Cawnpore, as it is only part of the big general problem of increasing the capacity of the railway as a whole.

4329. Sir Henry Ledgard further asked what Mr. Hindley's opinion was regarding the relationship between the Railway Board on the one side, and the Agent (or railway management) on the other, and whether he recognised or not that the Railway Board has authority to give him instructions or anything in the form of orders in connection with, say, traffic. Mr. Hindley said that the relationship was determined by the company's contract with the Secretary of State, and by the Railways Act; so far as the Railway Board exercised its functions within the terms of the contract or within the terms of the Railway Act, he could not object. In this connection, Mr. Hindley gave a specific instance. A certain group of traders had recently complained against his railway in regard to delays which had occurred in consignments to their principal stations; they applied to the Railway Board, and the Railway Board deputed one of its members to interview the traders. The traders were not altogether satisfied with the result of the interview. The Government of India then went further and the Member of Council himself went to interview the traders with representatives of the railway, and the matter was thrashed out between them. His impression was that the traders were satisfied that the fault lay in the want of adequate facilities on the railway. He simply gave this as an instance; he had taken no objection to this method of dealing with the matter.

4330. In the particular case referred to, Sir Henry Ledgard asked whether Mr. Hindley considered that the traders were justified in going over the company's head to the Railway Board and thence to the Member. Mr. Hindley considered that the Railway Board had acted entirely within its powers, though he thought it might have been better had the matter been left to be settled directly between the railway administration and the traders. He believed that the traders were well aware, when they approached Government in this case, that the railway had already taken such steps as they could. He took exception to Sir Henry Ledgard's statement that it was only after pressure was put on the railway through Government that this action was taken.

4331. With reference to Mr. Hindley's written statement that any attempt to make an all round increase by adding a percentage to the existing rate would have serious results on individual kinds of traffic, Sir George Godfrey asked whether Mr. Hindley could give an idea of what the result of this would be. Mr. Hindley said that it was necessary to carefully consider the effect of the proposed increase on each commodity, as otherwise there was a danger of killing certain kinds of traffic. He instanced road metal as a case in point. He preferred to adopt the principle of examining each rate in detail, which was actually being done.

4332. Answering Sir Arthur Anderson, Mr. Hindley admitted that there have been cases in which companies have obtained their agents from State Railways. Sir Arthur observed that the agents of four of the company-managed railways in India, namely, the Great Indian Peninsula Railway, the Bombay Baroda and Central India, the Madras and Southern Mahratta, and the Bengal and North-Western are at present State Railway trained officers. Mr. Hindley was unwilling to admit that these agents had attained to their present positions by reason of their training as State Railway officials. Sir Arthur said that, in his experience, the agent of a State Railway is given just as much power and responsibility as a company's agent.

4333. With reference to Mr. Hindley's statement in his written evidence describing the Railway Board's procedure, he admitted, in reply to Sir Arthur Anderson, that as agent he had met the Railway Board only twice in full conference, and once other than in conference. He had a certain amount of experience before he became agent; he had accompanied the previous agent as deputy or as his secretary at interviews with the Board.

4334. In reply to Sir Henry Burt, Mr. Hindley stated that the North Western Railway's mileage extended to about 5,000 miles. He did not consider this too heavy a charge for one man if he had an adequate organization. He thought it might be desirable to regroup the railways roughly on this mileage, though it would depend largely on geographical considerations and on trade routes. There were some cases at present where the dividing line between railway administrations cut right across trade routes in the country; it would probably be advantageous to bring the railways covering particular trade routes under one administration. In reply to the Chairman, Mr. Hindley instanced the case of the Oudh and Rohilkhand Railway, which occupies a piece of territory lying between the North Western Railway system and the East Indian Railway system. It has very little traffic of its own which originates and terminates within its system, though a good deal of through traffic originates in that area. It might be advantageous if the Oudh and Rohilkhand were attached to the East Indian for administrative purposes, and he thought it would be quite feasible to work it from Calcutta.

4335. Replying to Mr. Purshotamdas, Mr. Hindley said that he was not prepared with definite instances to support his statement that Company-managed railways have served the public better than State-managed railways. As he had already stated, he did not consider that the East Indian Railway has an adequate financial provision for improvements at present.

4336. Adverting to Mr. Hindley's written statement that the Agent of a Company-managed railway is given a larger measure of personal responsibility for the successful, economical and efficient management of the whole railway and the weight of his responsibility tends to make his administration vigorous and resourceful, Mr. Purshotamdas read the following extract from a speech by Sir Ernest Cable delivered in February 1908 at the annual general meeting of the Bengal Chamber of Commerce:—

"Now those who advocate private ownership will "say to you this. They will say that in a State "system there must be dull, inert management "a want of vigour, and an abundance of red tape. "But that, on the other hand under private "ownership, there will be life, activity, competi- "tion, energetic management, anxiety to cater "for the needs of the public, and all the other "good things which flow from efficiency combined "with economy."

"Now, gentlemen, we must judge of the future "by the past. Have we had all these good things "from Company management? Let us take the "example which lies nearest to our hands. Has "the East Indian Railway fulfilled these require- "ments? I am not asking you to accept my "opinion, I will quote the opinion of this Chamber. "In a letter written in 1895 to the Government of "Bengal, the Committee said that the history of "the East Indian Railway naturally divides itself "into two portions: the period before the purchase "of the Railway, in 1879, by Government, and the "period of the management of the line by a work- "ing Company called into existence for this special "purpose. It would not be difficult for the Cham- "ber to show that in the first period, the railway "was developed but slowly and under incessant "pressure from the Chamber, and that it mani- "fested a marked and unwise lack of sympathy "with mercantile requirements. Indeed the Bengal "Chamber of Commerce had to protest not only "against insufficient terminal accommodation, want "of rolling-stock and delay in the transport of "goods, but also against the doctrine that the scale "of railway freight was to be based upon the right "of the railway to share in the profits of its cus- "tomers. In the second period, that is, since 1880, "the narrative of the relations between the Rail- "way and the Chamber has been one long story "of the attempts of the Chamber to secure that "the Railway should keep pace with the growth of "mercantile necessities. The despatch of piece- "goods to the North-West, the terminal accom- "modation at Howrah, demurrage, the relations "between the railway and coal proprietors, and "many other questions have been demonstrated "that, whilst the railway has shown an improve- "ment in its management, it has still failed to "frankly and completely recognise that it must "always be a service to, and not a controlling "agency of the commerce of Northern and Eastern "India. Gentlemen, this does not look much like "life and activity, and an anxiety to cater for the "needs of the public; and if the shortcomings of "the line were so conspicuous thirteen years ago, "how much more glaring are they now? I do not "wish to comment on the question, except to ask "you to notice that there was an improvement from "the time when the State became more deeply "interested in the undertaking."

4337. Mr. Purshotamdas asked Mr. Hindley what he has to say with reference to this quotation. Mr. Hindley pointed out that he had no personal knowledge of the particular controversy which called forth this statement of opinion by Sir Ernest Cable but he believed that it was the case that he was practically alone in that opinion at that time and that the Chamber of Commerce had not endorsed his views. He believed that he was also correct in saying that Sir Ernest Cable was at the period in question advocating the reorganisation of the railways of India on the Prussian system.

4338. Further questioned by Mr. Purshotamdas, Mr. Hindley gave it as his opinion that if State-management were to be adopted in Indian conditions, there would be a great deal of interference growing up with the details of management.

4339. He thought there must be a good number of commercial concerns in India with which close connection is kept through the Board of Directors in London with modern developments in working and policy. Mr. Hindley imagined that a jute mill, for instance, would receive valuable information from its own English Board of Directors with regard to improvements in machinery. He did not think that a body constituted like the Port Commissioners would

be a suitable Board for a railway. The object of each member would be to push the special interest which he represented; the result would not be a resultant force in the general interest but a constant tendency to compromise. He did not consider the Port Commissioners were a suitably composed body to manage the interests of a large port. To form an efficient Board, it is necessary to associate railway experts, commercial men, financiers and men of administrative experience; by this he did not mean any particular Board, but any Board—whether in India or in England.

4340. At the instance of Mr. Purshotamdas, Col. Sheridan explained that there is at Howrah what is called a Brokers market in which the East Indian Railway had given the brokers a room to do a certain amount of business. There are a certain number of people who do not like this market, but there are more people in favour of than against it. There are two associations interested in the matter; he approached both; one association was against closing it, and the other was for closing it. If there was a unanimous desire to close it this would readily be done, but the action of the railway could only extend to closing the room and the railway could have no influence on any particular kind of business which the brokers took up.

4341. As an instance of undue or unreasonable discriminations being made, Mr. Purshotamdas instanced a case where he observed that from Arrah to Agra, a distance of 476 miles, sugar is charged at 8 annas per maund whereas from Behea to Agra, a distance of 461 miles, the rate is 8 annas 10 pies per maund. It had been suggested that the preferential rate was due to the traffic being that of a European Firm. Mr. Purcell positively stated that this is not the explanation of the difference, though he could not explain the discrepancy off hand. He promised to submit a written explanation for the information of the Committee.

4342. In reply to Mr. Purshotamdas, Mr. Hindley stated that food vendors are charged certain fees for the right of selling on the station platform. Some years ago, it was represented to the Est Indian Railway that food sold on the platform was not as good as it should be. They enquired into the matter and found that the fees charged for vending were not high and in a large number of cases they were only nominal fees. Mr. Purshotamdas said that an instance which had been bought to his notice where a stall-keeper was paying an annual rental of Rs. 3,500, *i.e.*, Rs. 9-9 per day. This meant he must be making enormous profits. Mr. Hindley pointed out that there was a schedule of prices at which these vendors are expected to sell and that it is a part of the Food Inspectors' duty to see that these schedule rates are exhibited by each vendor.

Postcript.—In connection with various questions asked during his oral examination, and with reference to evidence given by subsequent witnesses, Mr. Hindley furnished the Committee in March, 1921, with the further supplementary statement which has been recorded in the written evidence.

Sir NORCOT WARREN, Secretary and Treasurer to the Bank of Bengal, was called and examined.

4343. The Chairman observed that he did not propose to ask Sir Norcot Warren about questions of railway management, but about finance which as he would appreciate is really the important matter in the railway problem. It might be assumed that the railways need all the money they can get, and more than they are likely to succeed in obtaining.

4344. Sir Norcot Warren said he would first place before the Committee certain figures which he had collected to show what moneys it had been possible to borrow in the past. He quoted the following particulars of the cash subscriptions in respect of the Government Loans issued from 1910 to 1920 (the figures are rounded off in lakhs)

	Rs.
1910	144
1911	192
1912	288
1913	290
1914	478
1915	500
1916	673
1917	4,363
1918	5,757
1919	1,814
1920	1,184
Total	15,683 lakhs or say Rs.157 crores.

4345. The whole of this represented money raised in India; during the same period Municipalities, Port and Improvement Trusts raised in India nearly Rs. 23 crores and public companies about Rs. 50 crores (paid up). The total Rs. 230 crores gives an average of nearly Rs. 22 crores per annum, or, if public companies be excluded, of Rs. 17 crores which might be regarded as public borrowings. Sir Norcot was not in a position to give figures of moneys borrowed in the London Money Market.

4346. The Chairman said that it looked as if the capital requirements of railways would not be below Rs. 30 crores per annum; he drew attention to the much larger borrowings of Government in recent years as disclosed by the figures quoted above; some Rs. 131 crores out of the total of 157 having been raised in the last four years.

4347. Sir Norcot said that allowance must be made for the exceptional circumstances in which these figures had been reached; they were the result of the combined influence of patriotism and persuasion. These emergency borrowings had to a great extent been taken up by the Presidency Banks in the first instance, but had been got rid of almost immediately. These Banks might be capable of making further efforts to promote the success of further loans, but he was assuming that a loan for specific purposes would not be issued by Government. In his opinion the proper course would be for Government to continue to borrow by unspecified loans as hitherto and out of the amount raised to allow as much as could be spared to railways. He thought it would be unwise for Government to attempt a separate railway loan as it would arouse provincial jealousies and would prevent the free raising of capital. Provinces like Bombay and Bengal could not be expected to subscribe for instance for railways on the frontier. Speaking of Military railways, however, he felt that they should be paid for by the Military Department.

4348. He did not think that either Bombay or Bengal would subscribe for railway construction at the other side of India. Even in the less extreme case of money being wanted for railway development in, say, Allahabad and Cawnpore, he thought that Bombay and Bengal subscribers would first want to satisfy themselves as to the benefits likely to come to themselves. The public are concerned with the label on the loan, and would not be concerned in the same way in regard to the distribution of the money by, say, the Railway Board after it had been subscribed on a Government loan.

4349. He considered that, if money for railways were borrowed by a loan earmarked for railway purposes, it would have to pay a higher rate, even if also backed by a Government guarantee as well as being secured on the revenues of the railway system. He did not think that the fact that there would really be a double security would alter this in the estimation of Indian investors.

4350. Sir Norcot considered that money should be borrowed both in India and in England. In India at least it would be necessary to offer an attractive return. He believed that the money undoubtedly exists if only it can be got at; he hoped that it would be got out when the Imperial Bank opens up more branches.

4351. He did not think that the proportion of what might be called industrial money to trust money is much larger in India than in the United Kingdom. There is a class of subscribers to trustee securities who at present leave their money largely on deposit with the banks.

4352. Sir Norcot said that he did not attach importance to the point which the Chairman said had been suggested by others, namely, that if Government were now to borrow large sums at a high rate, the stock exchange valuation of existing Government securities would fall, and that this would be regarded by some of the holders of these as almost a breach of faith. He said that Government have already done this by issuing 5½ and 6 per cent. loans; it is simply a question of paying the market price, money having its price from time to time as well as any other commodity.

4353. Sir Norcot explained in reply to the Chairman that the relation between the Bank of Bengal and the Government of India, is practically the same as that between the Bank of England and the Home Government. The Bank gets the benefit of the Government balances and in return keeps treasuries at convenient places and does all kinds of financial business for Government. The investments of the Bank are restricted, under its contract with Government, to certain specified securities to ensure the supply of the funds of the Bank.

4354. Replying to Mr. Tuke, Sir Norcot emphasised his objections to the issue by Government of a railway loan. He did not believe that it would attract a new class of subscribers but thought that the Government would get less than by the issue of a single general purpose loan. People in India are accustomed to the idea of Government loans, but a specific railway loan would be new to them and they would not understand it. He thought that a loan of that kind would need a rate of interest of perhaps 7 or 7½ per cent. in existing conditions, he based his view on the fact that sound companies are now issuing debentures at 8 and 9 per cent. He would be in favour of borrowing on a short term loan—of 5 to 10 years—at a time when the prevailing rate is high.

4355. He did not think that greater use could be made of the banks than is already done in procuring subscriptions. Mr. Tuke drew attention to the assistance given in this matter by the banks in the United Kingdom and thought that possibly the banks in India other than the Presidency Banks might be put in a position to do more. Sir Norcot, however, doubted this. He considered that the cases are so different that they could not well be compared. The brokers could do something but not the banks.

4356. In answer to Mr. Tuke he said that the Bank of Bengal had given special facilities to subscribers to the war loans by purchasing the security and selling to investors who paid by instalments which might spread over two years but which in fact were paid up much sooner. Before the war the Presidency Banks took up the bulk of the Government loans. They had never lost money on it before the war as they had been able to pass the securities on to investors, but they lost through depreciation during the war.

4357. He did not think that an issue of premium bonds would be of much use; they had been a failure in Ceylon during the war. Generally speaking they would not be understood by Indians though they might appeal to the Marwaris who like a gamble. In reply to the President, Sir Norcot said that he would not borrow simultaneously in England and India on identical prospectuses unless the rates prevailing in both markets were fairly equal; he would borrow as much as possible in the cheaper market and then go to the other for the balance required. He did not think that the markets are so much in touch with each other that this would make it more difficult afterwards to take advantage of the market which had been the cheaper. If one prospectus were to be used for both India and England, the rate of exchange would have to be fixed, which is impossible at present.

4358. Mr. Hiley made the suggestion that separate prospectuses might be issued for Madras, Calcutta, Bombay, etc., showing the railways that would be benefited by the loan in each case. Sir Norcot said that it would be preferable to have a single prospectus; there would be no objection to explaining in it the particular works which would be financed in each place.

4359. In answer to Sir A. R. Anderson, Sir Norcot said that his idea was that whatever the Government's requirements are they should raise the loan to meet them as a whole, giving to the railways out of the proceeds the required sum. The Chairman asked whether there was any reason to think that Government's requirements apart from railways would probably be more than the £1 or 1½ millions which they represented before the war. Sir Norcot said that he was not aware of any, apart from possible military requirements.

4360. In reply to Sir G. Godfrey, Sir Norcot said that he could not estimate the extent to which a new source might be tapped by an issue of premium bonds after an ordinary loan had been raised; it would depend on the response of those who like a gamble.

4361. He thought that, considering the security of India, taxation is at present low and could stand an increase.

4362. The Chairman asked whether if, say, Rs. 30 crores were to be raised on attractive terms this could be repeated year after year. Sir Norcot replied that there is any amount of money, and therefore the success of the loan in one year would be so good an education that more might be forthcoming in subsequent years.

4363. Sir Norcot said he was not in a position to speak as to the bearing of the English Income Tax law on the taxation of interest on capital borrowed in India by an affiliated company or by a main line English company. He promised to send a communication to the Committee on the subject and subsequently furnished the following note:—

"Debenture interest is not included in a Company's assessment for income tax. The tax is deducted from the interest before payment to debenture holders and handed over by the Company to Government."

4364. Certain statements handed by Sir Norcot to the Committees are attached hereto.

Cash Subscriptions in respect of Government Loans issued from 1910 *to* 1920.

	Rs.	A.	P.
1910	1,44,12,389	1	0
1911	1,92,48,507	2	0
1912	2,88,37,611	13	0
1913	2,89,62,500	0	0
1914	4,78,00,247	11	0
1915	4,99,82,000	0	0
1916	6,72,99,200	0	0
1917	43,63,00,307	8	0
1918	57,56,83,125	0	0
1919	18,14,37,300	0	0
1920	11,84,27,328	0	0
Total ...	1,56,83,90,516	3	0

Particulars of Government of India Loans and Bonds issued during the last ten years.

When issued.	Amount of Scrip issued.	Rate of interest.	Name of Loan.	Date of repayment.	REMARKS.
1910 ...	1,50,00,000	3½ per cent.	Added to 3½ per cent loan of 1900-01.	Three months' notice.	
1911 ...	2,00,00,000	3½ „	Ditto.	Ditto.	
1912 ...	3,00,00,000	3½ „	Ditto.	Ditto.	
1913 ...	3,00,00,000	3½ „	Ditto.	Ditto.	
1914 ...	5,00,00,000	3½ „	Ditto.	Ditto.	
1915 ...	4,99,82,000	4 „	Terminable loan of 1915–16.	30th November 1923 but not preceding 30th November 1920 with three months' previous notice.	
1916 ...	6,72,99,200	4 „	Conversion loan of 1916–17.	1st October 1936 but not preceding 1st October 1931 with three months' previous notice.	
1917 ...	12,58,18,350	5 „	War Loan, 1929–47 ...	15th August 1947 but not preceding 15th August 1929 with three months' previous notice.	
„ ...	19,75,05,550	5½ „	War Bonds, 1920 (Income-tax free).	15th August 1920 ...	16,23,27,000 amount converted and paid off in cash as per P.D.O. Books.
„ ...	11,92,67,325	5½ „	War Bonds, 1922 (Income-tax free).	15th August 1922 ...	(1) see below.
1918 ...	25,94,84,925	5½ „	War Bonds, 1921 (Income-tax free).	15th September 1921 ...	(2) see below.
„ ...	2,53,70,400	5½ „	War Bonds, 1923 (Income-tax free).	15th September 1923 ...	(3) see below.
„ ...	4,50,06,875	5½ „	War Bonds, 1925 (Income-tax free).	15th September 1925 ...	(4) see below.
„ ...	26,15,44,225	5½ „	War Bonds, 1928 (Income-tax free).	15th September 1928 ...	(5) see below.
1919 ...	21,27,47,000	5 „	Loan of 1945–55 (Income-tax free).	15th October 1955 but not preceding 15th October 1945 with three months' previous notice.	
1920 ...	58,39,500*	„	Ditto.	Ditto.	
„ ...	30,30,77,000*	6 „	Ten year Bonds, 1930 (Income-tax free).	15th August 1930.	
Total...	1,81,79,42,350				

NOTE.

Cash Subscriptions to Loans *raised during 1920.*

		Rs.
6 per cent. Bonds, 1930	...	11,76,55,450
5 per cent. Loan, 1945–55	...	7,71,878
Total	...	11,84,27,328

* Includes unsold Scrip.

	Rs.		
(1)	4,32,950	converted to	5 per cent. Loan, 1945–55.
(2)	9,86,47,225	„	to 6 per cent. Bonds, 1930 and 5 per cent. Loan, 1945–55.
(3)	47,525	„	to 5 per cent. Loan, 1945–55.
(4)	1,80,525		Ditto.
(5)	21,58,525		Ditto.

PUBLIC DEBT OFFICE,
BANK OF BENGAL,
Calcutta, 22nd December, 1920.

Statement showing total of Rupee loans raised by Municipalities, Port Trusts and Improvement Trusts at Calcutta, Bombay, Madras, Karachi, and Rangoon from 1909-10 *to* 1918-19.

Year.	Municipalities.	Port Trusts.	Improvement Trusts.	Total.	REMARKS.
	Rs.	Rs.	Rs.	Rs.	
1909-10	99,25,000	3,13,75,000	*Nil*	4,13,00,000	
1910-11	67,50,500	1,17,95,000	*Nil*	1,85,45,500	
1911-12	53,63,000	1,15,10,534	*Nil*	1,68,73,534	
1912-13	41,91,000	1,99,00,000	*Nil*	2,40,91,000	
1913-14	63,42,000	2,16,45,876	25,00,000	3,04,87,876	
1914-15	60,06,000	2,75,46,200	18,00,000	3,53,52,200	
1915-16	86,23,780	1,89,43,800	50,00,000	3,25,67,580	
1916-17	26,85,500	1,13,00,000	25,00,000	1,64,85,500	
1917-18	34,66,300	11,00,000	*Nil*	45,66,300	
1918-19	50,04,500	17,30,000	*Nil*	67,34,500	
Total	5,83,57,580	15,68,46,410	1,18,00,000	GRAND TOTAL 22,70,03,990	

Number and paid-up Capital (in rupees) of Companies at work in British India and in Mysor State at the end of each year from 1908-09 *to* 1918-19.

Year.	Number.	Capital.	Year.	Number.	Capital.
		Rs.			Rs.
1908-09	2,156	57,08,19,222	1914-15	2,545	80,78,81,472
1909-10	2,216	61,44,31,661	1915-16	2,476	85,02,45,528
1910-11	2,304	64,04,96,825	1916-17	2,513	90,89,56,218
1911-12	2,465	69,37,78,595	1917-18	2,668	99,11,20,816
1912-13	2,552	72,10,13,855	1918-19	2,789	1,06,61,45,465
1913-14	2,744	76,56,18,274			

SEVENTEENTH DAY.

(Calcutta.)

Saturday, 8th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*)

Mr. S. C. Stuart-Williams, Vice-Chairman of the Commissioners of Port of Calcutta, who was accompanied by Mr. W. A. Burns, Traffic Manager, appeared to give evidence on behalf of the Commissioners. He was examined upon a statement which he had furnished for the use of the Committee.

See Written Statement No. 22, Vol. IV., P. 105.

4365. The Chairman thanked Mr. Stuart-Williams for the preliminary note which he had furnished, and for confining it to matters with which the Port Commissioners are specially concerned rather than attempting to follow in detail the questionnaire.

4366. Mr. Stuart-Williams explained that the Port Commissioners are a statutory body constituted under an Act of the Bengal legislature; the original Act being that of 1870 and the current one of 1890. The Port Trust is controlled by this Act as regards its main constitution, working and powers, and the Commissioners are responsible to the Government of Bengal. Their operations are to some extent regulated by the Indian Ports Act of the Imperial Legislature, and so far as relates to the Port Commissioners' Railway, by the Indian Railways Act of 1890. The Port Commissioners do not carry passengers and the application of the Railways Act is consequently not very extensive. The Port Commissioners' Railway is not subject to inspection under the Indian Railways Act. As regards rates the Government fixes these, usually without difficulty, in accordance with the schedules proposed by the Commissioners. The Commissioners submit their annual reports to the Government of Bengal, and supply certain railway statements of minor importance to the Railway Board for its information.

4367. The Chairman of the Commissioners is a senior Government official, usually the head of the Board of Revenue, Bengal. He presides at meetings. The executive head of the body is the Vice-Chairman who is a whole-time officer, appointed also by the Government of Bengal. There are 14 other Commissioners of whom six are appointed by the Bengal Chamber of Commerce, one by the body (at present the Bengal National Chamber of Commerce) which is recognised by Government as representing the principal Indian Commercial interests in Bengal, one by the Calcutta Trades Associations, three Railway Agents *ex officio*, the Collector of Customs, the Senior Royal Indian Marine Officer in Calcutta, and a representative of the Calcutta Corporation. The constitution of the Port Commissioners is laid down in the Act; Mr. Stuart-Williams mentioned, however, that it has just undergone a change as regards the status of the Chairman. It is proposed to have a whole-time Chairman appointed by Government, and a Deputy Chairman who will be appointed by the Port Commissioners. In no sense are the Port Commissioners under the Public Works Department: they report to the Government of Bengal in the Marine Department.

4368. Mr. Stuart-Williams emphasized that the whole problem of management of Indian railways centres on the question of capital finance, and the real point, in the opinion of the Commissioners, is how enough capital can be raised to meet the requirements. It is recognised that a moderate enhancement of rates and fares will probably be found necessary in order to increase the net profits.

4369. As regards the port of Calcutta certain surcharges which had been introduced during the war, had been abolished from the 1st of April, 1920, and the regular schedule charges had been advanced instead, not by an all round percentage, but according to the requirements of the particular case. For example shipping dues had been increased roughly by 50 per cent.; and rentals charged by the Port Commissioners as landlords had also been revised. Goods landing and shipping charges had, however, not been altered in any radical or drastic way.

4370. Speaking as a commercial man, Mr. Stuart-Williams said, in reply to the Chairman, that he would not expect large expenditure on railway development to be met from surplus revenue, as appeared to be suggested in his written statement; he thought that a growing commercial concern would need to be in a state of exuberant prosperity before it could make its extensions wholly or mainly from revenue and that even if it could, it would hardly be economical to do so. Ordinarily additional capital expenditure would have to be incurred in railway development and extension, and he saw no reason why the Government of India should not follow the

commercial practice: it should be possible in the case of railways to borrow the additional capital necessary for their development, although the policy of the Government in the past had been to a considerable extent to rely on surplus earnings to finance the capital programme.

4371. Mr. Stuart-Williams was of the opinion that large sums exist in India which might profitably be devoted to railway expenditure if they could be tapped, and the Port Commissioners believed that a large capital might be forthcoming as a result of offering an attractive rate of interest for loans secured direct on the well-known lines. The Chairman suggested that this might be successful in the case of debentures secured on the railways in the case of such profitable lines as the East Indian and Bengal Nagpur Railways, but it would not succeed, for instance, in the case of the Assam Bengal Railway. He asked whether there was not something to be said for pooling the requirements of both good and bad lines and raising money on the still fair security of the railways as a whole. Mr. Stuart-Williams thought that there was no doubt something to be said for this. Hitherto the practice had been to raise money in India mainly by Government loans. The Port Commissioners had no very strong preference for raising them on the specific security of the railways.

4372. He had no decided views as to the prospects of obtaining money at lower rates in England than in India. It has always been thought that English borrowing was cheaper than borrowing in India, but so far as he could judge, there is not much difference at the present time. He would certainly prefer to borrow in India if the funds required could be got here. He would be guided by the financial position in decided where to borrow.

4373. In the Commissioners' written statement the opinion had been expressed that borrowing could be effected in London only if the control of the railways asking for capital remains there as at present. He thought the control must lie where the bulk of the money comes from. The Chairman remarked that in the case of railways the bulk of it had been supplied by the Secretary of State, but the borrowings were not earmarked for railway purposes. Mr. Stuart-Williams thought that, if, in future, the bulk of the money raised specifically for railways were subscribed in India, then there would seem to be a good case for control being exercised in India, but he feared such control might affect supplies of capital from England.

4374. With reference to the question of liability to English income-tax, Mr. Stuart-Williams agreed with the Chairman that the question of the liability of rupee loans floated in India by Railway Companies, *e.g.*, the East Indian Railway to English Income-tax, should be cleared up first, as if the tax is leviable they would lose their attractiveness as investments.

4375. Turning to the question of management, he said that the Commissioners had not found any great difference in their relations between the State-managed and the company-managed railways. He thought that the Eastern Bengal Railway suffered from lack of continuity in its officers. He was rather speaking as the man in the street. The Chairman observed that, so far as continuity is concerned, Government might settle this point without altering the general system of management, by simply deciding not to make transfers from one railway to another. Mr. Stuart-Williams said that apart from this, both the State and the company-managed railways are equally convenient to deal with. He was not aware of serious delays in the case of the State railway, owing to the need for reference to the Government.

4376. In the written statement the opinion was put forward that the most promising alternative suggested to facilitate decentralisation was that of management by companies domiciled in England and having independent powers of obtaining their capital requirements both in India and in England. Mr. Stuart-Williams thought the adoption of such a system must be dominated by the question of liability to English income-tax. He thought that, if the companies are allowed to increase their capital, they must be allowed greater freedom and powers. If the capital finance and management are made over to companies, whether in India or in England, they should have a more substantial interest than at present. He did not consider that the extent of the existing interests—in the case of the Bengal-Nagpur Railway of less than one-seventh and in the case of the East Indian Railway of only one-hundredth—is satisfactory.

4377. With regard to the terms on which he would allow a company to issue new share capital, he said that he would not be disposed to allow a company whose shares stand at a premium to issue new stock to its shareholders at par. Public interests came first, and shareholders should not get more than a proper yield at the ruling market rate on their new investments. The Chairman said that, in the case of commercial companies, for instance that of the Argentine Railways, the shareholders who had borne the heat and burden of the day, were allowed to reap the benefit of it. But Mr. Stuart-Williams held that it would be the obvious duty of the Government to obtain the best terms they could for the country.

4378. In connction with the question of continuity on the boards of directors, the Chairman referred to Mr. Hindley as having stated that only three of the sixteen Port Commissioners of 1918 now remained unchanged. Mr. Stuart-Williams admitted that changes were frequent and caused serious disadvantage. They were, however, not quite as bad as the figures suggested, as some of the Commissioners are re-appointed on their return after absence on leave. There was also a tendency if a senior partner went on leave, for his junior to take his place. There are at present two Indian members on the Port Trust. Indian members might be expected to remain longer in office than Europeans. Sir Henry Ledgard suggested that one reason for the frequent changes in the case of the Port Trust is that appointments on that body are practically honorary, and the Chamber of Commerce does not expect the same individual to devote his time to it for a number of years.

4379. Referring to the opinion of the Commissioners that the formation of purely Indian companies with Indian boards need not be regarded as entirely out of the question, Mr. Stuart-Williams said he had in mind the case of an existing contract of a company being terminated. He agreed that, if it were a question of transferring one of the existing companies from England to India, it would be necessary to buy out the holders of the English shares. Taking the case of the East Indian Railway he personally thought that, if the Indian public were to subscribe the bulk of the capital, the case for an Indian Board of Directors with a substantial interest in the undertaking, would be strong. In the event of transfer of management to India, he would prefer management by an Indian company rather than by the State.

4380. He considered it necessary for the Railway Board to be in a position to see ahead as regards finance, and considered that the Board, rather than the Finance Department, should have a predominant voice in the railway business. The Chairman suggested that the present position is similar to that of a company being run by the debenture holders rather than by the shareholders who have an interest in the profits.

4381. Mr. Stuart-Williams stated that in case of the Port Trust debt there is no Government guarantee. The debt is secured on the Port Trust property only. He thought the same system would be suitable for railways.

4382. The Chairman asked Mr. Stuart-Williams whether he would care to give any information regarding the position of the Calcutta port as, although outside the terms of reference of the Railway Committee, it appeared that railway development and improvement of the Port must be complementary to

each other. Mr. Stuart-Williams said that the port is not at present abreast of the requirements. There is, however, in hand a large scheme of extensions. He hoped that the first part of the King George's Dock would be built within six or seven years. It is hoped, however, that four additional jetty berths at Garden Reach and one old berth on the Strand Road now under re-construction would be available within two years. It is not at present proposed to provide for coal loading in the new King George's Dock, but an additional berth in the existing docks is to be devoted to coal loading. Under favourable conditions Kidderpore can deal with about 250,000 tons of coal per mensem or say three millions per annum.

4383. He said that the Port Commissioners would not shrink from any justifiable expenditure, necessary to enable the port to deal with the extra traffic expected from the railways. He mentioned that at present coal is brought to the docks largely in covered wagons and that this precludes the full use of mechanical handling plant. The port has at present two mechanical loading appliances and it is proposed to get a third, but then only move the coal from the ground to the steamer as wagons have to be emptied by hand, because so many are covered wagons.

4384. Mr. Stuart-Williams was hopeful that port development would not be stopped for want of money. The commissioners can issue loans with the sanction of the Government of India who prevent their going into the market at an inconvenient time; the terms of the loans floated by the Port Trust have to be approved by the Government of India.

4385. In answer to the Chairman he agreed that it seemed desirable to have a more organic connection between the dock and the railway administration, but at the same time he was opposed to anything savouring of over centralisation and particularly to control by the Government of India from Delhi. He thought that it would be an advantage, in the event of any disagreement between a railway company and the Port Trust authorities, to have someone who could settle the matter.

4386. He promised to furnish the Committee with a précis of the Commissioners' scheme of port development with special reference to matters of interest to railways. The Commissioners would like to double parts of the Port Trust line along the river bank which are now single line, but were prevented from doing so by engineering and other difficulties. Normally the Calcutta Port Commissioners try to balance their receipts and charges (including in the latter interest on loans). Conditions at present are abnormal and receipts are correspondingly somewhat in excess of expectations.

4387. He thought that during the next 8 years the port would need about 1¼ crores per annum for capital expenditure. He thought about Rs. 30 lakhs could be financed from revenue by means of the Statutory contributions from Revenue to the Sinking Fund and that it would be necessary to borrow outside from 1 to 1¼ crores annually. He thought this might be raised on terms not less favourable than those offered in Bombay that is to say about 7 per cent. assuming that an income tax free loan is not allowed. Mr. Purshotamdas Thakurdas mentioned that the objection to an income-tax free loan is that Government wish to protect themselves in case of income-tax being raised.

4388. In answer to Sir Henry Burt, Mr. Stuart-Williams said that the question of improved loading arrangements for coal is about to come under discussion. He had recently furnished a note on the subject to the railway administrations and the Mining Association. The coal traffic was heaviest in the cold weather at which time more coal comes down from the up-country and at the same time labour is more plentiful in Calcutta. So far as the Port Commissioners were concerned they would like any type of wagon which could be tipped or turned over. He said that there was no real prejudice in the trade against mechanical loading; there had been complaints that it unduly broke up the coal, but this could be remedied. The real difficulty was connected with wagon supply.

4389. Referring to demurrage charges on wagons Mr. Hiley said that 36 hours allowance did not seem illiberal. Mr. Stuart-Williams agreed that as an average it was perhaps not too little. But they have to pay demurrage on any wagon kept beyond this period and considered it too short in the circumstances.

4390. In answer to Mr. Tuke he said that he thought it important that there should be decentralisation of railway business and that this could best be secured if railways are themselves allowed to raise the money they require. Money raised by them should not go into the general pool. He thought the security should be that of the railways concerned. Mr. Tuke observed that in the cases of Indian railway debentures they are in some cases not secured on the particular line and in all cases rest ultimately upon the Government guarantee. Mr. Stuart-Williams thought that if a Government guarantee were given, it would mean a lower rate of interest, but that the objections are evident.

4391. In reply to Mr. Purshotamdas Thakurdas, Mr. Stuart-Williams stated that the Port Commissioners had no difficulty in floating loans before the war. The largest amount raised was Rs. 1.05 crores in a year. They were helped by the Bank of Bengal in their flotations. He thought the Port Trust paper is popular. In a few instances they had been able to float their loans at a premium; that was on a 4 per cent. basis (in the years 1895—1905).

4392. He had considerable freedom in the management of his business and the Commissioners did not interfere unnecessarily with him in details. He had been over-ruled once or twice. He knew of only one Trustee, who had endeavoured to exercise any undue influence over the administration. From his own point of view he thought a smaller Board of Directors would be better. The local Government control has always been exercised in a very businesslike manner; and he had no reason to complain of interference or unreasonable delay. Cases of an urgent character were dealt with very expeditiously. Some delay did occur in references to the Government of India or to outside authorities. All the higher posts are sanctioned by Government, but for practical purposes there was no embarrassing Government control.

4393. There were few cases of complaints against the Port Administration, and there had been no attempt at undue interference from the non-official members of the Legislative Council although questions were occasionally asked in Council about minor matters.

4394. Mr. Stuart-Williams thought that if out of the surplus profits of a public utility body the shareholders were paid more than a reasonable return on the capital subscribed by them the public would be disposed to resent it.

4392. The Port Commissioners employ an Agent in London on a fixed salary to supply stores. Advantage was not taken of the services of retired officials, and Commissioners who had personal knowledge of the Port Trust work, save in one respect the recruitment of officers from Home. They had got on very well without utilising their services, but he could not say whether the lack of such guidance was a definite loss, since he had no experience of utilising their assistance.

4396. In the matter of concessions in carrying military stores the Port Trust followed the example of railways. Factilities and concessions to naval vessels were governed by the Ports Act.

4397. In answer to the Chairman Mr. Stuart-Williams said that the Calcutta Port Trust had not appeared in any Proceedings based on allegations of unfair treatment as between different ports.

4398. Mr. Stuart-Williams subsequently furnished the Committee with the following note, with reference to paragraph 4386 above:—

Note regarding the Calcutta Port Commissions' schemes of extension.

The extensions now being undertaken by the Calcutta Port Trust in Garden Reach to the south of the existing Kidderpore Dock system may be divided into three portions:—

(*a*) the construction of five river-side berths in Garden Reach, comprising one preferential coaling berth for the British India Steam Navigation Company and four general produce berths.

(*b*) the construction of a new Dock system to be called the King George's Dock; and

(*c*) the lying out of an improved and enlarged marshalling yard to deal with the traffic received from and consigned to the three broad guage railway systems serving Calcutta.

As regards (*a*), work on which was within hand when the War broke out, the present position is that the coaling berth has been in commission for some years, that No. 1 general produce berth has been completed save for its crane equipment which is at present being erected, that No. 2 is approaching completion and Nos. 3 and 4 should be ready in 1922.

As regards (*b*), the scheme comprises a new and independent Dock system running north and south and consisting of a basin at the north or riverside end and two long arms each about 4,500 ft. long. The basin will ordinarily be entered from the river by a large lock 700 ft. in length and 90 ft. in width, but alongside this lock there will also be two large Dry Docks built in tandem which can be used when necessary as a second entrance. The water area of the Dock will be about 198 acres, the length of the quay wall about 25,000 ft. and the number of berths will be 35. As at present arranged, 33 berths will be equipped either as Import or export berths, one will be a waiting berth and the other will be used for heavy lifts, but this arrangement may ultimately be modified should the requirements of the coal, manganese or other trades render this desirable. The first section of the work will consist of the entrance lock and dry docks and the northern portion of the Dock system lying between the river and Circular Garden Reach Road, comprising altogether eleven berths (including the waiting and heavy lift berths), but it will probably be arranged to utilise the first five berths as soon as these are ready.

Work was commenced in March, 1920, and although there has been great difficulty in obtaining materials and plant, satisfactory progress has been made and the excavation so far done is slightly in advance of the yearly average of the programme. The entrances and first five berths may be completed by 1927, and the remaining nine berths in the first portion should not be much later.

As regards (*c*), the Commissioners have had expert advice from Mr. Wentworth-Shields of Southampton as to the lay-out of the new marshalling yard, but his proposals will require discussion and elaboration. It is intended that this work should proceed *pari passu* with the Dock construction so that the handling of railway traffic to and from the new Dock shall be ensured the facilities required for expeditious handling.

A small plan* is attached showing the arrangment of (*a*) and (*b*).

Mr. S. C. Ghose was called and examined with reference to a statement which he had furnished to the Committee.

4399. **The Chairman** thanked Mr. Ghose for the numerous and valuable documents bearing on railway questions with which he had furnished the Committee. Mr. Ghose explained that he was a convert from an advocate of Company management to that of State management. He had changed his mind as the consequence of further investigation and experience of the State system at the headquarters of Government.

4400. The Chairman drew attention to that part of Mr. Ghose's memorandum in which he had recognised the difficulty of finding all the capital required for the railways. Mr. Ghose agreed that a great deal of capital is wanted for railway development, and that still more would be necessary if, in addition, existing companies had to be bought out. The Chairman suggested that this might be an objection to immediate purchase even if the policy were approved. Mr. Ghose, however, was of opinion that it would be wise to carry the policy into effect as soon as possible even if it involved railways temporarily going short of capital for improvement. He would propose that, if a loan of £30 million were raised, £20 million should be used for improvements and £10 million reserved for buying out the guaranteed companies.

4401. He agreed with the Chairman that that portion of his note, in which he said that he understood that each company raises its capital in England either by guaranteed debenture stock, guaranteed debenture bonds or guaranteed ordinary stock, does not quite accurately represent the existing position; the fact being that for a long time the companies have only raised money by means of debentures, and not by the issue of new ordinary stock. The Mackay Committee had recommended the latter method but it had not been carried into effect. The Chairman explained that the railway property is not definitely mortgaged and that the debentures really rest on the security of Government.

4402. Mr. Ghose was of the opinion that it would be better that railway borrowings in India should be secured on individual railways backed by a Government guarantee. He had favoured the issue of a loan carrying a share of the surplus profits in addition to fixed interest, but admitted that he was not aware of any instance in which debenture or mortgage holders were remunerated in this manner. He would be disposed to pay more for an Indian than an English loan, because an Indian loan would give the Indian people a direct interest in their railways and the interest paid would remain in India, but he admitted the advantage of obtaining a loan in England so long as it was simply a loan to Government, and carried no control over the railways. He would borrow wherever money could be obtained cheapest so long as control remained in India.

4403. The Chairman mentioned that the Agent of the East Indian Railway had recently agreed with the suggestion that an impartial tribunal might be constituted for the purpose of dealing with all disputes regarding rates and fares, the constitution being that of a Chairman who would be a lawyer experienced in railway affairs, with two railway men and two commercial men. Such a tribunal might be assisted by local assessors or co-opted members; for instance, in dealing in Calcutta with a dispute regarding jute rates, it might be assisted by a local jute and a local railway expert. Mr. Ghose agreed that a tribunal of this kind would be quite satisfactory.

4404. The Chairman drew attention to two specific instances quoted by Mr. Ghose in which the railways were alleged to have acted contrary to the public interest, one relating to discouragement, by agreement between the British Indian Steamship Navigation Company and the South Indian Railway, of the despatch of traffic by a short lead rail route combined with carriage by country boats; and the other relating to the closing at the instance of the South Indian Railway Company, of the Tirumalavasal port, which, according to Mr. Ghose, had been closed simply to enable the railway to get a long haul of the rice traffic instead of only carrying it to the port. Mr. Ghose agreed that it would be satisfactory if the tribunal just suggested were available to deal with cases of this kind. (*N.B.*—It was decided to ask the South Indian Railway to be prepared to give evidence in connection with both these cases.)

* Not reproduced.

4405. The Chairman explained that the proposed tribunal would not confine itself merely to questions of undue preference or prejudice, but would deal with any class of question in which there was a demand for an independent decision regarding railway charges. Mr. Ghose agreed that such a tribunal should be available to deal with important questions. He thought that, in regard to more trifing complaints, the Railway Board should be given power. He cited in this connection the provisions of the English Act which gave powers of adjudication to the Board of Trade, which deals with them, and submits to Parliament returns of cases of public complaints dealt with by them. The Chairman advised Mr. Ghose not to lay too much stress on this analogy. He stated that, of his own knowledge, the provisions of the English Act had not been successful. It is true that the Board of Trade used to submit an annual report to Parliament, but it furnished no details of the cases referred to it.

4406. In his written statement, Mr. Ghose had recommended the construction of roads as well as railways and thought that they might be used even for long distance when the railways are unable to carry the traffic. He agreed, however, that if there is not money enough for both, it would be preferable to spend what is available on railways.

4407. With reference to the employment of Indians, Mr. Ghose said that in the case of an Indian and a European applicant for an appointment, he would only give the post to the Indian if qualifications were equal. Otherwise, he would put in the better man on his merits irrespective of nationality. He recognised that something is being done in the Indian railway service to afford Indians opportunities of rising to higher posts. He observed that this policy had been longer in force in the State railways than on the companies' lines. Some of the latter had only recently made a start. He agreed that the change of practice in favour of Indians was good, but it had not been carried far enough. He understood that there are railway companies which have not changed their policy in this respect; but he was not prepared to cite any specific case for enquiry.

4408. The Chairman drew attention to Mr. Ghose's observations that the State railway agents have, or at least used to have, more powers than the company-worked railway agents. The Chairman said that the Committee's information was that this difference no longer existed.

4409. The Chairman referred also to Mr. Ghose's argument that standardisation would be carried further under State than under Company management. He assured Mr. Ghose that standardisation has been carried farther in America, where there are no State railways, than in other countries. Mr. Ghose, however, thought that State management ought to faciltate standardisation. The Chairman said he was not disposed to question the possibility.

Mr. Ghose's examination was adjourned until Monday, the 10 January, 1921, at 12 o'clock.

EIGHTEENTH DAY.

(Calcutta.)

Monday, 10th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. J. H. PATTINSON, Chairman, Indian Mining Association, was called and examined with reference to a statement which he had furnished to the Committee.

See Written Statement No. 24, Vol. IV., P. 110.

4410. Mr. Pattinson explained that the Association is a business body representing a number of colliery companies or managing agents, with a view of co-operating for the benefit of the coal trade and providing a representative body which could deal with Government as a whole in matters affecting the interests represented.

4411. The Association had had experience mainly of the East Indian and the Bengal Nagpur Railways, and preferred company management, because it considered that State management could not offer the same encouragement to individuality and enterprise, being largely controlled by Government traditions and regulations, with a constant fear of the Finance Department in the background.

4412. He said that the coal trade had suffered for years more or less directly owing to transport difficulties and delays, which in turn had almost always been entirely due to inadequate finance. In their opinion, part of the money required in future will have to come from London, and they thought therefore that control must remain in London. Mr. Pattinson was of opinion that this would still be the case even if money were to be raised by direct Government loans and made over to railways.

4413. The transport difficulty had been constant from about 1905, when the coal output reached 8 million tons in the year. At the present time there are about 10 million tons of exportable coal available at the coalfields per annum, and, allowing for the interim increase of transport facilities, the coal trade is handicapped about to the same degree as in 1905, but, of course, on a much larger scale.

4414. The Association does not attach great importance to the argument that directors of companies in London would be out of touch with India, but thinks that if they are wisely chosen and re-elected it should be possible to keep useful boards of directors in London. It would be necessary for them to visit India from time to time. He would agree that a man who had been out of touch with India for eight or ten years should not be on the board. The main argu-

ment for pressing for English domiciled companies is the finance argument. Mr. Pattinson admitted, in view of the information given by the Chairman that no railway share capital had been raised in London for many years, and that debentures, though nominally raised in the name of the companies, are issued at the orders of the Secretary of State and the proceeds distributed by him to any railway he wishes, it did not seem that the companies are really much in a position to help at present as regards finance. He agreed that if Government were to issue a loan in London, companies would not be of much assistance in connection with it. He thought, however, that even if the finance argument disappeared for such reasons, it would still be desirable to have companies domiciled in the United Kingdom.

4415. The Association considered that too much importance is attached to the word "control" on behalf of Government: what was wanted is less control and more enterprise. Many sound propositions had been killed in their inception because of the conviction that Government would not sanction the expenditure. The Association saw no reason why Indian railways should not be in the same position as successful commercial enterprises which have no difficulty in raising necessary capital for profitable expansions.

Mr. Pattinson thought that the interest on investments on railways would usually be less than that of industrial enterprise, but he agreed that there are classes of investors to whom railway investments would appeal. Hitherto the supply of funds for railway purposes had been hopelessly inadequate, and it was necessary to raise funds by some means.

4416. The position at the collieries was such that, owing to want of transport facilities, raisings have frequently had to be curtailed owing to accumulation of stocks. It commonly happens about March or April, at which time labour is abundant, and demands on the railways for wagons for other purposes are also heavy.

4417. Referring to a chart furnished by Mr. Pattinson, the Chairman observed that the stocks at the collieries had risen to a very large figure about the end of 1918, but had gradually been reduced since then. Mr. Pattinson estimated that in all there must have been about 5,000,000 tons in stock. Recently it was possible for the railways to remove the stock, but this was not because they were able to carry more, but because raisings of the collieries had temporarily gone down. The reason for the temporary drop was the difficulty of securing labour this year. The railways thus had the chance of clearing away the existing stocks in addition to the smaller quantity of coal raised.

4418. As regards shipment coal, Mr. Pattinson urged that a large number of open wagons (he did not mean low-sided wagons, as mentioned by oversight in the written statement) should be supplied to facilitate the introduction of mechanical loading facilities at the docks and thus to enable the wagons to be turned round quicker.

4419. Mr. Pattinson furnished the following figures of output and the distribution of it amongst principal consumers; the figures are for 1918:—

Railways	5,881,000
Bunkers	1,180,000
Admiralty and R. I. M.	1,358,000
Jute Mills	1,045,000
Cotton Mills	968,000
Iron and Brass foundries	1,307,000
Consumption at collieries and wastage	2,487,000
Port Trusts	163,000
Inland Steamers	485,000
Tea Gardens	225,000
Brick and tile manufacturers	477,000
Other consumption	5,126,000
Total	20,702,000

4420. He quoted these statistics from the Annual Report of the Indian Mining Association. At least three-quarters of the above-mentioned coal can be better carried in open wagons. If there were a sufficient supply of these for the wholesale consumers there would be no objection to the use of the covered wagons for the remainder.

4421. Mr. Pattinson said that there are many instances of collieries being fully equipped, but unable to despatch coal for want of sidings, and with no hope of getting these within the next year or so. He referred to the three instances quoted in the written statement. In the Kasta field case a siding was applied for in April, 1918. It was not sanctioned until 1920. This siding will be about 17 miles long and will serve a number of collieries; it is expected to take about a year to construct, and it is understood that some difficulty exists in getting rails moved from Delhi. Meanwhile a sum of Rs. 30,00,000 of the coal company's capital is lying idle, as development is impossible until the siding is completed.

4422. In the Rana Colliery case, Mr. Pattinson said that a siding about one mile long was asked for in 1914. The scheme has been sanctioned, but work has not yet been begun. In this case the colliery is waiting to despatch coal. The concern is not, however, a very big one.

4423. In the Chapui and Chalbalpur cases, the siding applied for in March, 1919, has not been sanctioned, and for this reason, although some coal is being carted from Chapui across a river ford, the output is restricted to a nominal figure for want of facilities.

4424. Mr. Pattinson promised that he would furnish figures showing the extent to which for want of sidings coal is being withheld from the market. Mr. Pattinson subsequently furnished the following figures to the Committee:—

Estimated output when developed in tons per month.

	By hand.	By electricity.
Kasta group	54,000	1,62,000
Rana Colliery ...	5,000	10,000
Chapui Colliery ...	5,000	11,000
Chalbalpur Colliery ...	5,000	15,000
Total ...	69,000	1,98,000

4425. Questioned with reference to the possibility of a large colliery or a group of collieries working its own sidings instead of having these provided by the main line on "assisted siding" terms, Mr. Pattinson thought that it might work, though there would be risk of friction between the railway and colliery staff. Generally speaking, however, he did not think that groups could conveniently be formed which could work their own sidings.

4426. Sir George Godfrey asked whether, if more collieries were now connected by sidings, it would not simply increase the coal in stock which could not be moved. Mr. Pattinson admitted that there would be some risk of this. Mr. Hiley suggested that the question implied that every new colliery is regarded as a nuisance by the railway serving it.

4427. Referring to the written statement that the coal industry has been handicapped by the exceptionally low price which has been paid for coal in the past, Mr. Pattinson explained that railway contracts are the best to secure, because they imply an assurance of a supply of wagons. Thus competition exists to secure them and relatively low prices are accepted. The Chairman observed that this implied that the railways get their coal on preferential rates. Mr. Pattinson admitted that, if there were an adequate supply of wagons and other facilities, the price of coal would go up, as it would enable others to compete with the railways for coal. Sir Arthur Anderson suggested that the preference applies only to one-third of the coal output as the railways consume only this fraction of the total. Mr. Pattinson said that there are others too, for example the exporters of coal, who get preference for wagons under the existing system. Shippers are usually willing to pay higher prices than railways.

4428. In answer to Sir Arthur Anderson, Mr. Pattinson said that the price for railway coal had gone up by about 12 per cent. in the current year. The cost of shipment coal has also risen in about the same ratio.

4429. There is a prospect of the collieries being able to obtain electricity within the next few years, and there is every expectation that the output of coal will be materially increased by the use of mechanical plant. In the case of Raniganj, such a plant is being introduced and will be in operation in 1923. An increase of similar facilities at Jheria is projected. Sir Rajendranath Mookerjee suggested that collieries are not pressing these developments because of restriction of the railway transport. Mr. Pattinson said that it was difficult to say whether in the present state of the money market such developments would be pressed just now in any case, even if the railway capacity was adequate. He agreed with the Chairman that practically it meant that large developments are postponed for a few years.

4430. In answer to the Chairman, Mr. Pattinson stated that the practice of stocking large quantities of coal at the collieries involves extra carriage to and from the stacking ground, representing an additional cost of some 3 or 4 annas per ton. He agreed that at the present time the coal export would still be blocked by the Kidderpore Docks, even if the railway facilities were adequate. He mentioned that the miners of the agricultural labour class, who would be set free on the introduction of machine cutters, would be employed by the smaller collieries. He anticipated that by the use of machinery the average output of coal per man underground would rise from 10¾ cwt. to 3¼ tons daily.

4431. Mr. Pattinson thought that the Mining Association's opinion that rates might be raised to cover the cost of adequate railway service would represent the general feeling of the commercial community. They were more concerned with getting their goods carried efficiently than with a relatively small savings in freight. He laid stress upon the indirect benefits to Government obtainable through the development of industries.

4432. In the circumstances described by the Association, it was clear that they could not consider the results secured by the railways satisfactory either to the State or to the public. The whole question appeared to be one of finance.

4433. In reply to Sir George Godfrey, Mr. Pattinson promised that he would furnish the Committee with figures showing the financial results anticipated through the introduction of mechanical coal cutting plant. Sir George Godfrey mentioned that, though the actual cost of raising coal might be increased as suggested, by 8 or 10 annas per ton, attention must be paid to the distribution of the standing cost of the business over a much larger output of coal.

4434. Mr. Pattinson admitted that he realised that the difficulties and delays in securing sidings and other railway equipment are attributable not only to the lack of money but also to the difficulty of securing materials. Mr. Pattinson replied to Sir Arthur Anderson that he was satisfied that his estimate of 5 million tons as being the amount of coal awaiting transport at the collieries at the beginning of 1918-19 was not an over-estimate.

4435. In answer to Mr. Hiley, he stated that the Association had discussed the question of improved wagon supplies at special meetings with the railways concerned and the Port Commissioners. The Port Commissioners prefer to receive a certain number of covered wagons as they would be available for taking traffic from the docks up-country. Recently the Port Trust has sanctioned an expenditure of about Rs. 9 lakhs for the erection of a loading plant at the docks and also for general remodelling of the docks. The Association was not satisfied and wanted more berths for loading coal. Mr. Hiley remarked that one more berth had been promised and one more Beckett loading appliance. Mr. Pattinson thought that these would help appreciably. The Association is not pressing the matter further at present, but if open wagons could be supplied, it would help greatly.

4436. In answer to Mr. Purshotamdas, Mr. Pattinson explained that the Mining Association does not represent all the mine owners. There is also the Indian Mining Federation representing some of them. The Mining Association represents the concerns with larger capital and bigger output.

4437. Whenever the colliery owners wanted any sidings, it simply addressed the railway concerned and waited till such time as they are provided. With reference to the delay in providing sidings, the Association was not concerned with the division of responsibility between the railways and Government. The Association had not addressed Government directly on the matter, although individual members might have. He was not in a position to say whether the Railway Board or the Company is responsible for the delay.

4438. In answer to Mr. Purshotamdas, who asked whether he could specify any form of control by Government other than financial control to which he took exception, Mr. Pattinson said that he was not in a position to particularise, but he had in mind the excessive time taken to get any business through Government. He said that, if the whole of the capital required for railways could be obtained in India, he would be aware of no objection to State management.

4439. Mr. Pattinson also said that the directors of boards in London would be out of touch with India, if they were absent from this country for even three years.

4440. The Chairman asked whether the Association had ever represented the position which had now been laid before the Railway Committee to the Government. Mr. Pattinson said that he did not think that this has been done by the Association as a distinct body, but that it had been done through the Chamber of Commerce with which body the Association is affiliated.

Mr. S. C. GHOSE was recalled and further examined.

See Written Statement No. 23. Vol. IV., P. 106.

4441. The Chairman referred to the rate warfare detailed in Mr. Ghose's book on Railway Rates, and asked whether this had been serious. Mr. Ghose said it had been. The last competition took place about 1905 or 1906; since then nothing very serious had occurred. He attributed this to the railways having had a trial of strength, and to the position having become stabilised as a result of competition. The Chairman remarked that the position seemed rather absurd that Government, the predominant partner, should look on while the junior partners, the East Indian Railway and G. I. P. disputed. Sir George Godfrey explained that the Railway Board intervened and that it was agreed by some of the railways that the Board should act as an arbitrator in such cases, but that this was objected to by the Great Indian Peninsula Railway Company. Finally a position of equilibrium was reached. The Chairman asked whether, if a company were to start another rate war, there was any machinery to protect other companies. Mr. Ghose said there was none. This the Chairman interpreted as meaning the Government, which exercises close control over such things as the salaries paid to station masters, cannot control such a serious matter as a rate war. They could put up the minimum charge so as to prevent competition, but there was no machinery really suitable for the purpose. It seemed clear that the powers of Government were not adequate. Mr. Ghose agreed.

4442. Mr. Hiley referred to one of the pamphlets furnished to the Committee by Mr. Ghose, and

discussed in detail a number of points arising from it. Mr. Ghose amplified his statement that State management would throw open alternative routes for traffic, whereas at present a shorter route might determine the rate but would not necessarily carry the traffic. Mr. Hiley observed that the end in view might be attained by either grouping or State management.

4443. Mr. Ghose emphasized his opinion that the railway companies were really dictators of railway policy. He did not think that a single Government Director in London was adequate to protect the interests of the Government in all the companies. He considered that local Governments should be more freely consulted, and have a more effective voice in railway matters.

4444. Asked to give an instance of the manner in which railways had endeavoured to encourage traffic to and from ports rather than internal traffic, Mr. Ghose mentioned that, when a new line is opened, special rates for the staple produce of the district are generally quoted to the ports, and similarly for return traffic from the ports. It is true that, if attention is drawn to inequalities arising as regards internal traffic, they are sometimes adjusted, but complaints in this respect are not properly dealt with in all cases. Many instances of this would be found in the chapter on Wheat, in his book on Railway Rates. Mr. Ghose promised to furnish the Committee with instances in which inequality of treatment had not been adjusted. [*P.S.* Instances were given by Mr. Ghose during his evidence on 11th January when drawing the attention of the Committee to the remarks of the Indian Industrial Commission regarding low rates to the ports.] He drew attention to the opinion of the Indian Industrial Commission that the policy of favouring traffic to and from the ports has the effect of concentrating industries at the ports since they get the advantage of low rates. Mr. Ghose explained to the Chairman that, for example, the special rate for grain to Calcutta is the same for local and for export traffic, though he was aware that this is contrary to the usual practice in other countries. In Mr. Ghose's opinion preferential rates might be removed from the goods tariff altogether without causing loss to the State. He left with Mr. Hiley a book containing certain further information relating to his argument.

4445. Mr. Ghose emphasized his opinion that the interests of Government and of railways would be much better served if all the railways were under the direct control of Government. Some instances had been given in his pamphlet. The fact that it would be in the interest of East Indian Railway traffic to improve the capacity of the Great Indian Peninsula Railway so as to enable it to haul heavy trains received from the East Indian Railway was an example how expenditure on one line could assist another.

4446. Under the existing system money might easily be wasted in one place. Mr. Ghose was not aware whether the Railway Board exercises control in such matters. He admitted that such control might possibly lead to over-centralisation, but he considered that a certain degree of centralisation was necessary.

4447. In connection with standardisation of wagons, Mr. Ghose understood that a Committee had sat and put forward proposals. Sir George Godfrey mentioned that this was the case, that a series of standard designs had been got out, but had been severely criticised by the English manufacturers, and certain experimental wagons were under construction in India.

4448. Referring to the remarks in the pamphlet by Mr. Ghose with reference to through passenger trains, he explained that he did not mean to suggest, as the passage had been read to imply, that there were no through trains. The real point was that there should be many more through trains than there were already, and he thought that it would be easy to arrange this if the railways were under one control.

4449. He had stated the case of railways working in competition spending money on facilities for the same traffic. He thought an enquiry for example into the expenses at Agra since 1904 would be illuminating. He thought it was a case in which the whole expenditure incurred was probably not justifiable, and that more economical measures would have been adopted had all the railways been administered by the State.

4450. He was of opinion that the Railway Board was not a very effective body. He mentioned the numerous duties assigned to it. It is responsible for the detailed control and management of three State railways, though numerically it consists of fewer members than the Board of Directors of a single company-managed railway. It has to exercise control over all railway expenditure and prepare the railway capital programmes. It has to settle disputes between railways, and perform many other functions. In his opinion the Board was lacking of practical experience especially in transportation and operating knowledge. It is mostly recruited from railway agents, the majority of whom were engineers and not traffic officers. He was not in a position to say how far the Railway Board watches the efficiency of traffic operations on different railways, or whether there is a systematic scrutiny of operating statistics. Mr. Ghose was judging from his own experience in the Railway Board's office. He considered that the Board's staff are completely occupied with current work and have no time to look into such matters. He however admitted that, when he was in the Railway Board, he did not come into close contact with the details of its establishment's work.

4451. He promised to furnish the Committee with concrete evidence in proof of his opinion that London Boards did not favour branch line companies of Indian domicile.

[*P.S.*—In this connection, Mr. Ghose subsequently wrote to the Chairman of the Committee referring to the fact that, in his written evidence, he had stated that the Company Boards in London raise obstacles in the way of branch lines being made by companies of Indian domicile, and that he had a discussion with the late Sir Lionel Abrahams of the India Office in 1914 when he was visiting India. At the time, railways like the Bengal Nagpur Railway, the East Indian Railway and the Bombay, Baroda and Central India Railway, were anxious to get through their schemes of auxiliary branch line companies to be financed, built and worked by the main line companies, and apparently difficulty was experienced by the Railway Board in getting the schemes of Indian branch line companies through—there were difficulties in the way of the Bankura-Damodar line at the time—with the Bengal Nagpur Railway Board. Mr. Ghose said that he was joint promoter with Messrs. McLeod and Company of all these railways—in fact that he was the first promoter, and that McLeod and Company joined him. The then President of the Railway Board did great service to the country by fighting the cause of companies of Indian domicile. In this connection, Mr. Ghose enclosed for the Committee's information copy of a demi-official letter from the President of the Railway Board, dated the 11th January, 1914, in which Mr. Ghose was advised to seek an interview with Mr. Abrahams to press the point that the main lines on the Bengal side blocked the branch line enterprise. In that letter the President made the following remark:—

> "The point to press on him is that there is lots of money to be raised in India by railway promoters, if they are not blocked by companies, in making branches to companies' lines. The money is there, but on the Bengal side most of the lines are companies' lines and so the field for branch line companies is limited."

4452. As regards the organisation of the Railway Board, Mr. Ghose thought that the President should have supreme power over his colleagues, and should be a Member of the Viceroy's Executive Council. Other members should include a transportation member, a commercial member, an engineering member and a civilian from the Finance Department. The Board should be further assisted by locomotive and carriage and wagon experts, a chief engineer, a rates expert and a stores expert. The Board should have a secretary, assistant secretaries and the necessary staff of clerks. He would recommend this organisation whether the railways are worked by the State or by companies.

4453. He recommended the establishment of a divisional board in each principal centre. Its duties would be purely advisory with respect to all railways serving that centre. For example in Bombay the Board might consist of the agents of the Great Indian Peninsula and the Bombay, Baroda and Central India Railways, the Government Inspector of Railways, and two or three members of the commercial and trading community, and a representative of each Government through whose province the railways pass. He considered that the Railway Board should, in addition to the Government Inspector, have a local representative who could watch in the interests of the public. He should only correspond with the Railway Board, and should not have powers of interference with the railway working. He might be a member of the proposed Divisional Board.

4454. Mr. Ghose did not think that the inclusion of a representative of the Local Government in the Divisional Board would alter its character. A suitable representative of the Local Government would be its Director of Industries or Development Commissioner who should generally look after the public interest of his province. In answer to Mr. Hiley, Mr. Ghose did not think that the representative of the Local Government should also represent the Railway Board; the representative of the Board should be a railway expert. The Divisional Board, in Calcutta for instance, would absorb the existing Advisory Committees of the East Indian Railway and the Eastern Bengal Railway. The scheme contemplated by him had reference to a system of State management, and was even applicable to a system of management by companies domiciled in India. It would, however, hardly be practicable to introduce it in connection with railways managed by companies domiciled in Great Britain.

Mr. Ghose's further examination was deferred until 11 a.m. on 11th January, 1921.

Mr. BISWESWAR SEN, Assistant Secretary, Bengal National Chamber of Commerce, was called and examined upon a written statement which had been furnished to the Committee.

See Written Statement No. 25, Vol. IV., P. 111.

4455. Mr. Sen explained that he was Assistant Secretary to the Bengal National Chamber of Commerce, the secretary's appointment being an honorary one. The Chamber had been founded in 1887, and represented Indian merchants and manufacturers, but not retail traders.

4456. The Chamber had expressed the opinion that a combination of State and company management of railways is desirable. In view of another recommendation by the Chamber that management should be by companies under State control, some discussion arose as to the precise view which the Chamber wished to convey. Mr. Sen explained that the feeling of the Chamber was that, in view of the tightness of the money market everywhere, it is undesirable at present to disturb the existing arrangements, but where company management exists it should be brought under proper control by a reconstituted Railway Board with representatives both of Indian and European trade, and in which there should be a strong Indian element. Under the existing contracts with different managing companies nothing further can possibly be done. When the contracts expire an arrangement for management with London boards for helping to raise Indian railway loans in England, purchasing railway stores, and securing services of experts, and local boards composed of a Government director, railway experts, and commercial representatives nominated by leading commercial associations for managing local affairs, rates, routine, etc., under proper control of the Railway Board reconstituted on the lines suggested above, would be mostly free from the defects of the existing system of State and company managements.

4457. The Chairman observed that the Railway Board exercised two different classes of functions; firstly, those involving technical railway questions, such as sanctions to the construction of new lines, involving expert decisions on questions of which commercial people, whether Indians or Europeans, would generally know nothing; the other class relating rather to matters of railway policy, especially of commercial policy. Mr. Sen explained that it was in regard to the latter class that his Chamber were particularly desirous that Indian interests and opinion should be represented on the Railway Board. In the construction of new lines the commercial interest also has its say.

4458. Mr. Sen admitted that the railways require a great deal of additional capital to be raised, but he considered it better that such capital should be raised by direct Government loans than by allowing companies to raise it. It must be, however, amongst the duties of the members of the London Board and of the suggested local boards of management to exert their influence in securing subscription to the Government railway loans. He thought that such loans might be issued both in England and in India, special steps being taken to raise as large a subscription as possible in India. He thought that those whose interests the Chamber represented would subscribe to Indian railway loans, particularly if satisfied that Indians were better represented on the controlling authority. He could not say what amount might be expected to be raised.

4459. In this connection, he observed that many holders of Government 3½ per cent. paper, the exchange valuation of which has greatly depreciated, had been greatly disturbed, as they had been in the habit of regarding Government securities as not being liable to great fluctuations in value. He thought that something might be done to restore their confidence, and thus to encourage them to subscribe to further loans, by converting the existing non-redeemable loans into securities repayable at par after, say, 50 years, and also otherwise. He suggested that Government might raise money for railway purposes by the issue of a 6 per cent. or 6½ per cent. Government loan repayable within a moderate number of years, and thought the attractions of the loan might be enhanced by allowing a bonus of ½ per cent. from railway profits. He thought also that the loan would be more freely subscribed if Indians of good position were employed more freely on the management of railways.

4460. Some discussion took place on the suggestion of the Chamber for management by a London Board supplemented by an Indian Board with executive powers. Mr. Sen was disposed to think that the Indian Board might exercise powers in such matters as the settlement of rates and fares, traffic facilities, and improvements of the lines and new construction. It was suggested to him that the London Board would be unlikely to give to a Board in India the power of control over the rates and fares upon which the financial return of the undertaking depends. Mr. Sen was disposed to think that the Government should exercise some control in this matter, and might be expected to intervene, if necessary, to protect the interests of the London shareholders and subscribers to railway loans. The Chairman suggested that it was doubtful whether people would subscribe to an Indian railway loan in Great Britain if the London Board were to surrender control over the charges leviable by the railway. Mr. Sen observed that from the fact that the industrial and commercial communities of Great Britain are very largely interested in the

export and import trade of India, particularly the latter, difficulty might not arise in raising a railway loan in Great Britain when the loan is raised by the Government.

4461. With regard to the constitution of a local board, it had been suggested in the Chamber's written statement that it should be composed of a Government Director with experts in railway management and members representing commercial and other interests, while elsewhere the possibility of there being a permanent chairman appointed by Government was adverted to: the Chairman suggested that this would mean that there should be a Government Director as Chairman of the Board, and that if he were, as it might be presumed he would be, a competent person, he would be very likely completely to dominate the Board, since, in addition to his position as Chairman, he would be an expert in railway management, which the other members of the Board would probably not be. Mr. Sen adhered to the opinion that advantage would be secured by having men of commercial experience on the Board, and thought they would exercise a voice on due occasion specially in commercial matters, in which they would be the experts, and the Government Director Chairman is not likely to be so. Mr. Sen thought that sufficient continuity on the local board would be secured through the Indian members, who would normally remain in office longer than the European members.

4462. In connection with the possibility of securing further investments for Indian railway development, the Chairman asked Mr. Sen whether there is any tendency to change in the custom of certain classes of Indians investing considerable sums of money in such things as jewellery and ornaments. Mr. Sen was doubtful whether money is largely expended in that manner in present conditions. He observed that for the consideration of raising loans the people of Bengal might be roughly divided into four classes:

(1) the landlords, called the zamindars,
(2) the leading members of the industrial and commercial community,
(3) the middle class men such as traders, professional men and service-holders, and
(4) the ryot and the labouring class.

The chief persons who might be expected to subscribe to Government loans are the upper three classes. But speaking for Bengal the zamindars, excepting a few, had not the money to invest in Government paper. Large sums are no doubt earned by the members of the second class, *i.e.*, the leading members of the industrial and commercial community, but it is they who finance the internal trade of the country—in Bengal the rice, jute and the coal trade; as most of the banks here are under European management, they generally hesitate to lend money to Indian traders whom they do not thoroughly know. Whereas the Indian private bankers being intimate with their Indian customers readily help them with loans. So, if the earnings of this class, *i.e.*, of the principal industrial and commercial men, be invested in Government securities the inland trade will be paralysed. Some advantage would be secured by extending banking facilities, and, in particular, it would be advantageous to have more local Indian banks which would be in better personal touch with the people than is possible in the case of the Presidency banks or will be likely in the case of the new Imperial Bank. Mr. Sen further stated that it is the third class, *i.e.*, the professional men, service-holders and traders, who used to invest most of their savings in 3½ per cent. Government securities. But the present serious fall in the exchange of 3½ per cent. Government securities has imperilled the security of credit. If it could be rehabilitated in the way suggested above, a considerable contribution to loans of a permanent nature might be expected from the above sources.

4463. In Mr. Sen's opinion, some advantage had been secured by the representation of the Bengal National Chamber of Commerce on the local railway advisory committees, although he could not say this had been conspicuously successful hitherto. The Eastern Bengal Railway Committee, however, had only recently been created and it was early to judge of its success.

4464. Mr. Sen was disposed to think that it would be cheaper to raise money in England than in India, though he could not put a precise figure on the difference.

4465. In answer to Mr. Purshotamdas, Mr. Sen said that his Chamber was of the opinion that Company management tends to be more economical than that of the State line and that grievances are redressed more quickly by companies than on State railways. Their experience of company railways was derived from the East Indian Railway and the Bengal-Nagpur Railway; that of State lines, from the Eastern Bengal State Railway. He promised Mr. Purshotamdas that he would furnish for the information of the Committee a memorandum giving instances in support of this opinion.

4466. Mr. Sen was in favour of the stimulation of a healthy competition between railways. By healthy competition, he meant competition which would keep charges down to a reasonably low figure, but not to such an extent as to render the railway working unprofitable. He agreed with Mr. Purshotamdas that Indian business undertakings are not controlled by boards located in London. But he maintained that, where a board does exist in London, it can usefully be utilized for such purposes as the purchase of stores, etc. He agreed that the Bengal National Chamber of Commerce changed their representatives from time to time on such bodies as the Calcutta Port Commissioners, and it had not been considered necessary to have the same person representing it from year to year as all important questions which come before the Port Trust, etc., are discussed by the Committee of the Chamber with their representatives who voice the opinion of the Committee in the Trust meetings.

4467. Mr. Purshotamdas drew attention to opinions which had been expressed by the Bengal National Chamber which appeared to suggest that they were hopeful that India would ultimately, even if not at once, be able to subscribe all the money required for railway development. Under the scheme of management approved by Mr. Sen, the management of railways would rest partly with the Local Board in India and partly with the London Boards of Directors under the control of the reconstituted Railway Board. Mr. Sen said that, if Indians had effective control of the railway policy, through Government, they might reasonably be expected to subscribe more freely for railway purposes. He agreed that railways might be successfully managed by companies with Indian Boards of Directors.

4468. The Chairman summed up Mr. Sen's observations as indicating his Chamber's view that they did not wish to adopt a system of universal State management at once but wished the existing companies to remain as long as their contracts last, under a reformed Railway Board, but that they would probably not approve of extending the contracts under the then altered conditions of the country.

4469. The Chairman asked Mr. Sen if he was in a position to speak at all for the Indian Mining Federation, as unfortunately it had been impracticable to arrange to take the oral evidence of a representative of that body. Mr. Sen explained the circumstances under which it had not been possible to fix a date earlier for the oral evidence of the gentlemen who had been selected to represent the Federation. He explained that this Federation represents the Indian section of the coal trade. They have a grievance in that they had not received equal treatment with the European section of the trade. Their principal complaint related to sidings and the distribution of wagons. Many systems of wagon distribution had been tried from time to time, but still the complaint remained that the Indian colliery owners came off second best. The agreement arrived at with Sir George Barnes in September, 1919, regarding the withdrawal of the special indent system from 1st January, 1920, was not, in practice carried out; and the settlement

arrived at in a conference on the 13th January, 1920, under the presidency of Mr. E. A. S. Bell, member of the Railway Board, for the equalization of wagons given to a colliery for purposes of Loco, Government and public utility in excess of what it is entitled to on a *pro rata* basis had been practically nullified by giving a large number of special supplies to several collieries.

4470. The Chairman said he was anxious to receive fuller details of the difficulties complained about and expressed the hope that Mr. Ghosh would furnish as soon as possible a written statement for the consideration of the Committee to enable the matter to be investigated; if possible, a time would be arranged for the Federation's representative to give oral evidence before the Committee left Calcutta, although this could not now be definitely guaranteed, owing to the pressure upon the Committee's time. Mr. Sen promised to convey the message to the Indian Mining Federation, of which he is the Secretary. (Subsequently a statement was received from and the oral evidence recorded of a representative of the Indian Mining Federation—see proceedings of the 13th January, 1921.)

NINETEENTH DAY.

(Calcutta.)

Tuesday, 11th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. C. P. WALSH, Secretary to the Government of Bengal in the Public Works Department, was called and examined.

4471. Mr. Walsh stated that he is Secretary to the Government of Bengal in the Public Works Department, the Railway Branch of which deals with railway matters. He said he had not had experience of the position in the past when, as the Chairman explained to him, there had been at the headquarters of the Government of Bengal an official who filled the joint functions of Secretary to Government in the Railway Department, of Consulting Engineer, and also of Government Inspector of Railways; being responsible in the first capacity to the local Government and in the others to the Government of India. The Chairman mentioned that shortly after the Railway Board was brought into existence in 1905 that arrangement had ceased.

4472. Mr. Walsh stated that at present the Railway Branch deals with such business arising in connection with railways as concerns the local Government. It deals, for instance, with references from the Government of India on railway matters, and it deals, in the first place, with representations from the public. As regards the latter, the practice of the local Government is ordinarily to address the Railway Administrations concerned, or in important cases to communicate with the Railway Board. Correspondence with the local railway agents is more usually demi-official than official. Mr. Walsh explained that in respect of some minor railways of a purely local character the Government of Bengal has more direct concern with the administrations. These are not, however, the kind of railways with which the Committee is specially concerned. Mr. Walsh said that the Government of Bengal had not yet been able fully to formulate their views on the question of railway administration, owing to changes consequent on the Reforms Act, but he promised that an official statement by the local Government will be furnished as soon as possible.*

4473. The Chairman said he hoped that that communication would deal with a suggestion which had been made to the Committee, namely, that, assuming railway companies' boards of directors to remain in England, there should be local boards in Calcutta, either with certain limited powers transferred to them or possibly only advisory. It had been suggested to the Committee by various witnesses that the local Government should have a representative on such advisory boards, and he would be glad to know what the view of the Government of Bengal would be in this connection. It had been suggested that possibly such an officer as the local Director of Industries might be considered an appropriate person to represent the general industrial interests of the province on the advisory board. Mr. Walsh promised that the suggestion would receive attention. Mr. Walsh stated that he did not think that it should be assumed that the Government of Bengal, under the changed conditions due to the Reforms Act, would necessarily adhere to the views previously expressed by them in regard to railway matters, and he thought that earlier expressions of opinion should be regarded as suspended pending receipt of the further communication now promised to the Committee.

4474. Mr. Walsh said that he was not in a position to say much as to how far the shortage of railway accommodation has affected the general industrial development and economic progress of the country. He said, however, that the local Government lays great stress upon the deficiency of railway transport facilities. So far as the Public Works Department, which he specially represented, was concerned, the matter affected them in relation to the carriage of coal and building materials; he found that the construction of public works is greatly hindered, and that such work as they can get done is done only at excessive cost. The housing question in Calcutta is very considerably affected in the same way. Calcutta is greatly overcrowded at present, and very high rents prevail.

4475. In reply to Mr. Purshotamdas Thakurdas, Mr. Walsh explained further that the local Government deals in the Railway Branch with references from the Railway Board with reference to questions

*This statement was subsequently furnished and has been recorded as Written Statement No. 90 in Volume IV.

of railway policy and the construction of new lines. With regard to the latter they are always consulted as to the suitability of proposals from the point of view of the local Government and also with reference to such matters as interference with waterways, heights of bridges over navigable channels, alignment, level crossings and the like.

4476. As regards complaints, Mr. Walsh was inclined to think that more are received regarding the Eastern Bengal Railway than with reference to the East Indian and Bengal-Nagpur lines. He thought, however, that this might be explained by the fact that the former railway has a greater mileage running through the suburban area of Calcutta. Naturally, the residents in and near the capital are more vocal than those living up-country.

4477. In answer to Sir George Godfrey, Mr. Walsh stated it was the case that, when discussing the details of a proposed new railway, an engineer representing the local Government goes through the plans and discusses on the spot questions of interest to them, together with an officer of the railway concerned. Even after a railway is constructed the local Government has the right, within a limited period, to ask for alterations of certain kinds. Mr. Walsh added that, so far, however, as relates to the ordinary working of railways after opening, the local Government has no specific powers of control.

Mr. S. C. GHOSE was recalled and further examined.

4478. Mr. Hiley referred to certain statements recorded in Mr. Ghose's "Monograph on Indian Railway Rates." He drew attention to observations appearing on pages 282 and 289 of the book, to the effect that the moneys which have been available from time to time for railway expenditure have not always been wisely spent. For example, expenditure had been incurred on additional wagons at a time when facilities for moving the existing stock were not adequate. In this connection reference was made to a table appearing on page 280 of the work quoted, from which it appeared that between the year 1907 and the year 1914-15 there had been a falling off respectively of 21 and 10 per cent. in the average number of miles run daily by each goods vehicle and by each locomotive on two of the more important North Indian Railways, while there had been an increase in the total number of wagons and engines supplied to them respectively of 62 and 39 per cent.

4479. Again, on page 281 of the same book figures were quoted for some of the principal railways which showed that the average through speed of goods trains was much less in the later as compared with the earlier year.

4480. On page 285 of the same book the following statement was produced:—

Names.	Average carrying capacity.		Average load per wagon.	
	1900.	1912.	1900.	1912.
	Tons.	Tons.	Tons.	Tons.
East Indian Railway	14·5	16·3	7·12	8·5
Bengal-Nagpur Railway	13·96	15·39	6·14	7·81
Oudh and Rohilkhand Railway	11·1	14·6	4·77	7·84
North-Western Railway	12·9	18·48	5·94	6·96
Great Indian Peninsula Railway	13·66	16·29	5·38	8·14
Bombay, Baroda and Central India Railway ...	12·2	17·94	4·98	7·30

From this, Mr. Ghose pointed out, it would be seen that whereas there were large increases in carrying capacity hauled the improvement in wagon loads, except on the Oudh and Rohilkhand and the Great Indian Peninsula Railways, was not at all marked, and in all cases was far below the carrying capacity.

4481. Mr. Ghose had noted the fact that wagons were placed on the railways before proper facilities were provided for moving them, notwithstanding that in the Administration Report for 1907 the Government of India had themselves observed that further expenditure on facilities were indispensable before more wagons could be placed on the lines. Referring specially to the North-Western Railway, Mr. Ghose drew attention to the figures appearing on page 528 of his book showing a 45 per cent. reduction in efficiency in the number of miles run by a wagon per day as between 1907 and 1914-15. He considered that these figures established his argument.

4482. He stated that the statistics collected by him had been taken from the Railway Board's Administration Report, and that he had them checked in the Statistical Branch of the Railway Board's office in order to ensure their accuracy. Mr. Hiley asked whether the manner in which Mr. Ghose had put to practical use the figures in the Railway Administration Report was a new idea of his. Mr. Ghose replied that he had adopted the form from an article that appeared in the journal "Railways." He did not know its author. He was not in a position to say what use is made by the Railway Board at its headquarters of the railway operating statistics, nor was he aware whether the figures were compiled in any special manner in that office to enable useful comparisons to be made.

4483. In a pamphlet which Mr. Ghose had placed at the disposal of the Committee attention was drawn by him to the opinion of the Indian Industrial Commission—

> "That one of the reasons for the heavy empty running of wagons from the ports is the policy of the railways to encourage wholesale exports of produce in their raw state, and that the preferential rates given in the case of port traffic has also been one of the causes of the concentration of the local industries at the ports instead of being distributed in the country, thereby depriving the producing centres not only of the profits of milling seeds into oil, or of wheat into flour, but all this has the effect of denuding the producing district of its cattle food in the way of bran, oil cakes (which is also a great manure)."

4484. In this connection he placed before the Committee a number of specific examples, and drew attention to the particulars given of some of these cases on pages 452-453 of the Monograph on Railway Rates. Mr. Ghose emphasised that what he wished to point out was that the same facilities are not granted—for example, to Cawnpore—as are allowed for traffic to Calcutta in the way of low rates. The whole idea of the railways was to encourage traffic to the ports. Mr. Ghose mentioned that the Government of the United Provinces had had occasion to complain bitterly of the difficulties experienced by the local industries at Cawnpore, railways having done their best to take away from Cawnpore and the neighbourhood raw materials (hides) which the local industries badly required.

4485. The Chairman observed that the density of the traffic on the North-Western Railway is only about

quarter of that of the East Indian Railway, though the former is in possession of the same number of trucks per mile as the latter, and asked Mr. Ghose whether he would consider it more important in the public interests to supply sufficient wagons to move the Karachi wheat traffic, which is heavy at only one period of the year, or to supply sufficient wagons to move the ordinary every day traffic which requires to be moved all the year round. Mr. Ghose expressed the opinion that the latter was clearly the more important, and that in the former case there would be considerable waste owing to stock lying idle for long periods.

4486. Mr. Tuke agreed with Mr. Ghose that Indian Railway debenture stock is raised on the guarantee of the Secretary of State, but understood that the railway property is not mortgaged, as had been suggested by Mr. Ghose in his written statement. Mr. Ghose said that he had already admitted to the President that he was mistaken in believing that the railway property was mortgaged; the only point he wished to make was that the companies could only raise money on the security of the Secretary of State.

4487. Mr. Purshotamdas Thakurdas drew attention to paragraph 12 of Mr. Ghose's written statement, in which he suggested that, in addition to the interest on debenture stock, a small share of the surplus profits might also be offered, and suggested that this might result in an unnecessary increase of the interest paid to subscribers. He asked whether Mr. Ghose did not think it would be better to pay the full market rate at the time the debenture issue became necessary, and not to hold out a prospect of any further addition. Mr. Ghose on reconsideration agreed that this would be preferable.

4488. Mr. Purshotamdas referred to the mention in Mr. Ghose's statement of a case in which a port in Southern India was closed at the instance of the South Indian Railway Company in order to enable the company to carry rice traffic over a longer distance by rail. In this connection he asked whether Mr. Ghose had any particulars of the case of the stoppage of traffic by the Bombay, Baroda and Central India Railway to Broach port. Mr. Ghose mentioned that he had given some particulars of this case in his book on rates (pages 187 to 190).

4489. With reference to larger employment of Indians on railways, Mr. Ghose, in answer to Mr. Purshotamdas, stated that the practice of employing Indians in the superior posts was initiated many years ago on the State-worked railways. Company-worked railways followed only lately. He believed that this policy was being pursued by the East Indian Railway, Bengal-Nagpur Railway, and, to a smaller extent, by the Great Indian Peninsula Railway. Mr. Purshotamdas enquired whether it was not the case that this policy, so far as adopted at all, was adopted rather by those railways of which the Government owns the greater part of the capital than on private lines such as the Bengal and North-Western Railway. Mr. Ghose was not in a position to give statistics, but believed this to be the case. He said that the Bengal and North-Western Railway had taken only one Indian officer in the traffic branch and another in the audit department recently; Sir Henry Burt confirmed this statement.

4490. In connection with the imposition of block rates, Mr. Ghose referred to a number of cases mentioned on pages 210 to 214 of his monograph. With regard to the question of quoting favourable rates to and from the ports, he said that it was his experience that when new lines were opened such rates were generally quoted for important articles of commerce, such as grains, seeds and cotton to the ports, and such as sugar, piece-goods, etc., from them. It was only later on that special rates for traffic to intermediate stations and rates in the interests of local industries were quoted. He did not think that the latter cases were given the same degree of consideration as the port rates, which were generally much lower. Mr. Purshotamdas thereupon asked whether, in the experience of Mr. Ghose, those interested in any industry had represented without securing redress the inequalities in the rates charged to the port and those charged on its own up-country traffic. Mr. Ghose referred to the case of the hides industry of Cawnpore. He said that in his notes on the Industries of the United Provinces, written in 1908, Mr. A. C. Chatterjee, now Member of the Board of Industries, brought out the fact that the local industries of the United Provinces had suffered considerably through the export of hides and skins, and that there had been a notable decrease in the export of dressed skins. The enormous rise in the export of raw hides was confirmed by Mr. Chatterjee's observation "that local industry has no longer any share even in the preliminary process of dressing the goods exported." Mr. Ghose could not say whether, in the case cited, those interested at Cawnpore did or did not ultimately succeed in securing the rates they wanted.

4491. Mr. Purshotamdas said that the opinion had been expressed that it was not so much competition as combination between the various railway companies that was injurious to India, and asked Mr. Ghose for his views on this point. Mr. Ghose said that it was difficult to define how far competition is healthy and how far harmful. He referred to his discussion of the matter at length in the Chapter on Competition and Combination in his monograph, to the views expressed in which he still adhered.

4492. Mr. Ghose was of opinion that the machinery provided by the Railways Act for dealing with complaints from the commercial community is not suitable. He agreed with the view recorded in Mr. Robertson's report of 1903, that it was both too cumbrous and costly. Mr. Ghose had had practical experience of complaints against rates both during his service on the East Indian Railway and for a considerable period afterwards when he endeavoured to assist the public in representing their cases for redress to the railway administrations. His experience was that merchants were generally unable to represent their cases in such a form as to facilitate their consideration. He had found that when cases were properly represented they were usually dealt with fairly. Ordinarily there was not much trouble in dealing with claims such as applications for refund of overcharges, but questions involving more technical considerations frequently gave trouble in settling.

4493. Mr. Ghose was not in a position to say how far the local Advisory Committees in Calcutta have really been useful to the public, as he had no personal knowledge or information on the point.

4494. Sir Arthur Anderson observed that from the operation statistics quoted by Mr. Ghose for the North-Western Railway, it appeared that the average mileage per wagon had fallen from 53 miles per diem in 1907 to 29 miles in 1914-15, but that if later figures were examined it would be seen that there had again been an improvement, the figure for 1918 being 38. Mr. Ghose admitted that this might be so; he had not gone into the later figures. Mr. Hiley remarked that 1918 was a year in which there was heavy military traffic over long leads owing to war, and the results would naturally have been better for this reason.

4495. The Chairman, referring to the employment of Indians on the railways, quoted the following figures which he had extracted from the Administration Report:—

	At end of year.		
	1917–18.	1918–19.	per cent.
Europeans	6,802	6,706	— 1·4
Anglo Indians ...	10,239	10,456	+12·1
Indians	636,967	668,803	+ 4·9

and asked whether Mr. Ghose did not consider the increase in the number of Indian employés as satis-

factory. Mr. Ghose said that what he had in mind was the number of Indians employed in the higher grades of the railway service, and not the total number of employés both in the higher and in the subordinate grades.

4496. Sir Arthur Anderson observed that although Mr. Ghose was an advocate of State management, the figures which he had placed before the Committee seemed generally to indicate that companies' performance was better in respect of operation. Mr. Ghose replied that his reasons for State management were different. He thought that with more supervising machinery and a bigger staff the Railway Board could more efficiently control the State lines and ensure as good results in their operations as the companies can show. He added that the results of all the companies are not equally satisfactory, and referred to the remarks on page 531 of his monograph on Indian Railway Rates, citing the case of the B. B. and C. I. Ry. The Chairman asked to what cause those differences in the results of the different companies were due. Mr. Ghose replied that they are contributed to by the differing conditions of the areas served by the different lines; as regards circumstances over which personal control might be exercised, he thought that to a great extent it depends on the agent, and to a smaller extent upon the Board of Directions.

4497. In reply to the Chairman, Mr. Ghose said that while he desires that the railways should be managed by the State, he realised that there were some lines, for example, the B. and N. W., S. I., M. and S. M., and B. B. and C. I. Railways, the contracts for the working of which have still a very long currency, and that Government possesses no power to terminate these. In these cases he agreed that the contracts should be allowed to expire in the ordinary course, but he considered that the railways should then be brought under State management. In answer to Sir George Godfrey, Mr. Ghose defended the observations made in his written statement regarding the advantage that would have been secured if Government had adopted a different policy as regards the construction of roads. He said that if there had been more roads available during the war the railways would have been relieved of at least a fraction of their congestion. Sir George Godfrey put before Mr. Ghose the fact that money for road construction came from the same pocket as that for railways, and asked how, in consideration of this, it could seriously be advanced that parallel roads should be constructed. Mr. Ghose, however, maintained his view that the policy of Government in the past had been unwise.

4498. Sir George Godfrey then asked Mr. Ghose how, consistently with his criticism of long leads and full wagon loads to and from ports, he could treat these as essential factors in economy of working and compare the results of working of different railway administrations. Mr. Ghose replied that he certainly disapproved of railways owned by the public being worked solely with a view to securing long leads and full wagon loads, if this action militated against local requirements and indigenous industrial development, though in the case of privately-owned railways such an action might be justified from the purely commercial point of view. He felt, however, that he was quite justified in comparing the results of working the railways on the basis accepted by the administrations themselves, since they did not adopt the view which commended itself to him, *i.e.*, if the railways were not encouraging long-distance traffic to the ports in order to help local industries, Mr. Ghose would not have been justified in his remarks and criticisms, but as the railways were encouraging much traffic, he felt his remarks were justified.

4499. Sir George Godfrey suggested that sometimes at least combination between different railway administrations might be beneficial to the public. Mr. Ghose considered that it might have some advantage by preventing the cutting down of rates of railways which are all public property.

4500. In answer to an enquiry of Sir George Godfrey regarding through rates, Mr. Ghose said that he was not concerned with the proportion that each railway should or would get; in his opinion through rates should be cheaper, not because the railways could be expected to give up some of their earnings voluntarily, but because lower rates would increase the movement of traffic over longer leads and thus enhance the railway's earnings.

4501. In answer to Mr. Hiley, Mr. Ghose explained that he had only referred to the report of the Indian Industrial Commission to bring out the point made in it that the effect of quoting specially low rates to the ports was that industries were unduly confined to the ports instead of being better distributed all over the country.

4502. Sir Henry Burt enquired whether he would raise the rate with the specific object of restricting exports. Mr. Ghose replied that he would not do so in ordinary cases, but that he certainly would to prevent the export of materials, for example, hides, which are now being sent out of India, although they are essentially required for local industries.

4503. In reply to Sir Henry Burt, Mr. Ghose admitted that in fact it was the State lines which had started competitive rates, and that they were, or at least had in the past been, as much to blame as companies' railways in such things as the cutting down of rates.

4504. Finally, in reply to Sir Henry Burt, Mr. Ghose said that the views he had expressed in his book and pamphlets were based not on very recent experience of railway working, but upon earlier experience, his last railway post being that of general manager of five guaranteed light railways in Bengal, which he relinquished in January, 1917, and an exhaustive examination made during 1917-18 of the statistics and records which were available in the Railway Board's office.

Postscript.—Mr. Ghose subsequently sent the following note to the Committee:—

In connection with the remarks of the Indian Industrial Commission Report quoted on page 13 of my phamplet dated the 8th June, 1919, for example, please see page 453, Rate for Hides.

Cawnpore to Howrah (633 miles) rate Rs.0 3a. 0p. per wagon per mile for 360 maunds, which equals to (633 miles by Rs.0 3a. 0p. per wagon per mile—360 maunds). Rs.0 5a. 3p. per maund, absolute minimum.

Also please see the remarks of Mr. A. C. Chatterjee, I.C.S. (now member of the Board of Industries, Government of India) on page 452, and my remarks an pages 452 and 453.

There were no such low rates for Cawnpore for 360 maunds loads (from, say, Delhi to Cawnpore), as were from Cawnpore to Calcutta or Delhi to Calcutta.

The low rate for the distance from Delhi to Cawnpore (271 miles) in force at the time was Rs.0 6a. 4p. per maund (for 100 maund lots), page 456, against Rs.0 5a. 3p. for 633 miles from Cawnpore to Calcutta Port as stated above.

What I want to point out is that same facilities were not granted to Cawnpore, at the same time, as were allowed to the Calcutta Port, in the way of low rates for 360 maund lots. The whole idea was to encourage traffic to the ports. Reasons for the low rates for the hides to the port will be found on page 455, which will also prove that at the time that the local Government authorities of the U.P. were bitterly complaining of the difficulties of the local industries of Cawnpore the railways were doing all they could to take away to the port (from Cawnpore and the neighbourhood) the raw materials which the local industries badly required.

Mr. A. W. BAXTER, representing the Narayanganj Chamber of Commerce, was called and examined.

See Written Statement No. 26, Vol. IV., P. 113.

4505. Mr. Baxter said that he had been asked to appear before the Committee to represent the Narayanganj Chamber of Commerce. He placed before the Committee a letter in which he stated that the point which he had been specially asked to press is the scarcity of wagons for conveying coal from the Bengal coal-fields for the use of the different jute-baling firms. This scarcity had been so acute throughout the year 1920 that there had been a fear of business being stopped or interfered with during the past busy season; and it was apprehended that there would be great difficulty in getting sufficient coal for the coming season. He pointed out that the jute crop of 1920, according to the final Government forecast, is likely to be a short one of six million bales as against a normal crop of over ten million bales and that even so it was expected that railway facilities would be insufficient.

4506. In reply to the Chairman, Mr. Baxter explained that coal is not taken direct to the jute districts from the Bengal coal-fields by rail, but is railed to Calcutta and sent thence by water. It was the shortage of coal wagons to bring coal to Calcutta, of which the Chamber desired to complain.

4507. Mr. Baxter explained that the best time to lay in coal is in the first half of the year when flats are available to take the coal from Calcutta to the districts, before the heavy jute season commences. During the second half of the year, jute traffic is at its maximum. From early February, 1920, the difficulty had been acute. On the 23rd April, 1920, a colliery proprietor wrote to the Chamber advising them that unless sanction could be obtained to raise the classification of this coal from "X" class to the "Super X" class in the order of priority, there was no chance of obtaining wagons for the coal.

4508. In connection with this matter, Mr. Baxter read to the Committee certan papers which had been furnished to him by the Chamber of Commerce to indicate the discrepancy between the actual coal wagon supply and that which had been admitted as necessary. The papers, however, did not give complete information in a form useful to the Committee, and Mr. Baxter was accordingly asked if he would endeavour to obtain and supply a separate note to the Committee in the form of a concise statement showing the demands for wagons, the actual sanctioned supply, and the extent to which the sanctions had been realised in practice, with the respective dates.

4509. Apart from the question of wagons for coal supply, Mr. Baxter also mentioned that there was great scarcity of wagons for despatching jute to Calcutta from up-country on the Eastern Bengal Railway, and sometimes on the Assam-Bengal Railway, on the section running to Chandpur. There was a shortage in Northern Bengal of wagons on the Eastern-Bengal Railway.

4510. The Chairman asked Mr. Baxter what action the Chamber took in the unsatisfactory state of affairs disclosed. In reply, Mr. Baxter read the following letter which had been despatched to the Government of India in the Department of Commerce and Industry on the 24th December, 1920:—

> "I have the honour to refer to letter No. 3465-1920, dated 15th December, 1920, from the Secretary, Bengal Chamber of Commerce, to you, regarding the coal situation.
>
> "The prevailing shortage of wagons available for the purpose of bringing coal from the coal-fields to Calcutta, there to be shipped to the jute baling districts in the mufassal, has already caused very great inconvenience to many jute baling concerns, and even put some in serious danger of having to close down during the past busy season for want of coal. And, under present conditions, there appears to be no prospect of improvement in the situation for several years to come.
>
> "My Committee fully concur in the opinion expressed by the Bengal Chamber that the only remedy is to improve the railways until they are capable of handling the trade of the country. They therefore desire most strongly to urge upon Government, the imperative necessity of immediate steps being taken towards that end, if a situation perilous to the jute baling industry and among many others, is to be avoided within the coming year."

So far as Mr. Baxter was aware, no reply had yet been received.

4511. The Chairman asked whether Mr. Baxter thought that those representing the jute industry, whose business had been so profitable during recent years, would be disposed to invest in loans for railway purposes. Mr. Baxter thought that, if a reasonable rate of interest were promised, there should be a good response to the invitation to subscribe. He thought that it would be regarded to some extent as a matter of public obligation to make such a loan a success, especially on the part of those who had already done well in the jute industry and who desired to promote its expansion. He did not, however, think that a great deal of money could be expected from up-country, where the interests represented are very small compared with those centering in Calcutta.

4512. Sir Henry Burt asked what the views of the Chamber of Commerce would be with reference to the suggestion that the Dacca section of the Eastern Bengal Railway might be transferred to, and amalgamated with, the Assam-Bengal Railway system. Mr. Baxter did not think that the Chamber had very strong views on the question, but they were inclined to think it might facilitate working if the lines were under a single control.

4513. So far as relates to the relations of the Chamber with the State and company worked railways, there was little to choose. The Chamber had found that prompt attention was given to complaints addressed to both railway administrations.

Postscript.—MR. Baxter subsequently sent the following letter to the Committee:—

Letter dated 14th January, 1921.

"The Railway Committee asked me on Tuesday last if the Narayanganj Chamber could supply any "figures relating to the coal supplies to the jute districts for jute season 1920.

"I have now received a note, which I give below, of the only details that the Chamber can give. It has "not received details from many of the jute districts and from several firms who had arranged their supplies "through their head offices in Calcutta. The best time to receive supplies, as I explained, is in the off-season "(jute) January-July when there is plenty of flat space available to take the coal up-country from Calcutta— "besides which the receiving firms' jetties and ghats are more or less empty—the opposite would be the case "from July to December.

Memorandum.

Coal booked prior to April 1920.	Wagons sanctioned January–July.	Wagons received January–July.		Coal received.
Tons.				Tons.
6,500	261	96	=	2,000

"The total annual quantity required for up-country baling is roughly 30/40,000 tons and the bulk should "be supplied between January and July of each year. Several firms had fair stocks carried over from 1919, "which accounts partly for the small indents last year, and difficulty of securing supplies had not previously "been experienced."

12 *January* 1921.] S. M. MARSHALL, A. W. DODS, C.I.E., G. H. FAIRHURST, E. BURY and H. P. MARTIN.

TWENTIETH DAY.

(Calcutta.)

Wednesday, 12th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The following representatives of the principal firms engaged in the metallurgical industries of India were called and examined:—

S. M. MARSHALL, Esq., B.Sc. (Tata Iron and Steel Company).
A. W. DODS, Esq., C.I.E., and G. H. FAIRHURST, Esq. (Indian Iron and Steel Company, Limited).
E. BURY, Esq. (Eastern Iron Company, Limited).
H. P. MARTIN, Esq. (Bengal Iron Company, Limited).

4514. Mr. Marshall acted as spokesman, and presented to the Committee a memorandum regarding the relation of the Indian metallurgical industries to the Indian railway traffic problem. This memorandum was read and discussed item by item. It was found to furnish so complete a presentment of the case for improving the equipment of the railway serving the area in which the metallurgical industries are centred that the Committee decided to adopt it together with some explanatory notes as the record of the course of discussion. The memorandum (as subsequently slightly amended and revised by Mr. Marshall) is accordingly reproduced below *in extenso*, the notes by the Committee embodying the results of the discussions on particular points.

4515. Before proceeding to discuss the memorandum, Mr. Marshall explained that the figures incorporated in his statement included nothing on account of developments at Manharpur in which Messrs. Bird and Co. are interested. He had understood that that firm would be separately represented on the present occasion and would furnish separate statistics. No communication was, however, received by the Committee from Messrs. Bird and Co.

4516. The works of the Indian Iron and Steel Company are situated at Burnpore, in the neighbourhood of Asansol, and those of the Eastern Iron Company at Chandil; those of the Tata Iron and Steel Company are at Tatanagar; and those of the Bengal Iron Company at Kulti.

BRIEF ON THE TRAFFIC OF INDIAN METALLURGICAL INDUSTRIES.

1. *General.*—The figures which are presented here are intended to show the large increase in the traffic of raw materials and finished products, which is expected to develop during the next five years for the metallurgical industries on the Bengal-Nagpur and East Indian Railways.

Paragraph 1—*Note by Committee.*—It was explained in discussion that the present statement ignores altogether the question of coal despatches on the East Indian Railway except in so far as they relate to the requirements of coal by the metallurgical industries. Mr. Marshall explained that the whole point of the memorandum was to indicate the extent to which development of the metallurgical industries may reasonably be expected to increase during the next five years *provided* it is not hampered by the lack of adequate railway facilities. This development, he stated, could not possibly take place in the existing state of the railway system or unless railway facilities are developed very substantially.

2. *Existing Companies.*—At the present time there are only three industries of this kind in operation, the Bengal Iron Company at Kulti on the East Indian Railway, the Tata Iron and Steel Company, Limited, at Tatanagar on the Bengal-Nagpur Railway and the Cape Copper Company at Rakha Mines on the Bengal-Nagpur Railway.

Paragraph 2—*Note by Committee.*—It was explained that the production of the Cape Copper Company is small as compared with that of the other companies named in this paragraph.

3. *New Iron and Steel Companies.*—There are three large new plants under construction or under serious contemplation in addition to the existing ones. These are the Indian Iron and Steel Company, near Asansol, the Eastern Iron Company, whose plant will probably be located near Chandil on the Bengal-Nagpur Railway line from Sini to Adra, and a third company, whose plant will probably be at Manharpur on the Bengal-Nagpur Railway. In addition to these, the three existing plants have extensions under way or under contemplation.

Paragraph 3—*Note by Committee.*—The Chairman drew attention to the difference between the consideration demanded by a project under construction and one only under contemplation. It was explained by Mr. Bury that, though the projects with which he was associated were not actually at present under construction, there was every expectation that by the year 1925, they will be producing 1,700 tons of steel per diem. So far as was necessary at present, finance is practically assured. There is no visible reason except the lack of railway facilities why the expectation indicated should not be attained. He thought that it should be assumed that the Eastern Iron Company would be producing about half a million tons per annum by 1925 or 1926.

4. The proposed company at Manharpur is not included, for no data concerning its operations could be secured.

Paragraph 4—*Note by Committee.*—Mr. Marshall explained that in the case of the proposed company at Manharpur, he was in possession of no detailed information regarding its prospects. He stated that there is no doubt that the production of the Tata Iron and Steel Company would be doubled within two years' time, and that of the Bengal Iron Company would probably be doubled within about three years.

5. *Location of raw material.*—The iron ore and coal come from the same districts for all the iron and steel companies. The two main coalfields are located east and west of the Bengal-Nagpur Railway line to Asansol, and any coal which is used for companies south of Asansol must pass over portions of the Bengal-Nagpur Railway line. The iron ores are located in Manbhum, Singhbhum,

Keonjhar and Bonai States, and lie immediately south of the Bengal-Nagpur Railway main line for a distance of about 100 miles from Tatanagar to beyond Manharpur. All of the ore used is shipped over the Bengal-Nagpur Railway line, and practically the entire movement is on this road alone. The flux for the companies largely comes from points on the Bengal-Nagpur Railway west of Manharpur, although a small quantity is secured on the East Indian Railway near the Sone river.

6. The miscellaneous supplies come principally from Calcutta and from the brick plants on the East Indian Railway close to Asansol.

7. *Subsidiary Industries.*—In addition to the large steel companies, there are a number of similar industries which are locating near the works of the Tata Iron and Steel Company, Limited, at Tatanagar. At the present time, eight of these subsidiaries are proceeding with their construction and several additional ones are under immediate contemplation. Only these companies which are actually building or are now completing their plans have been considered in the tonnage.

Paragraph 7—*Note by Committee.*—Mr. Marshall explained that a considerable part of the total tonnage requiring transport would be contributed by the eight subsidiary industries referred to in this paragraph, of which he regarded the establishment of four as a certainty within the coming twelve months.

8. *Railway conditions.*—Practically all the railway system used for transporting raw materials to the works of the various companies is single track. The Bengal-Nagpur Railway has a double track from Calcutta to Khargpur, but only a few thousand tons of general supplies pass over this section of the line for the different companies. A fair proportion of the finished product from the companies will, however, go this way. There is severe congestion now on the line north from Sini to Adra and a comparatively large tonnage passes over this division. The industries on the Bengal-Nagpur Railway are frequently in serious difficulty because of the inability of the railway company to deliver coal. During the good coal mining season wagon supply is usually so inadequate that the full supply cannot be shipped.

Paragraph 8—*Note by Committee.*—Mr. Marshall explained that from the point of view of the metallurgical industries, the good seasons are those between the cultivating seasons and harvests, that is, from January to June and in October. He explained that the labour supply during these seasons depends to some extent on the character of the preceding harvest. If it has been a good harvest and money is plentiful, the labourers do not return so readily to work at the mines. Mr. Marshall stated that in his experience a plentiful supply of coal and of wagons to carry it never occurred simultaneously. During the past year, it had been possible to carry on without restricting the output of the works mainly because the supply of coal from the collieries was supplemented by a large stock at the works. The stock had now been greatly reduced, and it is feared that it may be necessary to slow down a portion of the plant at the Tata works during the current year because of inadequate supplies of coal. Some difficulty had been experienced on account of short supply of gas coal, but this was due rather to insufficient raisings at the collieries than to a failure on the part of the railways to provide transport. Mr. Duncan of the Traffic Department of the Bengal-Nagpur Railway, who was present during the discussions, was referred to with regard to the congestion of the Bengal-Nagpur Railway between Howrah and Khargpur He explained that it was frequently congested owing to the length of the section and the heavy local and suburban train traffic. The Railway Administration have in hand a scheme for improving matters.

9. *Method of estimating traffic.*—The method used in determining the traffic is as follows:—A careful estimate was made of the amount of all raw materials and stores required for the operation of each plant and of the finished products. The total ton mileage for each raw material the stores and the finished products was found. The tonnage for each division of the railway was determined from the raw material locations and the markets for finished products and the total ton mileage figured for each class of material and each company.

10. The method for allowing for return empties is discussed later when the detailed figures for increased equipment are determined.

Paragraph 10—*Note by Committee.*—The point was emphasised that in estimating the railway facilities necessary, allowance must be made for empty running as well as loaded running. It would be misleading, therefore, to base an estimate of requirements on freight ton mileage alone.

11. *Tonnage from existing plants.*—It is estimated that the total raw materials and finished products of the present companies and the ton mileage are as follows:—

Annual tonnage	... ...	2,251,700
Annual ton mileage	... ...	352,176,000

The details of these figures are given in Appendix A.

Paragraph 11—*Note by Committee.*—It was noted that the figure of 2,251,700 tons mentioned above is the tonnage of the existing Bengal iron, Tata iron and steel, and Cape Copper companies, annually. The Chairman observed that the figures suggested that the average lead is very high being about 160 miles. Mr. Marshall explained that this high average was contributed by the great distances to which the finished products of the companies are despatched, towards Madras, Bombay and north-west India.

12. *Tonnage from new plants and enlargement of present plants.*—The tonnages and ton mileages for the enlarged present companies and the new companies are as follows:—

Annual tonnage	... ...	15,179,100
Annual ton mileage	... ...	2,200,210,000

The details of these figures are shown in Appendix B.

13. *Comparison of traffic.*—From the two preceding paragraphs it will be seen that the traffic volumes compare as follows:—

		Total tonnage.	Total ton mileage.
Present	...	2,251,700	352,176,000
Future	...	15,179,100	2,200,210,000
Increase	...	12,927,400	1,848,034,000

Paragraph 13—*Note by Committee.*—The Chairman observed that the increase forecasted above is nearly seven times as great as the figures quoted in the preceding paragraph. He suggested that, if such an estimate were placed before the Finance Department, they would naturally be somewhat sceptical as to the chance of so large a development taking place within a few years and he asked Mr. Marshall whether he would be prepared to stand by it having regard to the general experience that large schemes of development do not always entirely fulfil expectations. Mr. Marshall said that of the 15 million tons mentioned, 8 million tons are practically assured by construction already being carried out with funds that have been provided, while finance has been arranged for a large part of the 7 million balance He would be disposed to make some allowance for uncertainties, but he thought he would be quite safe in standing by the estimate at least to the extent of 11 or even 12 million tons.

14. This neglects entirely the natural large increase in incidental traffic which will be brought about by the increase in direct traffic. This incidental traffic will include supplies for communities, such as food-stuffs, cloth, furniture; fuel and supplies for railway operation and main-

tenance; fuel and supplies for the operation and maintenance of mines; quarries and collieries; passenger traffic and that for the small industries which will unquestionably grow up along with the larger ones due to the increased supply of semi-finished materials suitable for further manufacture.

Paragraph 14.—*Note by Committee.*—The Chairman observed that where, as in this case, there are some 57,000 people employed, this in itself must represent a large and, probably, increasing traffic. Mr. Marshall admitted this but said that it was found impossible to make a more reliable estimate. He had allowed for an increase of 15 per cent. in miscellaneous traffic and thought that this was as near an estimate as could be made.

15. It is impossible to estimate the total volume of this incidental traffic, but in all probability it will be certainly not less than five per cent. of the main traffic and probably will be much greater. In the map* which accompanies this statement it has been assumed that this incidental traffic over each division is increased by 15 per cent. The present incidental traffic figure has been obtained by deducting from the present total traffic all of the metallurgical traffic and considering that the balance is incidental. This is not strictly correct because some of the traffic consists of the coal supply for the Bombay district, but it seems reasonable to assume that the large growth of the metallurgical industries in Chota Nagpur will be accompanied by increased requirements for other materials in other parts of the country.

16. *Railway equipment required.*—The average operating results for the Bengal-Nagpur Railway during the six months ending 31st March, 1920, have been used for determining the increased number of wagons, locomotives and trains required to handle the larger traffic. These operating data are corrected to some extent by the officials of the Bengal-Nagpur Railway so as to apply particularly to the metallurgical traffic and are as follows:—

Items (*a*), (*b*) (*c*) are Railway Company estimates for metallurgical traffic only.

Items (*d*) to (*l*) inclusive are average of six months' operation on the Bengal-Nagpur Railway.

(*a*) Average mileage per wagon per day	35	
(*b*) Average mileage per train per day	130	
(*c*) Average freight locomotive mileage per day	65	
(*d*) Empty wagons hauled to total wagons hauled	33·7	per cent.
(*e*) Loaded wagons hauled to total wagons hauled ...	66·3	,,
(*f*) Wagons per train (excluding brakes)	39·2	,,
(*g*) Freight carried upon rated capacity hauled	53·8	,,
(*h*) Average load of goods vehicle including loaded and empty vehicles	9·90	tons.
(*i*) Average load of loaded vehicles	14·94	,,
(*j*) Ratio $\frac{f}{I}$ actual loading per unit rated capacity ...	81·3	per cent.
(*k*) Ratio $\frac{h}{J}$ average rated vehicle capacity	18·38	tons.
(*l*) Average dead weight per vehicle	10·48	,,

Paragraph 16.—*Note by Committee.*—Discussion elicited the fact that the correction of the figures mentioned in this paragraph relates specially to items (*a*), (*b*) and (*c*) which refer to the mineral traffic on the Bengal-Nagpur Railway, including both loaded and empty running. The fact that an average train running 130 miles a day implies the use of two locomotives was noted. The Chairman also laid stress upon the fact brought out by the figures under head (*g*) that wagons of practically 100 tons capacity must be hauled to move 54 tons of freight.

17. Practically 75 per cent. of the total future ton mileage is on the Bengal-Nagpur Railway system between Nagpur, Waltair, Calcutta and the Asansol district.

Paragraph 17.—*Note by Committee.*—The Chairman observed that the argument was that practically 75 per cent. of the total anticipated ton mileage of the year in question would be on the Bengal-Nagpur Railway system between the places named, this assumption being made because there was no reason to imagine that the ratio of distribution of the traffic would be altered.

18. The operating officials of the Bengal-Nagpur Railway state that for mineral traffic, the standard train weighs 900 tons gross and consists of approximately 30 to 33 wagons, each having a gross weight, including wagon and load of about 30 tons. The net freight load is about 18 tons. In this estimate bogie wagons are counted as two and their gross weight considered as about 60 tons.

19. The ruling grade on practically all divisions is one per cent. On a few branch lines, such as that to Gorumaishani from Tatanagar and to Jamda from Amda the maximum grade against load is two-thirds per cent. The maximum train load is therefore practically the same on all divisions. While heavier trains may be hauled on the two branch lines mentioned they cannot be handled without division on the main lines radiating from Sini. It has been assumed, therefore, that the maximum train load is that which can be handled with the present locomotives against one per cent. grade. This is 900 tons gross.

20. From the operating statistics above the following factors are deducted:—

(1) Average mileage per wagon per year	12,750
(2) Average loading for metallurgical traffic, tons ...	17
(3) Average ton miles per loaded wagon per year at 17 tons per wagon	216,800
(4) Average mileage per train per year	47,400
(5) Average ton miles per loaded train per year at 17 tons per wagon	24,200,000
(6) Average loaded ton miles per wagon per year, allowing for empty movement (3)×66·3 per cent.	143,800
(7) Average ton miles per train per year, allowing for empty movement (5)×66·3 per cent.	16,000,000

21. From these figures an approximation can be made of the new equipment which the railways must provide. This is principally determined by the ton mileage. The average loading for all wagons on the Bengal-Nagpur Railway during the six months ending 31st March, 1920, is 14·94 tons. It is assumed that for the metallurgical traffic this will increase to 17 tons upon a carrying capacity of 18 tons. This represents a loading percentage of 94·5 per cent. as compared to 81·3 per cent., the average for the entire railway.

Paragraph 21—*Note by Committee.*—Mr. Marshall urged that his estimate really is conservative, having regard to the basis here explained upon which it was made; he thought, for example, it was a generous estimate to assume an average loading of 17 tons as against the normal figure of 14·94. This ought to be achieved, but he did not feel very confident that it would be maintained as an average, year in, year out.

22. The total increase in net freight movement is in round figures 1,850,000,000 ton miles. This

* Not reproduced here.

is exclusive of the dead weight of the train and does not include any empty return movement. This figure should be compared with the broad gauge movement on the Bengal-Nagpur Railway during the half-year ending 31st March, 1920, which was 1,044,000,000 ton miles. The dead weight corresponding to this was 1,139,000,000 ton miles; upon this same ratio the additional gross traffic, including dead load, becomes 3,870,000,000 ton miles. This assumes that the empty traffic for the metallurgical industries will bear the same proportion to the total traffic as at present. A comparison of the loaded and empty wagon movements for the ore, coal and flux, which together represents the bulk of the tonnage, shows that this ratio will be substantially the same. The difference, if any, increases the percentage of empty wagons, and consequently the amount of new rolling stock required. It is assumed, however, that there will be some compensating advantages which do not appear at the present time, and that on the average the ratio between empty and loaded movements will remain as at present.

23. Upon these assumptions, the additional equipment becomes as follows:—

(i) Additional four-wheeled wagons required $\frac{1,850,000,000}{143,800} = 12,860.$

(ii) Alternate to (i), additional 40-ton bogie wagons required $\frac{12,860}{2} = 6,430.$

(iii) Additional trains per day, including loaded and empty wagons $\frac{1,850,000,000}{16,000,000} = 116.$

(iv) Number of additional locomotives $116 \times 2 = 232.$

As 75 per cent. of the increased ton mileage is over the Bengal-Nagpur Railway, about three-fourths of this equipment will be needed for this railway. The minimum requirements, therefore, are as follows:—

	Bengal-Nagpur Railway.	Other Railways.
Wagon (four-wheeled) ...	9,645	3,715
Locomotives	174	58

Well over 90 per cent. of the raw material (mineral) traffic is on the Bengal-Nagpur Railway, and the wagons required by the railway should be almost entirely of types particularly suited to this service, such as bogies, hoppers for coal, ore and flux.

24. The other types of wagons needed are long bogies for rails and structural materials, and for general service low-side flat wagons both with and without drop bottoms.

Paragraph 24—*Note by Committee.*—The Chairman observed that the arguments had now produced some vital figures, namely, that an addition to the existing rolling stock of all the railways serving the industries is necessary, of about 13,000 four-wheeled vehicles or half that number of bogie wagons and of 232 engines, to meet the anticipated developments of traffic during the next five years. An allowance of 75 per cent. might perhaps be made in view of the circumstances noted above with reference to paragraph 13. Mr. Marshall said that he understood that the present wagon stock of the Bengal-Nagpur Railway is about 17,000; some 75 per cent. of the increase now recommended would have to be made on this system.

25. *Additional track facilities.*—Neglecting the minor connections, loops, etc., there are three divisions on the Bengal-Nagpur Railway which are particularly affected by the increased movement. These are from Sini to Anara, Sini to Manharpur, and Sini to Tatanagar. On the last division the greatest congestion occurs between Sini and Amda, as from Amda a branch line goes to the Jamda ore fields, from which the principal supplies of iron ore are secured.

26. The Bengal-Nagpur Railway has estimated the capacity of the several divisions, and in the following table this capacity in trains per day is compared to the expected traffic:—

Division.	Estimated capacity. Trains.	Expected traffic. Trains.
Sini to Anara	22	52
Sini to Tatanagar ...	14	30
Sini to Amda	22	50

27. In estimating the future number of trains daily for each division, it is assumed that the number of trains each way will be equal to the maximum requirements one way. In other words, it is assumed that trains which are loaded one way return intact either loaded or empty the other way. Coal wagons coming down from Anara to Sini may take ore back to Asansol, but if there be no return tonnage of this kind, they must return empty. In estimating the total traffic over each division, it has been assumed therefore that the number of empty wagons moving one way is equal to the difference between the loaded traffic in the two directions. No allowance has been made for empty wagons moving in the direction of maximum load. These undoubtedly will be present and for this reason the estimated train movement is on the low side rather than the reverse.

Paragraph 27—*Note by Committee.*—The Chairman suggested that a capacity of 28 trains (including the six passenger trains run daily on the line Sini-Anara), or 14 each way daily could hardly be regarded as a high standard. Mr. Duncan, of the B. N. Railway, explained that the reason why the capacity of the lines in question is low, is that there are very heavy gradients in some parts. These, he stated in answer to Mr. Hiley, could not be eliminated.

The Chairman drew attention to the apparent discrepancy between the suggestion here that 52 trains daily might be expected to carry the anticipated traffic as against 22 at present, that is an increase of only about 150 per cent., as compared with the indication in paragraph 13 that the actual tonnage to be moved would increase at least fivefold. Mr. Marshall said that he was satisfied that the train requirements had not been under-estimated, and the matter was not further pursued.

28. In estimating the future movement over each division it has been assumed that the miscellaneous traffic exclusive of the metallurgical traffic increases by 15 per cent. during the next five years. This assumption is based upon data from the Bengal-Nagpur Railway officials. This increase is so small and the total haul so uncertain that it has been neglected in figuring the additional wagons and locomotives required.

29. All these figures neglect passenger traffic. The increase of this is extremely difficult to estimate. It will be not less than 15 per cent. above the present traffic and in all probability will grow much faster. As on a single track line, passenger service seriously interferes with freight service this small increase has a disproportionate effect on the capacity of the line.

30. To meet the necessities, the Bengal-Nagpur Railway must be double tracked as follows:—

	Miles.
Bhojudih to Kargali	9
Anara to Kandra	59
Sini to Manharpur	60
Gomharria to Kharkai Bridge	5
Total ...	133

Paragraph 30—*Note by Committee.*—Agreeing that a *prima facie* case had been made out to justify the doubling of 133 miles as proposed, the Chairman remarked that he observed from the map that there still remained some short sections of single line between the doubled portions, in the triangular area between Kandra, Gomharria and Sini. It appeared to him a pity to leave small sections of single line interposed between double line sections. Mr. Duncan agreed that it would really be preferable and would

save a good deal of difficulty in operation if the short lines in question were also doubled.

31. In addition to increased track facilities, rolling stock and motive power five junctions must be enlarged. These are Bhojudih, Kargali, Damudar, Anara and Tatanagar.

32. The improvement of the Bhojudih, Kargali and Anara yards is required for coal traffic, much of which originates close to the first two stations.

33. The Damudar yard must be enlarged to serve the Indian Iron and Steel Company.

34. Tatanagar requires the largest extensions. This yard serves the Tata Iron and Steel Company and the Subsidiaries which are being built adjacent to the Steel Works. At the present time, the total wagon movement through the yard is 520 wagons per day, including empty and loaded wagons both inbound and outbound, but excluding through traffic. The extensions of the Steel Company and the Subsidiaries together will increase this wagon movement to 1,260 per day. Of this number 18 wagons daily represents the movement from Tatanagar to the railway yard and thence directly to the Subsidiaries or the reverse, while (54) represents movement directly between the railway and Subsidiaries.

35. In all cases the loading has been assumed at 17 tons. During 1919 the Tata Iron and Steel Company averaged 19 tons load per outbound wagons. In this average bogie wagons are counted twice. The average bogie loading was 41 tons.

36. *Investment—Labour—Annual pay roll.*—The approximate investment, labour and pay roll of the existing companies are as follows:—

Investment.	Labour employed.	Annual pay roll.
Crores.		Crores.
10	47,500	2

37. The approximate investment, labour and pay roll of the companies in 1926 are as follows:—

Investment.	Labour employed.	Annual pay roll.
Crores.	Men.	Crores.
44·4	125,000	6

38. *Rate at which increased facilities will be required.*—The preceding figures show the difference between the present railway requirements and those which it is expected will be required at the end of five years or by January, 1926. The increases include the requirements of the Eastern Steel Company whose plans are only being considered at the present time, and no construction for which has been started. The ton mileage of this company is 45 per cent. of the whole in 1926. In the case of the Indian Iron and Steel Company, which is not yet operating, it is assumed that the output in 1926 will be twice that of the plant now under construction.

39. The requirement of the Tata Iron and Steel Company and the Subsidiaries located at Jamshedpore must be met by the beginning of 1923. Those required for the increased output of the Bengal Iron Company and of the Indian Iron and Steel Company must be met in 1920.

40. The traffic during the next five years can be assumed to be approximately as follows:—

—	Traffic in ton miles.	Increased four-wheeled wagons required.	Increased locomotives required.
1921	350,000,000	None.	None.
1922	500,000,000	1,040	19
1923	800,000,000	3,120	56
1924	1,000,000,000	4,520	82
1925	1,500,000,000	8,000	145
1926	2,200,000,000	12,860	322

Of this equipment 75 per cent. will be used on the Bengal-Nagpur Railway.

41. *Present Shortage of Railway Facilities.*—The shortage of railway facilities frequently seriously handicaps the present metallurgical industries. Without a more intimate knowledge of the railway conditions, it is impossible to state definitely what factors are most important in this connection.

42. Speaking for the Tata Iron and Steel Company, the three things which are most vital are the shortage of wagons for coal and of long bogie wagons for the shipment of rails and other structural materials and difficulties with coal transport.

Paragraph 42—*Note by Committee.*—Mr. Marshall and his colleagues laid particular stress upon the point made in this paragraph regarding the shortage of wagons both for coal and materials. The shortage extended both to wagons and to facilities for moving them. Mr. Marshall mentioned that they had frequently been inconvenienced by materials lying in Calcutta which could not be moved. In a particular case cited by him the difficulty had been aggravated by labour troubles at the docks. In this connection he agreed with the Committee that embarrassment was likely to be caused at Kidderpore docks in connection with the import of materials as well as through deficiency of railway transport facilities and he promised to furnish the Committee with a supplementary note* on this subject. The difficulty to which he had referred had been constant for the past 18 months in respect of the imports through the Calcutta docks. The Company did not export large quantities of goods and they had not therefore been affected in regard to outward traffic.

43. The Steel Company requires an average of 120 wagons of coal daily for all departments. During the year 1920 the average number of coal wagons received daily was 94. The maximum daily average received in any one month was 116. The shortage during a portion of the year was due to insufficient raisings, but for probably one-half the year there were sufficient raisings to meet the indents, but the wagon supply was inadequate. The Steel Company has been compelled to curtail its production and to draw heavily upon its reserve stocks of coal.

44. There is a frequent lack of long bogies and at times stocks of finished rails up to 50,000 tons accumulate because these cannot be secured.

45. The lines of the Bengal-Nagpur Railway in the vicinity of Adra are inadequate to handle the tonnage of coal which must pass this point. This is particularly true of the line between Bhojudih and Kargali, which it is proposed to double track. The maximum capacity for handling coal in this vicinity is said to be 650 wagons daily; this is insufficient to meet the present requirements of the railway.

46. It is probable that the Steel Company has lost from 3 per cent. to 5 per cent. production during the year 1920 because of the shortage of wagons and of congestion on the railway, and this percentage will be increased greatly when the new extensions are put into operation and the coal requirements raised.

Paragraph 46—*Note by Committee.*—The Chairman observed that presumably the loss of from 3 to 5 per cent. production mentioned here did not represent a corresponding monetary loss to the Company. Assuming however that the actual pecuniary loss only amounted to 1½ or 2½ per cent. he agreed with Mr. Marshall that the sum involved would still be very large and the position demanded serious notice.

47. The yard at Tatanagar is too small for the present movement and causes frequent delays in the traffic of the Steel Company. No further increase in tonnage to this point is possible without material improvement.

48. The most urgent improvements which

* This was subsequently embodied in Mr. Marshall's memorandum and now constitutes paragraphs 50 to 56 of it as amended and reproduced below.

should be taken in hand when funds become available are:—

(1) Improvement of the yards and track system in the vicinity of Adra.

(2) An increased supply of wagons and locomotives.

(3) (For the Tata Iron and Steel Company and Subsidiaries.) The enlargement of Tatanagar yard.

49. The first two should be simultaneous, but probably the improvement of the track facilities is slightly more important because even now at times this is a greater factor in curtailing service than the lack of rolling stock.

Port of Calcutta.

50. At the present time large quantities of machinery and supplies are being imported into India and it is the experience of the Tata Iron and Steel Company that the facilities at Calcutta are totally inadequate to handle the tonnage now passing through the port. The berths at the docks and jetties are insufficient, handling equipment such as cranes are too small and the storage and warehouse spaces too limited.

51. Unloading at the jetties is done by hydraulic cranes of about 2½ tons' capacity, and when larger pieces must be handled this must be done either at Mullick's Ghat or at the Kidderpore docks. At the first place, the pieces must be loaded overside by the ship's tackle into a lighter and warped to Mullick's Ghat where a single overhead gantry crane, not very modern, of 30 tons' capacity serves a storage space of approximately 10,000 square feet. This space is constantly crowded and much valuable machinery is stored in the mud outside the jetty line. The machinery in this position is partially under water at high tide. Heavier lifts can only be made at one point at the Kidderpore docks where there is a 100-ton tripod.

52. As much of the machinery for the newer industries and the railways weighs more than 2½ tons, there is a great deal of unnecessary movement and rehandling required. In some cases vessels must be berthed three times before unloading completely if the loading is such that the heavy lift comes when the vessel is partially unloaded. The distance from the middle of the jetties to Mullick's Ghat is about half a mile up the river, while the heavy lift crane is nearly three miles down stream and inside the dock gates.

53. The congestion of the port is so great that at times vessels are compelled to moor in the river for several weeks before securing a berth.

54. Except for Shalimar, the terminus of the Bengal-Nagpur Railway, the unloading points are all on the Calcutta side of the river. There is a thirty-ton crane here, but as the river at this point is so badly silted that lighters can be placed under the crane only during a few hours at high tide, it is of little service. In addition, it is required almost exclusively for the railroad company's service at the present time. The Bengal-Nagpur Railway has a car ferry from garden reach below Kidderpore to Shalimar. The car ferry can take only a limited number of the long bogie wagons which are generally necessary for handling large or heavy pieces.

55. All of the docks and jetties on the Calcutta side are served by the Port Commissioners' Railway. Frequently as many as 30 or 40 of the Commissioners' wagons are kept standing under load for days at a time because of the lack of wagons for despatch or storage space on the jetties.

56. Little improvement has been made to the Port facilities since the beginning of the war. The traffic is much greater than at any time in its history and will probably continue at the present rate indefinitely. Some of the new industries are counting upon export markets, but unless the port be materially improved, the benefit which they expect to derive from improved railway facilities will be nullified by congestion in Calcutta.

57. *Jeopardy to further industrial growth.*—The prospect of development by commercial concerns is extremely dark unless the railway situation be immediately improved. The railway extensions which are discussed in this brief will not all be required at once, but unless plans are adopted now and the work proceeds with all speed practically none of the new developments can be undertaken.

Paragraph 57.—*Note by Committee.*—The Chairman asked whether the firms concerned are not in a difficult position in inviting subscription of capital for commercial concerns, however promising, if the prospects of securing adequate transport are as gloomy as indicated in this statement. It appeared to him that, if existing railway facilities are inadequate, as represented, to deal properly even with the existing traffic, it could not merely be a question of developing industries more slowly than might otherwise be done. It would appear unwise to undertake responsibility for developing them at all unless there was some hope of securing the necessary railway services. Mr. Bury thought that they were justified in hoping for at least some improvement upon the railway system.

58. The three existing iron and steel companies have a total investment of Rs. 10 crores and employ 47,500 men. Their annual pay-roll is Rs. 2 crores. The two operating plants at their present sizes are handicapped by lack of railway service, and it is impossible for any large extension to be made by either of them with any assurance that the railway service will be sufficient to permit them to operate at an economical capacity.

59. The Indian Iron and Steel Company's plant will be ready for operation in twelve months and the extensions of the Tata Iron and Steel Company will start progressively within the next two years. The railroad requirements necessary to serve the Indian Iron and Steel Company and the enlarged Tata Iron and Steel Company will more than double the present metallurgical service.

60. The Railway Companies have been kept familiar with the plans of the Industrial Companies from their inception and have had the traffic data for at least two years. Some additions are being made such as the extension to the Gorumaishani Ore line and the new Amda Jamda Ore line, but the main lines have had little attention and, except for a few additional passing stations, no large improvements. The additions to rolling-stock and motive power have hardly kept pace with the normal growth of traffic.

61. Including the Subsidiaries at Tatanagar, twelve companies are expending large sums of money on new plants or extensions to old ones and have done so upon an expressed or implied agreement with the railways that service would be given when required. Unless this agreement be kept, those companies will be in a critical position. The expenditure of these companies now sanctioned is over twenty crores.

Paragraph 61.—*Note by Committee.*—The Chairman mentioned in this connection the case of the plate mill which is being installed at the Tata Works. He asked Mr. Marshall to indicate the position of that development. Mr. Marshall explained that the company had received every encouragement from Government in embarking upon the plate mill extensions at a heavy cost during the latter years of the war. Orders were placed in America and special priority was secured through the influence of the Indian Government notwithstanding that there had been some delay in obtaining all the assistance they required. The plate mill would soon be at work and it appeared doubtful whether Government now expects

to take up as large a quantity of plates as they had promised to do, though the promise of absorbing a certain amount of the output had been a main consideration which weighed with the company in inducing them to incur the expenditure. So far at least Government had not placed orders for the full quantity which they had contracted to take for the coming year.

62. With such large investments representing so much to the industrial life of the country, these companies have an indisputable prior claim upon the railways for service and must be given consideration before extensions into new territory or for new enterprises are sanctioned.

63. *Sources of information for this brief.*—The data used have been supplied by the individual companies in practically all cases and have been used as given. The Bengal-Nagpur Railway officials have concurred in the translation of traffic into equipment and the traffic unit figures have been supplied by them.

64. The Companies concerned are:—

Company.	Location.	Railway.	Products.
Bengal Iron Company.	Kulti ...	East Indian Railway.	Pig iron.
Cape Copper Company.	Rakha Mines	Bengal-Nagpur Railway.	Copper.
*Eastern Iron and Steel Company.	Chandil ...	Do.	Pig iron and steel.
Indian Iron and Steel Company.	Burnpur	Do.	Pig iron.
Tata Iron and Steel Company.	Tatanagar	Do.	Pig iron and steel.
Indian Zinc Company.	Do.	Do.	Spelter and sulphuric acid.
Calcutta Monifeith Works.	Do.	Do.	Jute mill machinery.
Indian Steel Wire Products.	Do.	Do.	Wire and pressed metal products.
Truscon Steel Company.	Do.	Do.	Concrete reinforcing material.
Enamelled Ironware Limited.	Do.	Do.	Enamelled hollow ware.
Indian Enfield Cable Company.	Do.	Do.	Electric cables.
Tinplate Company (of India).	Do.	Do.	Tin plate.
Agricultural Implements Company.	Do.	Do.	Hand agricultural tools.

* This Company has not definitely selected its site and its plans are still somewhat undetermined.

65. Other subsidiary companies are under active consideration now, several of which will require much traffic.

66. A new steel company is projected for Manharpur, but no data could be obtained regarding its requirements. It is understood that this is to be a large industry and that its traffic will be heavy.

67. Submitted on behalf of the Metallurgical Industries.

S. M. MARSHALL,
Consulting Engineer,
The Tata Iron and Steel Company, Limited.

4517. Sir Henry Ledgard suggested that it would be a very valuable addition to Mr. Marshall's note if a statement could be added giving an indication of the cost of the improvements which were necessary on the railways, if the statement of requirements as brought out were accepted. Sir George Godfrey said that this appeared to him rather a matter for the railway administrations. He stated he had now, in draft, a comprehensive report on the whole subject, and hoped shortly to be able to furnish to the Committee a memorandum giving the full information desired by Sir Henry Ledgard. Mr. Marshall also promised that he would endeavour to make a very rough summary of the cost of the requirements indicated in his statement. He would not of course be responsible for the accuracy of the estimate which should be checked by the railway administrations.

4518. Sir George Godfrey observed that his only criticism on the case as presented by Mr. Marshall and his colleagues was that it might be natural to accept with some reserve the estimates of rapid developments on so large a scale as had been indicated; Mr. Marshall agreed that Sir George's attitude was not an unreasonable one, but he emphasized that, as pointed out in the committee's note to paragraph 12 of the statement, he had made a reasonable allowance for this. Sir George Godfrey thought that perhaps Mr. Marshall was still a little too optimistic as regards developments to be realized by 1926. He agreed, however, that the estimate was good enough for working purposes, particularly since, as the Chairman pointed out, railway facilities should be somewhat in advance of demands upon them.

4519. Sir George Godfrey said that it appeared to him to be a hopeless position for the Government of India in one department to endeavour as they are now doing to encourage the development of Indian industries with Indian capital, if they are at the same time to continue as in the past to withhold the supply on a reasonable scale of funds imperatively necessary to enable the trade of the country to be carried.

APPENDIX A.

PRESENT FREIGHT MOVEMENT.

Figures in tons and ton miles per annum.

Bengal Iron Company.

Material.	Tons.	Ton miles.
Coal	100,000	5,000,000
Ore	150,000	24,750,000
Flux	80,000	44,000,000
Brick, etc.	1,500	30,000
Miscellaneous	2,000	300,000
Products	100,000	15,000,000
Total	433,500	89,080,000

The Tata Iron and Steel Company, Limited.

Material.	Tons.	Ton miles.
Coal	815,800	84,150,000
Ore	467,700	23,401,500
Flux	216,800	34,826,600
Brick, etc.	25,600	4,093,900
Miscellaneous	45,400	8,030,200
Products	189,400	102,813,900
Total	1,760,700	257,316,100

Cape Copper Company.

Material.	Tons.	Ton miles.
Coal and coke	30,000	3,000,000
Iron ore and timber ...	20,000	1,700,000
Miscellaneous	5,000	720,000
Products	2,500	360,000
Total	57,500	5,780,000

APPENDIX B.

FUTURE FREIGHT MOVEMENT—1926.

Figures in tons and ton miles per annum.

Bengal Iron Company.

Material.	Tons.	Ton miles.
Coal	200,000	10,000,000
Ore	300,000	49,500,000
Flux	180,000	92,000,000
Brick, etc.	3,000	60,000
Miscellaneous	4,000	600,000
Products	200,000	30,000,000
Total	887,000	182,160,000

APPENDIX B (*Contd.*).

FUTURE FREIGHT MOVEMENT—1926.

Figures in tons and ton miles per annum.

Eastern Iron Company.

Material.	Tons.	Ton miles.
Coal	3,075,000	262,000,000
Ore	2,009,000	222,400,000
Flux	871,000	184,000,000
Brick, etc.	75,000	7,000,000
Miscellaneous	212,000	39,500,000
Products	1,130,000	272,300,000
Total ...	7,372,000	987,200,000

Indian Iron and Steel Company.

	Tons	Ton miles.
Coal	892,000	40,000,000
Ore	740,000	140,000,000
Flux	184,000	40,000,000
Brick, etc.	7,000	70,000
Miscellaneous	5,000	660,000
Products	450,000	96,000,000
Total ...	2,278,000	316,730,000

Tata Iron and Steel Company, Limited.

	Tons.	Ton miles.
Coal	1,750,000	177,100,000
Ore	1,140,000	100,800,000
Flux	520,000	82,525,000
Brick, etc.	52,250	7,590,000
Miscellaneous	75,670	15,216,800
Products	599,800	268,433,400
Total ...	4,137,720	651,665,200

Cape Copper Company.

Material.	Tons.	Ton miles.
Coal and coke	60,000	6,000,000
Iron ore and timber ...	40,000	3,400,000
Miscellaneous	10,000	1,440,000
Products	5,000	720,000
Total ...	115,000	11,560,000

SUMMARY OF TONNAGES.

PRESENT.

Industry.	Tons.	Ton miles.
Tata	1,760,700	257,316,000
Bengal	433,500	89,080,000
Cape Copper	57,500	5,780,000
Total ...	2,251,700	352,176,000

FUTURE (1926).

Tata	4,137,700	651,665,000
Bengal	887,000	182,160,000
Indian	2,278,000	316,730,000
Eastern	7,372,000	987,200,000
Cape Copper	115,000	11,560,000
Subsidiaries	389,400	50,895,000
Total ...	15,179,100	2,200,210,000
	2,251,700	352,176,000
	12,927,400	1,848,034,000

Postscript.—The foregoing evidence was referred to Sir G. Godfrey, as Agent of the B.N. Railway, who furnished the Committee in reply with particulars generally bearing out Mr. Marshall's conclusions. It appeared from the particulars supplied by Sir G. Godfrey that the B.N. Railway's programme provides for completing the extra facilities in four years, and that the extra locomotives and wagons already under supply out of the existing grants, taken with the numbers included in the four-year programme would practically be equal to Mr. Marshall's estimate.

TWENTY-FIRST DAY.

(Calcutta.)

Thursday, 13th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. K. CHAUDHURY, M.L.C., representing the East Indian Railway Passengers' Association, was called and examined.

See Written Statement No. 27, Vol. IV., P. 114.

4520. Mr. Chaudhury read a note which he had prepared, and which had been accepted at a meeting of his association as representing their views. He explained that the association which he represented has a membership of about 2,000, mostly suburban railway passengers. There were over 15,000 suburban passengers served by the East Indian Railway alone. Subscriptions to the Association are voluntary. Originally it was fixed at four annas per month, but some of the members pay more. Others have been admitted to the Association without making payment. Probably about 500 would have paid subscriptions of four annas and upwards. The Association has very small expenses.

4521. He mentioned in his statement that third-class passengers comprised about 75 per cent. of the total suburban passengers, which was based on a rough calculation. The Chairman asked whether, assuming for the moment that it was true that no more passenger trains could be provided, Mr. Chaudhury would prefer that overcrowding should be allowed to continue, or that the railways should refuse to issue tickets. Mr. Chaudhury said that he would not wish tickets to be refused, but the important thing was that every possible effort should be made to ensure that the passenger trains are really adequate, having regard to the demands made for accommodation.

4522. As an instance of lavish expenditure on new projects, he mentioned the Howrah-Burdwan chord. The Chairman suggested, however, that that chord relieves the existing line by enabling some of the goods traffic to be diverted, and thus makes it easier to run more passenger trains. Mr. Chaudhury thought the new line did not relieve congestion on the main line so far as local passengers are concerned. Mr. Chaudhury did not claim that his association were better judges as to the most efficient way of spending such moneys as are available, but they had to protect the interests of the passengers and to urge

the necessity for ensuring that proper accommodation is provided for them. He suggested that the railway is actuated by greater anxiety to develop new projects and to supply facilities for merchandise such as coal. In his opinion, the railway companies should first satisfy their oldest customers, that is, the travelling public.

4523. He suggested some of the grievances and difficulties experienced especially by third-class monthly ticket holders; for example, the prices of monthly tickets sold to third-class passengers in Serampore are calculated on the basis of 20 days' single fare, whereas for the second class they are charged only for 15 days' single fare. The public are greatly inconvenienced for want of more booking offices in Howrah Station. There is, generally, a rush of passengers for tickets, and frequently passengers are given wrong tickets or the wrong change. They are illiterate and likely to be deceived, especially when adequate time and facilities are not provided. He complained that, in some cases, women booking clerks do not pay proper attention to those requiring tickets. He thought that there should be a greater extension on companies' lines of the arrangements which were working satisfactorily at Sealdah on the Eastern Bengal Railway. There are three passenger superintendents, ex-soldiers, who devote themselves to helping the travelling public and whose services are very much appreciated.

4524. The Chairman mentioned that another witness had said that the public do not care to refer to an ex-soldier whose manners are apt to be unpleasant to them. Mr. Chaudhury stated that, in his opinion, there was nothing whatever in this, and that the experience at Sealdah has been most satisfactory. He laid stress, further, on the insanitary condition of the lavatories on the third-class carriages, and the defective arrangements for water supply, especially at wayside stations. They required more money for expenditure for additional passenger stock.

4525. The Chairman said that the East Indian Railway Company's evidence was to the effect that more passenger trains could not be moved and that what was required was additional facilities, such as doubling and relief lines. Mr. Chaudhury said that the public had constantly been assured, in connection with new lines, that they would relieve congestion, *e.g.*, the Burdwan Chord, but they found congestion as bad as ever.

4526. He urged that, if the defects complained of are due to the failure of the Government of India to supply adequate funds, then pressure must be brought to bear upon the Government of India.

4527. He considered that an improvement might be hoped for through the abolition of the second and intermediate classes in long distance trains on the railways. This would lead to upper class passengers travelling more in the third class; they would then appreciate the difficulties and requirements of the lower class passengers, and this would lead to a general improvement.

4528. Mr. Chaudhury referred to the existence of racial prejudice in connection with the mechanical training of Indians at the Jamalpore Railway workshops, where young Indians who are anxious for training, and who wish to enter as apprentices, are not allowed to join under the same conditions as Anglo-Indians and Europeans; whereas in Kanchrapara, on the Eastern Bengal Railway, apprentices are taken irrespective of caste or creed. He was of opinion that admission of Indians in Jamalpore is very difficult. In this connection, Sir Rajendra Nath Mookerjee said that he had been the Chairman of a committee appointed by the Government of Bengal in connection with the training of mechanical engineers, and he was in a position to say that Mr. Chaudhury's information was not correct. He explained that the Committee appointed under his Chairmanship decided to take Indians and Europeans on the same footing. The only difference was that the Europeans had separate quarters to live in, which the Indians had not. That scheme had not yet been carried out for want of financial sanction. Mr. Chaudhury said that Sir Rajendra Nath's remark applied to the Eastern Bengal Railway workshop, and not to the East Indian Railway shop at Jamalpur, which is exactly his contention.

4529. Mr. Chaudhury referred to the better treatment of workshop employees on the Eastern Bengal than on the East Indian and Bengal-Nagpur Railways as an added argument in favour of State management. He admitted that there might be a tendency towards inefficiency on the part of some State railway officers, but considered that this would disappear if the State administration is subjected to more popular criticism and control.

4530. In answer to Mr. Sastri, Mr. Chaudhury stated that he was employed by a European firm; he had travelled widely throughout India. With regard to refreshment facilities for travellers, he stated that the arrangements for first and second classes were satisfactory, but the third class passengers do not get proper attention in this, as in other matters. The remedy for this would lie in the abolition of the intermediate classes which would lead to a general improvement. He referred to an experiment which had been tried, he believed, with success on the Bengal Nagpur Railway, in which arrangements were made for sweatmeat vendors to travel on the passenger trains. They supplied suitable food at reasonable cost, and the arrangements had, he believed, been much appreciated. Mr. Chaudhury recommended the introduction of a similar arrangement on all long distance trains.

4531. Sir Henry Burt mentioned that on the Bombay, Baroda and Central India Railway, the intermediate class had been abolished, but that this step had not met with popular approval. Mr. Chaudhury said that, on the other hand, in the case of Messrs. Martin & Co.'s light railways in Howrah district, the second class has been done away with without causing dissatisfaction.

Messrs. J. N. GHOSH and N. M. CHOUDHURI, representing the Indian Mining Federation, were called and examined with reference to a statement which had been furnished by the Federation.

4532. Mr. Ghosh stated that he was the owner of a colliery and a member of the Mining Federation.

4533. The Chairman drew attention to Mr. Ghosh's observation that it might be necessary in the interests of Indian trades and industries sometimes to reduce rates of freight for particular commodities even below the paying line for the purpose of ensuring development, and asked whether Mr. Ghosh thought that the public would be willing to face additional taxation for the purpose of making up loss consequent on railway working. Mr. Ghosh said that he thought they would not object to doing so. Subsequently, however, in reply to Mr. Purshotamdas, he explained that what he had in mind was not such a general reduction of rates as would cause railways to be unprofitable, but merely occasional and exceptional reductions to meet special cases. He did not think, therefore, that the question of imposing taxation on this account would arise.

4534. He was in favour of borrowing money in London if all that was required could not be obtained in India.

4535. The Chairman assured Mr. Ghosh, with reference to his opinion that Government does not exercise sufficient control over rates and fares, that any failure in this respect is not necessarily due to the absence of State management of the railways. The Chairman mentioned that, in the United States, Government exercised complete control in these matters, although all the railways there are managed by companies.

4536. Summing up the Mining Federation's complaints with regard to wagon distribution, the Chairman said he understood it to be that wagons are not divided fairly between Indian and European-owned collieries. The important contracts generally go to the large collieries which are usually in the hands of Europeans. If any such contracts necessitated the

use of full train loads the rolling stock for these is provided, but the larger colliery still shares on equal terms with others in the balance of wagons available. Mr. Ghosh in clearing his point stated that these contracts are now getting a preferential supply of wagons. Formerly they were not infrequently served by rakes, *i.e.*, 50 wagon full train loads. Further, coal for locomotives, Government, and public utility has all preferential supply of wagons. But till the end of 1919 all the coal despatched under special supply was again taken into account in fixing the *pro rata* basis of collieries for allotment of wagons. So the collieries supplying coal for the above-mentioned purposes got wagons in duplicate for the same coal, and consequently a very small number of wagons available for coal was left to be distributed amongst the rest of the collieries. Mr. Ghosh further stated that it was decided that this position should be altered, in a Conference in 1920, when it was agreed that half of the stock given in a quarter to a colliery, in excess of what it is entitled to on *pro rata* basis, should be deducted from its raisings in determining the *pro rata* basis of the colliery for the allotment of wagons in the next quarter. Mr. Ghosh did not admit that the result of the 1920 Conference was satisfactory, but they had at least understood that they were being met half-way. The arrangement had not been at all successful in practice, as the major portion of the wagons available for coal are being given very frequently month after month to one and the same collieries much in excess of what those collieries are entitled to on the *pro rata* basis, and, in the opinion of his Federation, the division of coal wagons is still unsatisfactory.

4537. The Chairman said that he understood that the priority order for supply of wagons places first shipment coal, second locomotive coal, and third public utility coal. He understood that the important contracts go usually to the British-owned collieries. Mr. Ghosh urged that there was no reason why the order for a particular steamer, for example, should not be split up and divided between different collieries. He did not agree that this would cause additional difficulty in the railway arrangements.

4538. With reference to the suggestion that the first-class coal is mostly in the hands of European firms, Mr. Ghosh urged that the classification of coal appeared to depend on whether the ownership of the colliery was European or Indian. He maintained that the same coal which, in the possession of a European firm, is treated as first-class is described as second-class if possessed by an Indian. He mentioned, for example, a colliery at Chatabar, near Mugma, which now belongs to Villier, Ltd., but formerly belonged to Kunja Behari Pal Choudhury. It had changed hands between various Indian proprietors, and so long as the property remained in Indian hands Mr. Ghosh said nobody took the coal, but it is now accepted by the Mining Engineer as Admiralty coal.

4539. In answer to Sir George Godfrey, Mr. Ghosh admitted that the Mining Engineer buys second as well as first-class coal for use on the railways. He was not aware whether second-class coal is accepted for Admiralty use.

4540. In reply to the Chairman, Mr. Ghosh said that the Mining Engineer was only appointed about seven or eight years ago. At the time when Mr. Pal Choudhury's transaction above referred to took place there was no Mining Engineer. The railways purchased the coal from the collieries.

4541. As another instance in which good coal was condemned as long as it was owned by Indians, Mr. Ghosh mentioned the case of Lodna. It was impossible to get a siding built so long as the property remained in the hands of the Indians, and the colliery had to be sold to a European firm. That was an old case of perhaps 20 years ago.

4542. He cited in his written evidence a more recent case, in the Dharmaband colliery which he originally purchased for Rs. 41,000. It was not until a European Mining Engineer offered to arrange to get the siding, on condition of one-half of the property being sold to him for the nominal sum of Rs. 12,000 that railway siding and loading accommodation could be secured. Sir George Godfrey suggested that the engineer in question was a well-known mining expert whose opinion was considered of great value, and it was not unnatural for railways to be more ready to provide a siding to a property which was vouched for by an officer of such qualifications, than when the application was not equally authoritatively backed.

4543. In this case, Mr. Ghosh had stated that he had been willing to have the siding constructed either as a private siding entirely at his own cost or on assisted siding terms. The B. N. Railway Agent had refused to allow it to be built as a private siding, which would have cost the railway nothing. This decision was doubtless based on general grounds of policy. The agent subsequently wrote to the firm on the 2nd December, 1908, stating that the estimated cost of the siding amounted to Rs. 84,174, of which Rs. 35,948 would be chargeable to the railway company; and that he was not prepared to consider the question of constructing a siding involving so large an amount until the development of the property was in a more advanced state, and he was in a position to give his Board of Directors an assurance that the expenditure would be remunerative.

4544. The Chairman explained that the Committee could not discuss this particular case further, as it was only concerned with getting a clear grasp of the position in general. He understood that Mr. Ghosh's main argument was that the Europeans got preferential treatment simply because they *are* Europeans.

4545. He observed that the Federation's view was that the management of railways should be conducted by Boards constituted with representatives of commerce and industry taken both from the Indian and European commercial community, with safeguards that the former should be strongly represented. Mr. Ghosh explained that he desired a Board of this kind to be constituted for each railway. He did not contemplate the continuance of the existing system of company management with London Boards. He thought the proper thing would be State management and not company management.

4546. He further developed his recommendations in answer to Mr. Purshotamdas who asked what the contention of the Federation was with regard to matters of policy. He explained that the Federation's view was that important questions of railway policy should still be settled by the Railway Board but that the Local Boards should see that the policy is correctly carried out; they should attend to minor matters of local importance and see that these are represented, when necessary, in the proper manner to the Railway Board.

4547. Mr. Ghosh agreed with the Chairman that it would be unnecessary to have either Indian or European commercial men associated with the settlement of technical matters which form one side of the Railway Board's work. It is necessary, however, that they should have a voice in matters of general policy.

4548. Mr. Ghosh agreed with the Chairman that it was unnecessary to discuss the " Risk note " question, touched on in the Federation's written evidence, as this grievance related rather to a question of management than to one of general policy.

4549. In reply to Mr. Purshotamdas Mr. Ghosh stated that the Indian mine owners were so disgusted with the distribution of wagons that they were seriously considering closing down, *i.e.*, ceasing to indent for railway wagons for any purpose but had decided meantime to continue indenting for wagons for public coal. If matters did not improve, he could not say what the position would be.

4550. Mr. Ghosh stated that out of about 20 million tons of coal raised, about 40 per cent. is raised by collieries who are represented by the Mining Federation. He stated definitely that less than 40 per cent. of the available wagons are supplied for their use. He could not put a precise figure on the difference.

4551. He told Mr. Purshotamdas that at times of shortage when sufficient coal was not available for requirements, the coal which ordinarily would not be

accepted as first class coal, was bought by contractors to supplement their own supplies of first class coal and was accepted.

4552. In answer to Sir George Godfrey, Mr. Ghosh stated that he still owns one-half of the colliery which had been referred to in his written evidence, of which he found it necessary to sell the other half for only Rs. 12,000 in 1911. That half would have been worth about six lakhs to-day. In this connection, he told Sir George Godfrey that originally he bought the property from the Raja of Nowagarh and had paid Rs. 41,000. The property was undeveloped at the time.

Mr. T. R. Nolan, Acting Agent of the Assam-Bengal Railway, who was accompanied by Mr. A. J. Cooper, General Traffic Manager, was called and examined with reference to a statement which he had submitted to the Committee.

See Written Statement No. 29, Vol. IV., P. 117.

4553. The Chairman said that, as the first portion of Mr. Nolan's statement dealt with matters on which evidence of the representatives of the Assam-Bengal Railway Company had already been taken in London, it would not be necessary to take further oral evidence on the subject from Mr. Nolan.

4554. Turning to Mr. Nolan's observation that in such cases as that of the Assam-Bengal Railway "a real and immediate incentive" to economical working is lacking, the Chairman suggested that it would probably represent Mr. Nolan's views more clearly if the words "incentive of a share of the profits" is lacking, were substituted, since Mr. Nolan naturally did not mean to give the impression that, in fact, the working agents do not do their best for the property. Mr. Nolan agreed.

4555. Mr. Nolan said that the Assam-Bengal Railway had been starved. It had been open for about 25 years, during which time only very small grants had been given to it and it had been able to construct only about 90 miles of extensions from money provided by Government. Of this 90 miles, 30 miles was the Sylhet Branch which was built under pressure from the Government of Assam and which the Company were not at all anxious for as it did not present such favourable prospects as extensions into Eastern Bengal. Even allowing for the fact that in other cases, for example, the Grand Chord of the East Indian Railway works classed as new mileage really are in the nature of open line works, since they are really relief lines duplicating the old, Mr. Nolan was of opinion that relatively less money had been provided for extensions into new country on the Assam-Bengal Railway than on other systems. Mr. Nolan added that he could send figures which would support his view. [*See* Appendix A., subsequently received.]

4556. Mr. Nolan had suggested that an incentive should be given in the shape of a payment from net earnings of a small percentage on the total capital cost of the undertaking, on a sliding scale fixed in relation to the ratio obtaining between gross earnings and working expenses. The Chairman suggested that this would really be giving the Company an inducement to starve the maintenance of the line, a measure which had been shown to be possible under war conditions (and which indeed had then been imperative). Mr. Nolan thought however that Government could easily see that their property was not allowed to run down. He argued that such a policy as suggested by the Chairman would not be a sound policy and could not in the long run prove advantageous. In this the Chairman agreed.

4557. With reference to Mr. Nolan's admission that delay does sometimes occur in settling references to the Boards of Directors, but that few instances of this had come to his notice in which matters of great urgency had been concerned, Mr. Nolan said that he thought that on the whole it took longer to get sanctions from the Railway Board, than from the Home Board, notwithstanding the shorter time taken in the post.

4558. He urged that the main line companies should be allowed to construct profitable branches, citing as an example the Mymensingh Bhairab Bazar line. The entrusting of such a line as this to a private company is the result of Government not having enough funds for main line extensions. He stated his Company were anxious to build it but in such matters were subject to the policy of the Railway Board and that rather than not have it built at all his company gladly agreed to its being built by a Branch Line Company. The Chairman pointed out that, if there were any questions of such lines being built by main line companies on rupee capital, even with dividends payable in India, the question of liability to English Income Tax would arise. This difficulty appeared to be unavoidable even if a distinct affiliated company be used so long as the main (English) company exercised control.

4559. The witness said that he believed that the money for the Mymensingh Bhairab Bazar line was largely underwritten in England. Sir R. N. Mookerjee said however that he was in a position to say that this was not the case, he doubted whether the line would have been built at all had it not been done by the branch line company. Mr. Nolan pointed out that the company was floated and construction undertaken during the war and at that particular time it would no doubt have been difficult for the Assam-Bengal Railway to raise the capital in London.

4560. Mr. Nolan urged, as an objection to separate companies for building extensions that they will only build the more immediately profitable lines. There appeared to be no remedy so long as Government could not or would not supply sufficient capital. He thought that there is scope in India for companies which would not only promote extensions and develop their main systems but which would examine and assist in promoting commercial undertakings generally. He explained it was not his intention that such a company should enter into commercial undertakings from the speculative point of view but that it might promote, investigate and develop industry in Assam, not so much with a view to the profit to be derived from such industry but with the ulterior object of developing the traffic of the main line and that nothing in the nature of speculation in land was contemplated. As an example he instanced the Assam Railways and Trading Company, which had done much to develop local industries in Northern Assam.

4561. Mr. Nolan explained that the Assam Railways and Trading Company's activities included the development of coal mines, oil fields, tea plantations, forest produce, saw mills, tea chests and brick and tile factories. They had developed the oil field and subsequently formed a separate undertaking, the Assam Oil Company, to take it over. These industrial developments were all carried out in connection with the working of the Dibru Sadiya Railway. Sir Arthur Anderson asked if it was not a fact that the Assam-Bengal Railway did not always admire or agree with the workings of the Assam Railways and Trading Company. Mr. Nolan replied that the differences of opinion they had were mainly over the rates policy of that company. He was not entirely satisfied with the rates policy of that company, which, partly because of its relations with the river navigation company, tended to draw traffic by the rail and river route to Calcutta as against the railway route over the Assam-Bengal Railway to Chittagong. In the case of the competition with the Assam-Bengal Railway, which he had mentioned, the reduction is generally made on the river portion of the route. The Chairman suggested there was nothing to prevent a Branch Line Company entering into such industrial enterprise as was mentioned. Mr. Nolan said guaranteed companies were not permitted to do so.

4562. Mr. Nolan explained that the observations in his written statement with regard to the fixing of a definite geographical limit of operations for subsidiary companies had reference more particularly to

proposals which had been communicated for the opinion of his Home Board of Directors by the India Office. He understood that the idea was the formation of an Associated Company for each of the existing main British domiciled companies. His Board of Directors, and he himself, saw great difficulties in the adoption of such a scheme as had been placed before them.

4563. With regard to the Railway Board, Mr. Nolan believed that it was too much hampered by the Finance Department. He considered also that it goes into unnecessary details in connection especially with matters relating to establishments and quoted an example showing the amount of correspondence and great delay which took place over the simple matter of an increment to a subordinate drawing Rs. 240 a month. Sir R. N. Mookerjee mentioned that he knew of a case in which a reference had been necessary to the Railway Board regarding the supply of winter clothing to the staff of the Arakan Railway. Sanction was awaited for three months by which time the winter had nearly passed.

4564. Mr. Nolan promised that he would furnish the Committee with information regarding the numbers of letters exchanged on all subjects included under the head of establishment during a period of 12 months. [*See* Appendix B.]

4565. In connexion with the Dacca section of the Eastern Bengal Railway, Mr. Nolan pressed the desirability of transferring this section, which has no physical connection other than a long wagon ferry with the Eastern-Bengal Railway, now administering it, to the Assam-Bengal Railway. He stated that the Railway Board had changed its views from time to time with regard to this question. The Assam-Bengal Railway Company was of opinion that it would be of great assistance to it to be allowed to work this section which would enable them to extend largely in the Dacca-Mymensingh area. Witness had in mind a scheme of extensions of some 200 to 300 miles and believed that the Assam-Bengal Railway could improve trade greatly in these districts and at the same time develop trade between Eastern Bengal and the Port of Chittagong without involving any serious interference with the important traffic at present moving towards Calcutta. He urged that the Eastern Bengal Railway had done practically nothing in support of extensions in this area. He agreed that the transfer would not give the Assam-Bengal Railway an immediate share of surplus earnings but he thought that it would give them a good prospect of a share within six or seven years. At the present time he understood that the matter is again under the consideration of the Government of India at the instance of the Assam-Bengal Railway Company's Board of Directors.

4566. Mr. Nolan urged that the Railway Board should be responsible for its own finance, and supported the opinion expressed by Mr. Robertson in 1903 that every rupee spent on railways comes back many times over to the country. He promised that he would endeavour to send up for the use of the Committee some specific instances of the indirect increments in revenue which were secured by railway construction.

4567. Mr. Cooper, speaking with reference to the remedy provided by the Railways Act for dealing with complaints regarding rates, was assured by the Chairman that a Railway Commission under the Act had never actually been set up. He agreed that it was desirable that experts should deal with such matters as rates. The Chairman mentioned that the Agent of the East Indian Railway had admitted that cases occur in which the public have a right to complain, and that he had no objection to a Tribunal consisting of a lawyer Chairman, versed in railway matters, assisted by two commercial and two railway men. Mr. Cooper agreed, provided a lawyer with suitable qualifications could be found. He did not think that lawyers had specialised in railway work in India as they had done in the United Kingdom, but he agreed that there was no reason why they should not do so. Mr. Cooper saw no objection to the Railway Board being empowered to deal with minor cases of complaints connected with rates and fares, provided that the staff in their office dealing with such matters had adequate experience. Important questions should be referred to the independent tribunal.

4568. He did not think that it would be necessary to provide for payment of caution money to prevent frivolous complaints being made to the tribunal. He thought that persons having complaints to make would have to incur a certain amount of expenditure in preparing them for submission and that this would be a sufficient preventive against frivolous representations. Mr. Cooper mentioned that he had cases in which he had found the help obtainable from members of the commercial community extremely useful.

4569. In answer to Sir Henry Ledgard, Mr. Nolan stated that the Capital July Forecast for the year 1921-22 amounted to Rs. 79·63 lakhs. Only Rs. 64·80 lakhs was provisionally sanctioned, and a telegram had been received in December that the Assam-Bengal Railway would only receive Rs. 15 lakhs. He had telegraphed at once saying that this was impossible as the home commitments already amounted to about Rs. 28 lakhs. In reply, he was allowed an additional sum of Rs. 10 lakhs and told that he must work within the Rs. 25 lakhs so provided. In consequence, he had to cancel many of the home indents, and had telegraphed to his Home Board to cancel certain contracts if possible. One result would be that some forty lakhs of rupees worth of rolling stock materials from England would lie idle in stock next year in default of an allotment of about four lakhs of rupees for the cost of erection in India. Meanwhile the line would be short of rolling stock. Mr. Nolan stated that this expenditure was almost wholly on capital account, and promised that he would intimate subsequently the actual amount of revenue expenditure included in the 40 lakhs.

[*N.B.*—Mr. Nolan subsequently informed the Committee that the figures quoted by him from memory needed correction. The actual position is that Rs. 43·19 lakhs worth of material will lie in stock in default of an allotment of Rs. 8·33 lakhs for cost of erection in India; all of this is on capital account.]

4570. For the year 1920-21, the demand made in July was for Rs. 115 lakhs, and the budget grant had been Rs. 77 lakhs which was subsequently reduced to Rs. 72 lakhs.

4571. In reply to Mr. Hiley, Mr. Nolan stated that there would be a lapse on the 72 lakhs of rupees owing to failures to secure delivery of stores ordered in England in the current year. He promised that he would send further information to the Committee regarding the extent of the lapse expected. [*See* Appendix C.]

4572. The Chairman asked whether it would be possible for a railway company to reduce lapses by making payments on account to contractors, even if the work was not completed. The witness stated payments on account were made to contractors. The Chairman asked by whom such payments were made, by the Board in London or by the Secretary of State? Sir George Godfrey explained that the practice is for the railway company to draw funds from the India Office on a demand statement and the company makes the actual payment to the contractors.

4573. Mr. Nolan stated in reply to Sir Arthur Anderson that the company is doing what it can to press on expenditure in the current year with the object of utilising the provision which must otherwise lapse and of relieving demands for money next year.

4574. Referring to Mr. Nolan's written reply to question No. 1, Mr. Purshotamdas asked why there should be any change in the conditions of railways if all of them were managed by the State. Mr. Nolan stated that at present there is a certain amount of competition, or rather emulation, between the State and company managed lines, each trying to excel the other. This would certainly disappear if all the railways were State managed. He did not mean that there is competition in cutting down working ex-

penses but that there is competition to show good management. Witness pointed out that even at present whilst this emulation held, taking the larger railways, State railways appeared low in the list of dividend earning railways and also low in the list showing the ratio existing on different railways between gross earnings and working expenses. As regards return, he agreed generally that it depended more on the districts through which a railway passes than on other considerations but he pointed out that the Eastern Bengal Railway appeared at the bottom of the lists above mentioned, notwithstanding that the districts it passed through were generally favourable for traffic. In reply to a question from Mr. Purshotamdas he mentioned that the Assam-Bengal Railway is particularly unfortunate in that it includes a hill section which is most expensive to work and was most expensive to construct. *Vide* Appendix D.

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APPENDIX A.

During the period referred to in paragraph 4555 of the oral evidence given before the Railway Committee the Assam-Bengal Railway was provided by Government with funds for construction of 90½ miles of branch lines. During the same period funds were provided by Government for construction of branch lines and extensions of other railways as shewn below:—

	Miles.
Burma Railways	364
Eastern Bengal Railway	621
East Indian Railway	748
Bombay, Baroda and Central India Railway	423
Bengal Nagpur Railway	1,173
Oudh and Rohilkhand Railway	589

Some of these railways are two and even three times longer than the Assam-Bengal Railway, but in the least case the extensions built out of capital provided by Government are more than four times the extensions similarly built by the Assam-Bengal Railway. If lines, such as the Grand Chord which is in the nature of a duplication, are excluded it will still be seen that other Railways have received more favourable treatment.

APPENDIX B.

The total number of communications on subjects connected with establishment, inwards and outwards, between the Agent, Assam-Bengal Railway, and the Secretary, Railway Board, for the 12 months ending 31st December, 1920, was 495.

APPENDIX C.

Referring to paragraph 4571 in the oral evidence the present estimated amount of lapses on the current year's grant will be nearly Rs. 7 lakhs.

As some confusion of dates occurred in recording my oral evidence I give the following figures, which are correct:—

1919–20 July Forecast	95·77
Budget grant	64·91
Final grant	55·36
1920–21 July Forecast	114·91
Budget grant	77·04
Final grant	72·33
Probable lapses about	6·78
1921–22 July Forecast	79·63
Budget grant (as revised in December)	25·59

APPENDIX D.

Average of yearly statistics for the five pre-war years 1909 *to* 1913–14.

	Net earnings on total Capital.		Ratio of cost of working to gross earnings.
East Indian	9·39	East Indian	47·65
Bombay, Baroda and Central India...	7·61	Nizam's Guaranteed	55·13
Nizam's Guaranteed	6·61	Bombay, Baroda and Central India...	58·47
Great Indian Peninsula...	6·30	Bengal Nagpur	59·81
North Western*	5·94	Oudh and Rohilkhand	63·26
Oudh and Rohilkhand	5·58	Madras and Southern Mahratta ...	64·42
Madras and Southern Mahratta ...	5·46	Great Indian Peninsula...	65·51
Bengal Nagpur	5·28	North Western*	69·90
Eastern Bengal	5·13	Eastern Bengal	71·50

Average of yearly statistics for the five years 1914–15 *to* 1918–19.

	Net earnings on total Capital.		Ratio of cost of working to gross earning..
East Indian	9·97	East Indian	37·02
Bombay, Baroda and Central India ...	8·81	Bombay, Baroda and Central India ...	45·61
Madras and Southern Mahratta ...	8·00	Oudh and Rohilkhand	45·68
North Western*	6·98	Bengal Nagpur	48·73
Oudh and Rohilkhand	6·76	Madras and Southern Mahratta ...	48·93
Great Indian Peninsula	6·53	North Western*	49·68
Nizam's Guaranteed	6·40	Nizam's Guaranteed	51·95
Bengal Nagpur	6·38	Great Indian Peninsula...	56·76
Eastern Bengal	3·76	Eastern Bengal	58·24

* Commercial section only.

Mr. TARIT BHUSHAN ROY, Secretary, Bengal Mohajan Sabha, was called and examined with reference to the statement submitted by him to the Committee.

See Written Statement No. 30, Vol. IV., P. 120.

4575. Mr. Roy explained that the Mohajan Sabha is a mercantile association of which he was the Secretary. The Chairman thanked him for the memorandum which he had furnished to the Committee and for the convenient form in which the Sabha had stated their views for its consideration.

4576. Referring to the opening portion of the written statement, which dealt with State *versus* company management, the Chairman asked whether it might be taken that public opinion on the subject hardly took definite shape before 1914 when attention was directed to it by Sir Ibrahim Rahimtulla's speech in the Imperial Legislative Council. Mr. Roy said that this was right and that the matter was further ventilated in the Council subsequently by the Honourable Mr. Sarma and others. He said that public opinion is now strongly set in one direction, namely, in favour of State management, and that this is certainly the view of the association which he represented, and he believed of the general public.

4577. The Chairman drew attention to the statement that the aim and object of railway policy should be the development of trade and industry, the provision of cheaper transport facilities, the increment of revenue and the reduction of direct taxation and of railway rates to a minimum. The Chairman asked whether the result of a reduction in rates and fares would not be that direct taxation would have to be increased and not reduced. Mr. Roy thought a position might arise in which it would be possible to increase the revenue largely by a reduction of rates and fares which would encourage a large growth of traffic. The Chairman observed that the evidence placed before the Committee was to the effect that the railway system is at present unable to carry the traffic that offers now, and that further traffic could only be provided for by means of further capital expenditure.

4578. Adverting to the statement that advanced countries, such as Japan and others, where the experiment of State ownership and State management had been tried, are in favour of State management, the Chairman observed that this is, however, not true of United States of America which Mr. Roy agreed is an advanced country, and that 18 months' experience of State management led the United States of America strongly to desire to revert to the system of company management. As against Mr. Lloyd George's tribute to the economy and efficiency of State management, quoted by Mr. Roy, the Chairman observed that the British Government had recently introduced a Bill providing for the handing back of the railways to companies, and that Mr. Lloyd George as Prime Minister was responsible for this.

4579. The Chairman pointed out that the figures which had been quoted comparing the results forty years before of the working of the Madras Guaranteed Railway with those of the Rajputana State Railway, did not furnish conclusive evidence of the advantage of State management and that different results could have been secured by an alteration of the rates either on the State line or that of the company without altering the system of management. However that might be, the Chairman observed it was clear from the memorandum that the Sabha's view is that State management is desirable as being more in the interests of the people.

4580. The Chairman referred to the suggestion that State management would mean large savings in official salaries and large reductions in the number of employees in the railway offices, and asked whether Mr. Roy was speaking from personal experience of State-managed concerns. Mr. Roy said that this was the opinion of his Sabha.

4581. Mr. Roy agreed that management by the people meant in practice management by officials, but he thought they would be controlled by the Legislative Assembly. He was satisfied that this would be more efficient than management by independent companies. The Sabha believed that agents of State railways had done better even now in promoting public interests than the company agents.

4582. Discussing the views of the Mohajan Sabha with reference to the application of net profits to the amortisation of capital so that the entire railway system might become free, the Chairman remarked that the proposal to buy out the English companies was not what is usually meant by amortisation of capital. He recognised that the Mohajan Sabha would wish to buy out the English companies, and asked whether, if only so much money was available for capital expenditure as would suffice for the development of the railway system, Mr. Roy would prefer to spend part of it in buying out the existing companies, or would prefer to meet the requirements of railways first and to buy out the companies only later when this became financially practicable. Mr. Roy agreed that he would adopt the latter course.

4583. Mr. Roy admitted that the Railway Board was not to blame for the failure, noted in Part II of the written evidence, to meet the requirements of the public, if it was the case that the Railway Board's inability to do so was due to the refusal of the Finance Minister to supply the necessary funds.

4584. With regard to the comfort of the travelling public, Mr. Roy urged that it is the business of the Railway Board to ensure the comfort and protection of the travelling public, especially of women. He approved the appointment of Passenger Superintendents, who are now engaged in looking after the interests of the travelling public at some of the larger stations on both the State and company worked lines. He thought that the system should be considerably extended.

4585. Mr. Roy did not wish to dilate upon what his association had stated on the subject of the members of the Railway Board being liable to prejudice in view of the prospect of a seat on the London Board of a company after retirement from Government service.

4586. Referring to the question of finance, Mr. Roy believed that a considerable sum of money might be obtained in India in response to an inviation to subscribe to a railway loan. He thought that the State could raise money more easily than a company and that people would subscribe freely in view of a good return and the security of Government. As a member of the War Loan Committee Mr. Roy had had some experience in endeavouring to popularise the war loans. In this connection he had addressed public meetings in Calcutta, as others did elsewhere. He did not think that patriotism alone would have produced the result secured, though patriotism combined with an attractive return had been successful. The War Loan Committee had also advertised the loans widely. He did not think that much of the money subscribed came out of hoardings. It was mostly business men's money which was available for investment. He was doubtful if much money was hoarded at present other than that locked up in jewels and ornaments.

4587. The Chairman described a suggestion for establishing an independent tribunal comprising a lawyer chairman, assisted by two commercial and two railway men for the purpose of dealing with complaints regarding rates and fares. He enquired whether Mr. Roy would think such a tribunal satisfactory. Mr. Roy was of the opinion that this might be a somewhat complicated matter, but after some discussion he agreed that the constitution would be proper, if the tribunal were appointed by the Government of India and were only convened when there was work to be done.

4588. The Chairman drew attention to Mr. Roy's statement that the companies, armed as they are with great powers, can, if they so desire, easily strangle indigenous enterprise through the medium of maxima and minima rates. Mr. Roy explained that what he meant was not that the railways actually wish to do this, but that they have the power to do

so. Pressed on this question by the Chairman, he said that in his opinon a conflict of interests might possibly arise when a company might be inclined to discourage indigenous enterprise.

4589. With reference to the concluding observations in the written statement that railway servants should not be allowed to travel by ordinary passenger trains, thus restricting further the accommodation available in them for the public, Mr. Roy explained that his point was that railway men should as far as possible use the accommodation provided for them in the Parcels Express, which is not available for the general public, instead of adding to the congestion in the ordinary trains.

4590. In answer to Sir Rajendra Nath Mookerjee Mr. Roy explained that his previous reply to the Chairman was not meant to suggest that the subscribers to the war loans were not actuated by patriotism. Both patriotism and the prospect of a profitable investment influenced the public in making their subscriptions.

4591. In reply to Mr. Tuke, Mr. Roy said that funds required for railway purposes ought to be raised by a separate Government railway loan. He did not, however, think that it made much difference whether the loan was raised in this form or as ordinary Government borrowings. He thought that, if not less than 6 per cent. interest were offered, it might be possible to raise perhaps 15 crores in India annually.

4592. In reply to Mr. Purshotamdas Thakurdas, Mr. Roy stated that he thought that women required better facilities for travelling by railway; there were very few compartments reserved for their use, and as a consequence of this they were frequently compelled to travel in the ordinary unreserved compartments.

4593. Mr. Purshotamdas Thakurdas asked Mr. Roy his opinion of the suggestion which had been made by a representative of the East Indian Railway Passengers' Association that intermediate and second-class accommodation should be abolished. Mr. Roy disagreed with this and considered it most undesirable. He thought more attention might be paid by railway managements to minor matters, such as the provision of facilities for the recognition of the different classes of carriage. In this connection Sir Rajendra Nath Mookerjee mentioned that the different colours which at one time were used to distinguish the different classes of carriages had to be abandoned as affording too convenient an indication to train thieves of the most suitable locality for their operations.

Mr. H. M. PEAT, Chairman of the Indian Jute Mill Association, was called and examined upon the statement furnished by him to the Committee.

See Written Statement No. 31, Vol. IV., P. 122.

4594. Figures given by Mr. Peat in his written statement showed the great importance of the Jute Mill industry, in which there is invested a capital of 40 millions sterling, over quarter of a million workers employed, and a daily coal consumption of about 4,000 tons. Fourteen new mills and extensions to existing mills are under construction.

4595. Examining the comparative figures for the years 1917-20, inclusive, the Chairman ascertained from Mr. Peat that there had not been any great development during those years, and it might be taken that the requirements were roughly the same throughout the period. Regarding coal supply it was recognised that one month's stock is a reasonable amount to have in reserve. The figures placed before the Committee showed, however, that this had not usually been attained. The stocks were generally low in 1917 and 1918, particularly in the early portions of these years. They were high in the latter part of 1918 and throughout 1919, this being due not to a better supply of coal but to the fact that mills were working short time during the greater part of that period and better stocks were thus accumulated. In 1920 the stocks again gradually dropped until they now represented only 4 days' supply. The Chairman observed that all that stock is divided between a number of concerns and that consequently the amount in hand in particular mills is not necessarily as much even as four days' consumption.

4596. It appeared later from Mr. Peat's notes that five large mills had completely stopped on the date of the memorandum, the 12th January, 1921, and it was ascertained that within the subsequent twenty-four hours two more had stopped. These were large concerns employing a total staff of some 40,000 labourers. In this connection the Chairman read the following telegram which had been recently despatched by the Jute Mills Association to the Government of India in the Department of Commerce.

Express telegram dated 5th January, 1921:—

Reference Conference coal position held Bengal Chamber 3rd December, position of mills rapidly becoming impossible. Alliance, Alexandra, Balliaghatta Kamarhatty, and Reliance Mills, employing over 30,000 workers, have had to shut down for want of coal, although they have unfulfilled coal contracts largely in excess of requirements. Other mills are on the point of closing down and some are being kept going only by boating coal from depôts in Calcutta and vicinity. Please wire what action has been taken on Conference recommendations.

4597. Mr. Peat said that the Association was in constant touch with the Railways concerned. Some improvement in the situation was promised by the decision of the Government further to restrict the exports of coal from India.

4598. He stated that the difficulty due to lack of railway facilities is added to at the present time by the short raisings of coal at the collieries. The Association felt also the deficiency of wagons in bringing jute down from the jute districts. Mr. Peat agreed that it was not perhaps reasonable to suggest that the railway should have so large a stock of wagons as to be able to carry the whole traffic offering at particular periods without any delay. But the position was that frequently no wagons at all were available at despatching points in the Northern jute districts where there was no alternative water route. A large part of the jute crop came to Calcutta by water.

4599. The Committee examined the figures of delays in transport of coal from the coalfields which had been furnished by Mr. Peat. The Chairman remarked that the delays occurring on the Bengal Nagpur Railway and the East Indian Railway did not seem on the whole to be strikingly bad although no doubt undesirable; in the case of the traffic passing over both the East Indian Railway and the Eastern Bengal Railway, *viâ* Naihati however, they were more striking, and were due largely to the fact that the traffic went through a "bottle neck" at Naihati.

4600. In reply to Sir Henry Ledgard, Mr. Peat said that he did not think that coal was taking longer at present to come over the East Indian Railway than it did three or six months ago. A smaller quantity however was coming and was subject to equal delay.

TWENTY-SECOND DAY.

(Calcutta.)

Friday, 14th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt. C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Honourable Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. R. M. WATSON SMYTH, M.L.C., Vice-President of the Bengal Chamber of Commerce, was called and examined with reference to a memorandum which had been furnished by the Chamber.

See Written Statement No. 32, Vol. IV., P. 134.

4601. Mr. Watson Smyth stated that he was a senior partner of Messrs. Turner, Morrison and Company, and Vice-President of the Bengal Chamber of Commerce. The Chamber is one of the oldest in India, having been founded in 1836, and has a Membership of over 240 confined to British firms.

4602. The Chairman drew attention to the recorded statement of the Chamber that for many years past it had been urging the imperative necessity for a more liberal allotment of funds for expenditure on railways, and its quotation, among other references of its representation to the Railway Finance Committee of 1908 regarding the insufficiency of the allotments and the grave complaints of inadequacy of facilities for the carriage of coal to Calcutta. In that representation, it had been emphasized that the scarcity of rolling stock had recurred almost annually since 1894 with serious consequences to colliery-owners, manufacturers, railways and shippers. The Chairman observed that the tale of inadequacy is thus carried back to 1894, since when complaints have been continuous.

4603. The Chamber according to their statements regard the general situation of railway transportation as worse to-day than when they made their representation in 1908; that is to say, that instead of things getting better, they were getting worse, and instead of only contemplating the closing of mills and factories, there are to-day seven important jute mills in Calcutta actually closed for want of coal, throwing out of employment about a sixth of the total labour employed in the jute mill industry. Further, the position, bad as it is to-day, shows every sign of becoming worse in the next six months.

4604. The inadequacy of facilities for the carriage of coal has been recognised by Government as the result of a conference recently held, and it has been necessary for Government to prohibit the export of shipment coal except to a very limited extent in certain cases and to restrict bunkering to the utmost. Mr. Watson Smyth stated that, while the exporters of coal recognised that in the circumstances this is the best thing that can be done, it caused nevertheless serious disadvantage to trade and real loss to the shippers. Apart from the difficulties due to lack of coal transport, the movement of general merchandise has been for months past and is still being greatly delayed and hampered. Important trades such as that in manganese, sugar, salt, piece-goods and seeds —to mention only a few—have experienced and are experiencing difficulty in moving their goods as required. It was not for the Chamber of Commerce to specify the particular improvements necessary. They were concerned only with results, and it is obvious that the whole railway machine is inadequate. It is clear that what is necessary is an all-round enlargement of the carrying capacity of the railways to enable them to cope with the increasing trade of the country. Mr. Watson Smyth said that the delays to which railway traffic is liable involve great hardship and in many cases reduce business operations to a gamble. He quoted instances to illustrate the point.

4605. One of these had been represented by the firm of Ralli Brothers and related to trade in linseed. The average value of this commodity about the beginning of 1920 was Rs. 11 per maund, and went as high as Rs. 12-8-0. At that price, there was a good demand, but for early shipment. Shipping was available, but it was too risky to undertake business, because railways were working badly and no reliance could be placed on having the seed brought to the port within a reasonable time. The shippers would thus have had to risk paying for freight taken up in a liner, but not utilised. In one case, the firm named had some 700 tons of linseed held up at a single station up-country for over four months. The movement of the linseed crop was so impeded that seed from the River Plate filled the demand and India lost the opportunity of selling its seed at the above quoted high price. The price has recently fallen as low as Rs. 8-8-0, and at the present time stands at about Rs. 9 per maund. This was a case in which the commodity, the shipping and the market were all available, and the business was not done solely because of the impossibility of relying upon railway transport in India. Mr. Watson Smyth emphasized that this was merely a single instance and that such cases are common occurrences.

4606. Another example related to trade in manganese. In this case, the Central Provinces Prospecting Syndicate, Limited, considered that they could, without any difficulty, dispose of double the quantity of manganese which they at present succeed in shipping, if only the Indian Railways were in a position to move the ore. Roughly, their shipments average about 300,000 tons per annum; with the present demand for manganese they considered they could easily dispose of 600,000 tons. At the moment, they have from 300,000 to 350,000 tons of prepared ore in stock up-country which they are only able to move to the ports in comparatively small quantities as wagons are available. As an instance of the congestion, they have a stock at one station on the Bengal Nagpur Railway of roughly 70,000 tons, while despatches from that station only average about 3,000 tons per mensem. This single station therefore is already two years in arrear with its work.

4607. Another example mentioned related to salt imported into Calcutta. About one-half million tons are imported annually by steamer. It goes into the golas (Government bonded warehouses). Importers have to pay duty in order to have the salt released from bond. They then apply for wagons, supporting

their applications by the certificate that duty has been paid, and in the witness's phrase "sit in a queue" waiting for wagons to be alloted. The consequence is that his firm alone has lakhs of rupees locked up in duty paid to the Government. They cannot get their money back, as the supply of wagons is regulated by the duty payment certificates or "chalans," as they are called, and they cannot get wagons to move the salt. The loss in duty is the matter of which complaint was particularly made. Charges for godown rent are comparatively trifling. Mr. Watson Smyth said that, on the average, it takes about six weeks to secure wagons for salt transport. At the present moment the position happens to be better, but he was concerned with the ordinary situation.

4608. The salt golas are situated above Howrah and the railway facilities there are bad. Mr. Watson Smyth thought that if additional wagons were provided, it would only increase the congestion. It is not a matter for the Chamber of Commerce to decide whether it is the Government Railways or the Government of India which are ultimately responsible.

4609. The fourth case mentioned was that of sugar. Mr. Watson Smyth stated that his firm has a sugar refinery in Calcutta, and last year bought several thousand tons of semi-refined sugar in Cawnpore deliverable in Calcutta by a specified date. Of this, some 600 tons have not yet been delivered, and meanwhile the market has fallen from Rs. 32 to Rs. 16. His firm after extending the contract time considerably have now refused to accept delivery as the time by which it should have been made is long past. The sellers must lose heavily because of the railway failure to perform its duties.

4610. The firm had not taken this action until a considerable period after the time by which delivery should have been made. The result of the action taken is that a law suit is pending with reference to the contract. There is no doubt that, in addition to the Cawnpore seller of the sugar, his own firm has lost as well since if the unrefined sugar had been delivered in time, it could have been refined and sold at a profit.

4611. Sir George Godfrey asked whether there is any definite proof that, in this case, the Cawnpore merchant's difficulty was the lack of wagons. Mr. Watson Smyth was not in a position to produce definite proof, but observed that it was entirely in the interests of the merchants to complete the contract as they had a falling market, and there was every reason to believe that the shortage of railway transport was responsible for his inability to supply. In answer to Sir Henry Burt, he agreed that probably the sugar reached Cawnpore over the North Western Railway on which there are heavy restrictions of traffic.

4612. Mr. Watson Smyth mentioned that the foregoing are merely typical instances of what is happening constantly. He placed before the Committee two letters relating to the linseed and manganese cases; these are reproduced as Annexures 1 and 2 hereto.

4613. The Chairman said that the moral appeared to be that, not only consumers suffer, but the uncertainty of adequate transport is paralysing trade. Mr. Hiley asked whether Mr. Watson Smyth could furnish information on the same lines as had been done by representatives of the metallurgical industries regarding the capital and numbers of employees engaged in such industries as had been mentioned, together with an indication of expected developments in the demands likely to be made on the railways. Mr. Watson Smyth explained that it was difficult to do so in the case of these industries in which a very large number of small firms are engaged. The Chairman said that he would like any general statements to be fortified as far as possible by specific details.

4614. Mr. Watson Smyth said that the block of traffic at the port of Calcutta is greater now than had ever been contemplated. It was attributable largely to two special causes; the effects of the recent stevedore strike; and the fact that owing to the fall in the value of the rupee people are unable to take up bills and clear imports of goods ordered from Europe at the time of high exchange. If exchange were to go up to 1s. 8d., the goods would be released, but he thought railways would find themselves in difficulty with the up-country traffic.

4615. He mentioned that the Port Commissioners have a large scheme of improvements in hand, and he did not think that there would be much complaint if railways would expand in the next six years to the same extent as the Port facilities will do. The Chairman observed that the Committee had been told that the metallurgical industries capacity was limited by the capacity of the railways to carry their materials and products, and that, possibly, the railways might say the same with regard to the port facilities. Mr. Watson Smyth said that there was no fear of the port facilities lagging behind railway development; possibly some temporary difficulty might be experienced as regards coal. He did not, however, even regard this as a lasting exception. He mentioned the difficulty of improving the coal loading at the Docks owing to the want of supply of open wagons. Sir George Godfrey said that the East Indian Railway contended that they must supply covered wagons in order to accommodate the return traffic from the docks.

4616. The Chairman said that the fact appeared to him to be that the new general dock is expected to be completed in eight years, whereas if railways were adequately supplied with funds, there was no reason why they should not be able to deal with all the traffic offering in three years' time. The port might, in that case, have a difficulty in dealing with the traffic in three years' time. Mr. Watson Smyth thought that it was only the coal traffic which might still cause some congestion at the docks.

4617. Referring to the observation of the Chamber regarding the Finance Committee's recommendation of a programme of £12¼ millions per annum for capital outlay on railways, the Chairman mentioned that in his recent evidence in London Lord Inchcape had said that if he had had his own way, he would have put this figure at £20 millions, but that he had not pressed his views against those of the Financial Representative of the India Office with whom the greater responsibility lay. It was clear that the Chamber was not overstating the case in accepting double this figure now as representing the same amount of work. The figure of £25 millions was probably unreasonably low rather than unreasonably high.

4618. Turning to the question of finance, the Chairman observed that, so far as he knew nobody had disagreed with the conclusion of the Chamber that the procedure actually adopted hitherto, under which the Government raises money for general purposes and allots only what could be spared to railways for capital expenditure, was responsible for the present unsatisfactory state of railway development. He suggested, however, that it might not necessarily follow that the method of raising money through Government borrowing was wrong, and he pointed out that Sir Norcot Warren, Secretary of the Bank of Bengal, in his evidence had expressed the opinion that Government could raise money more easily by a general loan than by borrowing specifically for railway purposes. Mr. Watson Smyth said that it did not matter to the Chamber of Commerce by what method money was obtained so long as it was forthcoming in sufficient quantity. Personally, however, he did not agree with Sir Norcot Warren's opinion. The Chamber definitely was of opinion that borrowings specifically for railway purposes would be more attractive than borrowings for unspecified objects, though they believed that even this system would not raise sufficient funds. He laid stress upon the unattractiveness to investors of Government loans. Owing to the depreciation in the Stock Exchange valuation of Government 3½ per cent. paper, investors had considerable hesitation in taking up Government loans. The Chamber had referred to the attention which Government feel constrained to pay to the danger of depreciating their existing securities as tending to prevent them from issuing new loans at really attractive rates. The Chamber did not mean to say that this depreciation could be avoided or that the Government does not pay undue

attention to it; but it undoubtedly exists and was an objection to relying too much on direct Government borrowings.

4619. The Chamber considered it would be unwise to circumscribe the field of investment, especially as a large body of wealthy Indian investors prefer more speculative investments, than railway loans would afford. For this reason, the Chamber was of opinion that an attempt should be made to attract capital from the whole Empire or even from the whole world. The Chamber thought that the best system to adopt is that the companies should be given the responsibility of raising the money required for capital expenditure. Taking the case of the East Indian Railway, which had been specially in the mind of the Chamber, their view was that the Company should be reconstituted on the basis of the larger capital necessary for its requirements. Government would retain its existing interest in the undertaking, but the new company would be much enlarged. After considerable discussion as to the nature of the arrangements which might be made with the existing East Indian Railway Company, Mr. Watson Smyth explained that the Chamber thought it useless to tinker with the existing arrangements. What was necessary was that it should be completely superseded by a new arrangement with a reconstituted company.

4620. In answer to the Chairman, Mr. Watson Smyth agreed that there is money to be had at the present moment, but in order to sell East Indian ordinary stock at par it would probably be necessary either to give a Government guarantee or to show such satisfactory earnings and prospects as to establish an obvious expectation of a return of perhaps about nine per cent. In the event of a reconstitution of the East Indian Railway Company as suggested by him, Mr. Watson Smyth thought that probably the existing shareholders would readily transfer their investments to the new company. If not, it would be necessary to buy them out.

4621. He stated that he was not in a position to say how such a proposal as the Chamber had made would appeal to Indian public opinion. The Chairman mentioned that many Indian witnesses had expressed themselves strongly against permitting any extension of companies' interests in the railways and against raising new share capital from outside India. Mr. Watson Smyth said that the Chamber had regarded the matter merely as a commercial proposition without regard to racial or political considerations. If the view quoted were accepted, it would be necessary for India to undertake itself to supply the necessary funds. In his opinion the only way of raising the very large sum required for the railways is by offering an attractive semi-speculative security. The Chamber of Commerce had not considered specially the case of other railways than the East Indian which cannot show so satisfactory a return.

4622. In answer to Mr. Tuke, Mr. Watson Smyth mentioned an instance of the unpopularity of investment in Government loans. He stated that Government had attempted to assist firms, who, as already explained, had to pay large sums on account of salt duties before the salt could be despatched up-country and sold, and had accepted payment of the duties in Government paper. The firms who had bought rupee-paper under the scheme had deposited the securities and certainly got 3½ per cent. interest, but owing to the depreciation of the securities, the capital sums involved had greatly depreciated.

4623. Mr. Watson Smyth thought that a considerable sum of money might be raised in India in the form of companies' capital. Speaking for the Chamber of Commerce, he thought from its members' point of view that there would be a good response to an invitation for subscriptions. He could not say, however, whether in the case of such lines as the Assam Bengal Railway, the same would hold good.

4624. The Chamber had stated that they would deplore a decision that the railways must still look to Government for their capital funds. They had always been told it was impossible to separate the railway finances from the general Government finance. Mr. Watson Smyth said they felt that were it an ordinary commercial question, it would be possible for a department of sufficient importance to be kept distinct and independent of other branches of business. It was possible that greater difficulties exist in connection with the Government accounts than the Chamber could appreciate. He agreed with the Chairman that a parallel would seem to be found in the case of a holding company which has several other companies under it, the finance of each of which is independent. There seemed to be no reason why Government should not do the same, holding an interest in the separate Railway Department just as a holding company does in a subsidiary company. He agreed that, had Government taken a broader view in 1907 a large loan might have been raised, say at 4 per cent. It would have been greatly to the advantage of the country now, had this been done.

4625. Speaking of the system of lapses against which the Chamber had entered a protest, Mr. Watson Smyth said that any commercial firm which attempted to deal with its business in the same manner as Government enforces on railways, by which work half done may be held up at the end of a financial year, would inevitably go into bankruptcy.

4626. Mr. Watson Smyth said that the Chamber of Commerce adhered to the views expressed by them in 1916 when expressing their views to Government on the questions of State versus Company management of railways. These views may briefly be summed up as:—

(*a*) in favour of the existing policy, the essential feature of which is State or part State-ownership united to commercial administration;

(*b*) that experience shows that this is better adapted to Indian conditions and more likely to advance prosperity than a policy of general State-working in addition to State-ownership;

(*c*) that companies' lines are on the whole better worked than the existing State-owned lines; and

(*d*) that an undesirable enlargement of the existing bureaucracy would be unavoidable if the principal railways were managed by the State.

4627. Mr. Watson Smyth admitted that in the details which more commonly catch attention a great deal depends on the personality of the agents and the staff on the railways, and it could hardly be said that either State or company-worked lines had a definite advantage; but broadly speaking, his Chamber thought that the latter are worked more efficiently. He thought that the agents of the company-worked railways are freer and use their powers with greater confidence than State Railway agents. He thought that all experience suggested the reliability of the Chamber's assumption that State management would necessarily mean bureaucratic administration. The Chairman drew attention to the case of Canada, where some 20,000 miles of railway had been organised as a company with a single shareholder in the person of the Finance Minister. In that case, the Chairman explained that the company was organised in the ordinary manner, the directors being chosen just as if it were a regular commercial undertaking.

4628. Mr. Watson Smyth said that his Chamber adhered to the opinion that the control of the railways should be located in London, since capitalists in the United Kingdom and other parts of the Empire would be less likely to invest if the control were in India. He admitted that a general tendency in commercial firms exists at the present times in the direction of Indian domicile. He believed that the main consideration in this matter was the desire to avoid the income tax difficulty, which was experienced by companies domiciled in the United Kingdom.

4629. With reference to the suggestion that there might be Local Boards in India exercising wide executive powers, the Chamber had suggested that the precise extent of these powers would require careful consideration, but it would seem that broad questions of policy only need be referred to London. Mr. Watson Smyth cited as an instance the case of the Imperial Bank, in which the powers of action

of the local banks were clearly defined, while within those limits they were independent of the control of the Central Board. He saw no reason why the ordinary commercial practice should not be extended to the case of railway administrations. In the case, for example, of a jute mill with a Board of Directors in Great Britain, the only matters referred to the Home Board are important questions of policy. For instance, it might be desired to build a new mill. This would be referred with such information relating to it as was available, to the Board of Directors. But once the Board had decided what was to be done, it was left to the representatives in India to deal with the matter without further reference about details.

4630. The Chairman observed that there appears to be a parallel even in Government service, for example, in the Cabinet deciding large questions of policy and leaving it to the particular Department concerned to carry the policy into effect without further reference to the Cabinet as a whole. He observed that a large part of the Railway Board's time is understood to be expended on questions relating to establishment and matters of minor importance. Mr. Watson Smyth said that a commercial firm would be very much astonished if its Board of Directors insisted on control in matters of such small importance as it is understood the Railway Companies' Directors and the Railway Board do. From his conversations with railway agents, he understood that they had to refer to the Boards matters which appeared to him to be of very trifling importance.

4631. In reply to Sir Arthur Anderson, Mr. Watson Smyth cited a case in which a company, the Asiatic Steamship Company, registered and having its Board of Directors in London has both rupee and sterling capital. He promised that he would furnish information regarding the method in which the accounts are kept and interest and dividend payments on the Indian debentures and shares were adjusted. Mr. Tuke expressed the hope that he would deal especially with the question of the liability to English Income Tax of the return on rupee debentures regarding which the Committee had been unable to obtain much information.

4632. Mr. Watson Smyth explained that he was not in a position to discuss in detail the opinion expressed by the Chamber that any form of control modelled on the lines of that exercised over English railways by the Ministry of Transport is undesirable. He understood that the paragraph in question had been drafted under the impression that the Ministry of Transport exercised extensive powers of dictation in respect of rates and fares. The Chairman explained that at the present time the Government pays the bill in Great Britain and that the arrangement alluded to relates to purely *interim* conditions. In view of this explanation, Mr. Watson Smyth agreed that this particular portion of the written evidence should be expunged.

4633. Referring to the Chamber's objection to the application of uniform minimum mileage rates on the Indian railways, Mr. Watson Smyth agreed that the point really was that the East Indian Railway being able to carry traffic cheaper than any other line, it was not fair to fix the minima rates at such a figure as would prevent it from giving the Calcutta port, which it serves, the advantage of this, by quoting specially low rates in competition with other railways. It did not matter to the Chamber that the minimum rates should be uniform provided that on the East Indian they were sufficiently low.

4634. With regard to the question of control of railways in the matter of rates, the Chairman drew attention to the range between the maximum and minimum rates prescribed by Government and said that Government does not, in practice, interfere with railway administrations so long as they do not exceed these limits. Mr. Watson Smyth stated that the Chamber did not desire any Government control. They would prefer to fight their own battles with the railways in cases of dissatisfaction. In their experience, the railway administrations had always been ready to listen to reason when it was forcibly enough expressed. The Chairman suggested that there might be others who had not the support of a powerful Chamber who might take a different view. Mr. Watson Smyth, however, thought railways are not unreasonable and that, through one body or another, interested parties can usually secure satisfaction. It is not merely a question of a single Chamber of Commerce as the Associated Chamber now exists and can take up matters in which a single Chamber has been unsuccessful. He admitted that at the present moment the Associated Chamber of Commerce is a European body, though there was some hope that it might assume a more comprehensive character hereafter.

4635. On the matter being further discussed, he agreed that he had in mind cases of major importance and that there might be cases of real hardship for which the existing system provides no remedy. He thought, as far as the Calcutta merchants were concerned, that they could evolve a satisfactory procedure in direct relations with the railways. He admitted, however, that there might be a case for establishing a tribunal existing to protect the smaller trades and the less important people generally, though his Chamber was not in favour of it.

4636. The Chairman observed that there is a manifest need for more money for railway development and that Indian railways are a substantial asset which must now be worth much more than their value as recorded in the accounts. He asked whether it was reasonable in such circumstances for Government to redeem its railway capital at the rate of about one million pounds per annum as they are actually doing, while at the same time borrowing money for further capital expenditure at the prevailing high rates of interest. Mr. Watson Smyth agreed that this procedure is contrary to all commercial principles.

The examination of the witness was adjourned until the afternoon.

ANNEXURE No. 1.

(Letter from Messrs. Ralli Brothers, relating to the traffic in linseed—see paragraph 4605 *of the summary of Mr. Watson Smyth's evidence.)*

The only oilseed for which there was a good demand early in the year was linseed, the average rupee value for which was at the time Rs. 11 per maund, and it actually went as high as Rs. 12-8. At this price business was feasible, but as the demand was for early shipment it was too risky to undertake business because the Railways were working very badly, and one could not rely on having the seed down within a reasonable time. We had a case where some 700 tons of linseed were held up at one station for over four months. These Railway difficulties interfered seriously with the movement of the linseed crop, with the result that Plate seed filled the demand and India lost the opportunity of selling its seed at the above quoted high price. It has quite recently been as low as Rs. 8-8, and now stands at about Rs. 9.

ANNEXURE No. 2.

(Letter from Messrs. James Findlay and Company, relating to the traffic in manganese—see paragraph 4606 *of the record of Mr. Watson Smyth's evidence.)*

With reference to the question of manganese, we are the Agents of the Central Provinces Prospecting Syndicate, Limited, who are, I understand, not only the largest individual producers of manganese in India, but in the world. For a long time past the supply of wagons for the Syndicate's requirements has been

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wholly inadequate and we have represented the matter time and again to the Bengal Nagpur Railway, as Sir George Godfrey will be able to confirm. Colonel Gracey, Managing Director of the Syndicate, is at present in Calcutta and he informs me that, if only the Indian Railways were in a position to move the ore, the Syndicate consider that they could without any difficulty, dispose of double the quantity they at present succeed in shipping. Roughly their shipments average about 300,000 tons per annum and, with the present demand for manganese, they consider they could easily dispose of 600,000 tons. At the moment they have some 300–350,000 tons of prepared ore in stock up-country which they are only able to move to the ports in comparatively small quantities as wagons are available. As an instance of the congestion, Colonel Gracey informs me that at one station on the Bengal Nagpur Railway they have a stock of roughly 70,000 tons, while despatches only average about 3,000 tons per mensem from the station in question.

Mr. WATSON SMYTH was recalled and further examined.

4637. Regarding the Chamber's opinion that branch lines should be built and worked as an integral part of existing railway systems, Mr. Watson Smyth said that the Chamber had not worked out any scheme by which the necessity for keeping separate accounts, with the risk of disagreements regarding them, could be obviated. The Chamber was in favour of letting the main lines undertake the branches as an integral part of their system if possible; but, rather than have promising developments hindered, would put up with branch line companies. At the present time it is of course better to improve the existing lines than to spend money on new lines which would only bring additional traffic on the already too congested systems.

4638. The cost of strategic lines and of any stock kept for purely military purposes on the main lines should be charged to the military and not to railway account.

4639. Mr. Watson Smyth could not commit his Chamber to approving the idea of a tribunal to deal with rates and fares. The Chamber was inclined to think that if a tribunal were set up there would be a tendency to refer unnecessarily to it differences of opinion which under the existing system are settled after some discussion. But assuming that this might be desired for the protection of smaller places and interests, he thought that a body constituted as suggested by the Chairman might be suitable, namely, a Chairman with legal training specialising in railway business with two commercial and two railway members. He would agree to the addition of a local railway man, and a local commercial expert in the particular trade in point, to deal with individual complaints.

4640. Mr. Watson Smyth did not recommend the constitution of the Port Commissioners as a model to be followed in the formation of Railway Boards of Directors. He was only expressing his personal views. He thought that the regulation under which each man is appointed for only two years asks for non-continuity. A representative on the Port Commissioners of a particular industry or trade is usually followed by a representative of a different firm in the same trade which means break of continuity. The Bank of Bengal system he considered better, the practice being that the heads of certain firms become directors almost as a matter of course and continue to remain on the Board as long as available.

4641. The fees should be appreciable and the work should not be heavy. In the case of the Bank of Bengal the work of the directors does not make a great claim upon their time although very responsible in kind. He would make no rule as to the numbers of Europeans and Indians, but it should be clear that a substantial portion should be Indians.

4642. The Chairman referred to the salt gola case, which had been mentioned in the morning's evidence. Mr. Watson Smyth explained that there was not sufficient accommodation for the salt coming in and requiring to be taken up-country, owing to the difficulty of getting it away by rail. In a recent case a ship, with 1,400 tons salt in the cargo, was not able to unload, and had to take it back again to Liverpool. Another steamer has been lying in the stream since the middle of November last. It brought about 6,000 tons salt, of which about half is still on board.

4643. Mr. Watson Smyth said that his own firm has a tar refining industry which was opened some 2½ years ago. It is unable to work at its full capacity, and if it had been an independent company it would have failed by now, owing to the inability of the railways to supply the tank wagons considered necessary for the carriage of the tar.

4644. With regard to the Asiatic Steamship Company, Mr. Watson Smyth promised to give information regarding the way in which the English Income Tax law affects this case.

4645. He agreed with the Chairman that under the system under which English tax is levied on profits and only the balance remaining is divisible among the shareholders, it is clear that Indian shareholders cannot escape paying English Income Tax, although the tax is not levied directly on their dividends, since Income Tax is on total profits and, therefore, the amount divisible is less than it would otherwise have been.

4646. In answer to Mr. Purshotamdas Thakurdas, Mr. Watson Smyth stated that his Committee were generally cognisant of the views of Indians on railway matters. He admitted that his Chamber's views were influenced mainly by considerations relating to Bengal.

4647. He said that his Chamber would like to have local boards in India to facilitate management and get the confidence of investors in India. He thought they would be valuable both from the point of view of the investors and of the users of the railways. The Chamber did not mean to suggest in the written evidence that the Committee would altogether exclude Indians from the local boards unless Indian capital were subscribed. The Chamber agreed that there should be a reasonable representation of Indians, even in this case, to watch the interests of those who are served by the railways.

4648. Mr. Watson Smyth mentioned no specific case in which he thought Government control was too close upon the railways, but had a general feeling that Government should interfere only in matters of real importance. They contemplated that the Government of India should be represented, say, on the E. I. R. Board, as a shareholder. He thought that the objection to the Boards being in London was to some extent counterbalanced by the easy access they have to the Secretary of State. Mr. Purshotamdas said that he believed that this direct access to the India Office had been the subject of particular complaint.

4649. Mr. Watson Smyth said that he did not endorse the complaint with regard to what is called the "drain" of companies' net surplus profits from India, and was unaware that Sir Ernest Cable had shared the objections to it.

4650. Where the Chamber spoke in their written evidence of the lack of confidence of investors in the Government of India, it had not been meant to suggest that there was reason why the Government of India in particular should not inspire confidence. It was simply that all Government loans had fallen heavily; it happened to be the Government with which the investors in this country are concerned. The Chairman asked whether London and North Western Railway debentures had not had an equally serious drop.

4651. The Committee of the Chamber had referred in their written evidence to a letter, of October, 1916, to the Railway Board regarding State and Company management. Mr. Purshotamdas Thakurdas quoted the following sentence from that letter: "It

is specially necessary that an absolute right of purchase after the lapse of a certain period should be reserved." If so, Mr. Purshotamdas asked whether it is not right that a very strong case should now be made out before reverting to the policy of company management and increasing the interests of the companies in the railway property. Mr. Watson Smyth agreed, but said that the Chamber had made out an overwhelming case; Government had taken over the railways and had exercised their right of purchase, with the most unfortunate results; and the best thing they could do was to go back to the system of company management. Mr. Purshotamdas also drew attention to the recorded opinion of Sir Ernest Cable that the history of the past had been favourable to the State management; and that improvements on the E.I.R. dated from the time when it came direct under the State control.

4652. Mr. Watson Smyth said that the Committee considered that the Board should be in London mainly for financial reasons. It was largely a question of the quantity of money that can be raised, they believed that the total amount required would not be obtained unless borrowed in London as well as in India. He admitted that the London market might lend to others without retaining control, they would no doubt do so in the case of India also, but not in sufficient quantity.

4653. In response to Mr. Tuke, Mr. Watson Smyth promised to supply a copy of the Act containing particulars of the constitution of the new Imperial Bank. He also promised, in answer to Mr. Hiley, to give particulars of cases in which complaints have been made to Government regarding the lack of facilities. He agreed with Mr. Hiley that probably the public had been too patient as regards the representation of their grievances. It was hoped that advantage would be taken of the Association of the Chambers of Commerce to ensure greater attention to the requirements of the commercial public in general. The Association hoped that the Honourable Members for Commerce and Industry would be able to attend the next meeting of the Associated Chambers, as had been done on the occasion of the first assembly last year.

4654. Mr. Watson Smyth alluded to the existence of some lack of co-ordination between the port and the railway authorities in connection with the coal traffic. He subsequently explained to Sir George Godfrey that what he had in mind related rather to traffic working. It was important that the traffic authorities in the port and the railway should co-operate so as to ensure wagons coming down in sufficient quantities, but not in such quantities as to cause congestion at any time.

4655. Sir Rajendra Nath Mookerjee asked whether the English railway debentures have maintained their prices. Mr. Watson Smyth replied that he did not know.

4656. Sir Henry Burt asked what the Chamber's views was regarding the suggestion that low rates for the traffic to and from the port favoured the import and export trade unduly as compared with indigenous industries. Mr. Watson Smyth said that the Chamber did not really tackle this thorny subject which involved the delicate question of protection. With regard to rates in general he said that the commercial community would gladly pay higher rates than those at present levied if they were satisfied that they were getting their money's worth.

4657. Sir Henry Ledgard asked whether the existing Government securities, to the depreciation of which allusion had been made, would not in any case be affected by the ordinary market conditions, even if Government did not issue loans carrying more attractive rates of interest. Mr. Watson Smyth observed that usually gilt edged securities increase in value when others are depressed. He agreed, however, that money had become generally dearer and that Government 3½ per cent. paper must have dropped in price even if Government had not issued later loans carrying higher rates of interest. The point which the Chamber wished to make was that Government were averse to doing anything which would depreciate their outstanding loans and that they are therefore disinclined to offer really attractive terms for fresh borrowing.

4658. Sir Henry Ledgard drew attention to the very large sums of money which have been subscribed for industrial enterprise during the recent years as showing that there must be plenty of money available in India. Mr. Watson Smyth laid stress on the necessity of considering the money paid up rather than the sums subscribed, but he agreed with Sir Henry Ledgard that a good deal of money is available. Nevertheless, the amount required for railways is so large and there is so much competition in other directions for money that he did not think that India could produce it all. The point on which the Chamber of Commerce wished to lay emphasis is, that money is the crux of the whole position and that nothing should be done which would in any way circumscribe the possibility of raising the total amount required.

4659. With reference to the suggestion that Government should be represented as a shareholder on the Board of Directors, the Chairman observed that a precedent for this might be found in the case of the German municipalities, which had considerable interest in and corresponding representation on the local gas, tramway, and electric supply companies. The witness said his Chamber had made their recommendation without being aware of this precedent.

4660. Sir Rajendra Nath Mookerjee asked whether people would be more likely to subscribe to railway flotations carrying a rate of 8 or 9 per cent. because of the hope that they could control them in such a way as to secure all the comforts and facilities they want. Mr. Watson Smyth replied that there would at least be some who would subscribe to industrial and other flotations in the hope that they could get more money.

4661. In reply to Mr. Purshotamdas, Mr. Watson Smyth said that the commercial community would no doubt view with sympathy railway flotations and would subscribe to them in view of the difficulties they had experienced during the last few years. He added that the problem of raising the money required is not a question merely of the rate of interest; only a limited amount of money would be forthcoming, even if the rate of interest were increased 1 or 2 per cent. Finally the Chairman drew attention to the statement in the Chamber's written evidence that the Chamber has "grave doubts" as to the railways being in a position to deal with their traffic without seriously prejudicing the interests of others; and asked whether, in fact, the Chamber had any doubts in view of the evidence which had been produced. Mr. Watson Smyth agreed that the expression was inaccurate, the fact being that the Chamber had no doubt at all as to the incapacity of the railways.

Postscript.—Mr. Watson Smyth subsequently furnished the following documents to the Committee:—

1. *Extract from a letter from the Central Provinces Prospecting Syndicate, Limited.*—At South Tirody Station on the Bengal-Nagpur Railway, Tumsar-Tirody Line, we have about 70,000 tons of ore waiting to be railed, at Balaghat we have 60,000 tons, at Ramtek 45,000 tons, at Tumsar Road 20,000 tons, and various quantities at the other stations.

II. Statement furnished by Ralli Bros. showing the dates on which linseed was ready for despatch, and the actual dates of despatch from Sitamarhi Station; showing that whereas the stocks accumulated between April and June, the despatches did not really commence before the 2nd August, and that it took the railway nearly two months (August 2nd—September 21st) to clear 698 tons.

SITAMARHI—BENGAL AND NORTH-WESTERN RAILWAY.

Date of readiness for despatch.	Tons.	Date of despatch.	Tons.
3rd April, 1920 ...	10	3rd April, 1920 ...	10
4th ,, ...	1	—	—
7th ,, ...	10	7th April, 1920 ...	10
13th ,, ...	10	13th ,, ...	10
21st ,, ...	10	21st ,, ...	10
22nd ,, ...	1	—	—
23rd ,, ...	1	—	—
26th ,, ...	5	—	—
5th May, 1920 ...	10	—	—
7th ,, ...	35	—	—
10th ,, ...	10	—	—
12th ,, ...	10	—	—
13th ,, ...	7	—	—
14th ,, ...	28	—	—
16th ,, ...	25	—	—
17th ,, ...	20	—	—
18th ,, ...	10	—	—
19th ,, ...	20	—	—
20th ,, ...	10	20th May, 1920 ...	20
24th ,, ...	36	—	—
25th ,, ...	10	—	—
26th ,, ...	53	—	—
27th ,, ...	8	—	—
28th ,, ...	60	—	—
29th ,, ...	10	—	—
31st ,, ...	35	—	—
3rd June, 1920 ...	40	—	—
4th ,, ...	30	—	—
7th ,, ...	88	—	—
12th ,, ...	35	—	—
13th ,, ...	10	—	—
15th ,, ...	20	—	—
16th ,, ...	10	—	—
18th ,, ...	40	18th June, 1920 ...	10
24th ,, ...	20	—	—
25th ,, ...	10	—	—
28th ,, ...	10	—	—
29th ,, ...	5	—	—
2nd July, 1920 ...	5	—	—

When purchases were stopped owing to heavy stock the position was:—

Stock	768	Tons
Less despatch	70	,,
=Net	698	,,

Date of readiness for despatch.	Tons.	Date of despatch.	Tons.
—	—	2nd August, 1920	30
—	—	3rd ,,	10
—	—	4th ,,	10
—	—	6th ,,	50
—	—	11th ,,	50
—	—	14th ,,	30
—	—	17th ,,	20
—	—	19th ,,	20
—	—	20th ,,	20
—	—	23rd ,,	30
—	—	24th ,,	30
—	—	25th ,,	40
—	—	26th ,,	20
—	—	30th ,,	40
—	—	31st ,,	60
—	—	6th September, 1920	50
—	—	7th ,,	30
—	—	9th ,,	20
—	—	13th ,,	20
—	—	15th ,,	40
—	—	16th ,,	50
—	—	18th ,,	20
—	—	21st ,,	8
			698
Average date of readiness, 27th May, 1920.		Average date of despatch 16th August, 1920.	

III.—*Balance sheet of the Asiatic Steam Navigation Co., Ltd., dated 31st December, 1919.*

	£	£		£
To Capital 30,884 shares at £10 paid	308,840 0 0		By steamers, spare gear, Pontoons, Jetties, Loan and Investments ...	3,407,569 16 2
,, Capital 2,137 shares at Rs.100 paid ...	16,425 10 9		,, Insurance on Current Voyages ...	40,577 1 8
		325,265 10 9	,, Payments account new steamers ...	43,525 10 0
,, Reserve Fund and Contingent Liabilities		1,904,257 14 8	,, Cash at Bank and in hand ...	34,465 3 10
,, Ministry of Shipping		740,958 8 1		
,, Managing Agents Remittance account		475,125 2 2		
,, Bills payable		4,795 0 0		
,, Sundry Accounts not closed ...		2,675 9 6		
,, Profit and Loss account		73,060 6 6		
		3,526,137 11 8		3,526,137 11 8

IV. Extract from the Memorandum of Association of the Lodna Colliery Company (1920), *Ltd., showing the duties of the Managing Agents.*

MANAGEMENT OF THE COMPANY.

Managing Agents.

85. The management of the business and the control of the Company shall be vested in the Managing Agents. The Managing Agents shall have the direction, management, superintendence, and control of the Company and of all its business transactions, books, papers, investments, securities, stocks, funds, effects, property, affairs and concerns whatsoever, with full power to do all acts, matters and things, which they may deem necessary, proper or expedient, for carrying on the business of the Company.

The first Managing Agents and their remuneration.

86. Messrs. Turner, Morrison & Co., Limited, of Calcutta, shall be the first Managing Agents of the Company. Their remuneration shall be fixed by the Company in General Meeting, subject, however, to the terms of the agreement referred to in Article 6 hereof.

87. The Managing Agents shall cause minutes to be duly entered in the books provided for the purpose: Minutes to be kept.
(*a*) of all appointments of officers;
(*b*) of all orders made or resolutions passed by the Managing Agents;
(*c*) of all resolutions and proceedings of General Meetings;
and any such minutes of any meeting of the Company, if purporting to be signed by the Chairman of the next succeeding meeting shall be receivable as *primâ facie* evidence of the matters stated in such minutes.

88. The Managing Agents, in addition to the powers and authorities hereby expressly conferred upon them may exercise all such powers and do all such acts and things as may be exercised or done by the Company and are not hereby or by act of the Legislature expressly directed or required to be done by the Company in General Meeting, but subject nevertheless to the provisions of the Indian Companies Act, 1913, and of these presents, and to any regulations from time to time made by the Company in General Meeting, provided that no regulation so made shall invalidate any prior act of the Managing Agents which would have been valid if such regulation had not been made. Powers of Managing Agents.

89. Without prejudice to the general powers conferred by these presents, it is hereby expressly declared that the Managing Agents shall have the following powers, that is to say:— Special powers of Managing Agents.

(*a*) To pay the costs, charges, and expenses, preliminary and incidental to the formation, establishment, and registration of the Company. To pay preliminary expenses.

(*b*) To purchase or otherwise acquire for the Company and to sell, lease, exchange or otherwise dispose of any property, rights or privileges, which the Company is authorised to acquire at such price and generally on such terms and conditions as they think fit. To purchase and deal with properties.

(*c*) At their discretion to pay for any rights acquired by, or services rendered to, the Company either wholly or partially in cash or in shares, bonds, debentures, or other securities of the Company and any such shares may be issued, either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon, and any such bonds, debentures or other securities may be either specially charged upon all or any part of the property or the Company and its uncalled capital, or not so charged. To pay in cash shares or debentures.

(*d*) To secure the fulfilment of any contract or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company, and its unpaid capital for the time being or in such other manner as they think fit. To secure contracts by mortgage.

(*e*) To appoint and, at their discretion, remove or suspend such Agents, Managers, Secretaries, Assistants, Clerks, Servants or other officers for permanent, temporary or special services as they may from time to time think fit, and to invest them with such powers as they may think expedient, and to determine their duties and fix their salaries or emoluments and to require security in such instances and to such amount as they may think fit. To appoint Agents, Managers, and other servants.

(*f*) To appoint any person or persons to accept and hold in trust for the Company any property belonging to the Company or in which it is interested, or for any other purposes, and to execute and do all such deeds and things as may be requisite in relation to any such trust. To appoint trustees.

(*g*) To institute, conduct, defend, compound or abandon any legal proceedings by and against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow for payment or satisfaction of any debts due, and of any claims or demands by or against the Company. To bring and defend actions, etc.

(*h*) To refer any claims or demands by or against the Company to arbitration and observe and perform the awards. To refer to arbitration.

(*i*) To make and give receipts, releases and other discharges for money payable to the Company and for the claims and demands of the Company. To give receipts.

(*j*) To act on behalf of the Company in all matters relating to bankrupts and insolvents. To act for Company in insolvency.

(*k*) From time to time to provide for the management of the affairs of the Company in case of the illness or temporary absence of the Managing Agents in such manner as they think fit. To provide substitute in the event of illness or absence.

(*l*) To appoint any person, firm or Company to be the attorney or attorneys or agents of the Company, whether in British India, or elsewhere, with such powers, including powers to sub-delegate, and upon such terms as may be thought fit. To appoint attorneys.

(*m*) To invest and deal with any of the moneys of the Company not immediately required for the purposes thereof upon such security and in such manner as they may think fit, and from time to time to vary or realise such investment. To invest.

(*n*) To buy, sell, endorse, transfer, and assign any Government or other securities and to demand and receive all dividends and interest due thereon, and to sign contracts, agreements, conveyances, assignments, leases, kabulyats, counterparts of leases, pottahs, mortgages, reconveyances, debentures, share certificates, dividend warrants, transfers, acceptances, receipts, acquittances or other documents, and to do all other lawful acts requisite for the purposes aforesaid and to register documents and to admit execution of documents. To deal with securities and execute documents.

(*o*) To make advances to persons having dealings or entering into contracts with the Company on such terms as the Managing Agents think fit. To make advances.

(*p*) To execute in the name and on behalf of the Company in favour of any person who may incur or be about to incur any personal liability for the benefit of the Company, such mortgages of the Company's property, present and future, as they think fit, and any such mortgage may contain a power of sale and such other powers, covenants, and provisions as shall be agreed on. To give security by way of indemnity.

(*q*) To give to any person (other than themselves) employed by the Company a commission on the profit of any particular business or transaction or a share in the general profits of the Company, and such commision or share or profit shall be treated as part of the working expenses of the Company, and to pay commission and make allowances to any person, firm or company (other than themselves) introducing business to the Company or otherwise promoting the business thereof. To give percentage to officers, etc.

(*r*) To draw and endorse cheques on bankers, and to make, draw, sign, accept, negotiate and endorse all other negotiable instruments of every nature. To draw cheques, etc.

(*s*) To enter into all such negotiations and contracts, rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company. To make contracts, etc.

(*t*) To contribute or subscribe money for any imperial, national, charitable, benevolent, public, general or useful object, or for any exhibition. To contribute moneys.

Mr. A. COCHRAN, C.B.E., M.L.C., was called and examined with reference to the written statement furnished by the Indian Engineering Association.

See Written Statement No. 33, Vol. IV., P. 121.

4662. **Mr. Cochran** stated that he was senior partner of Messrs. Burn and Company, a firm of large engineering contractors and manufacturers. This firm has the contract for erecting the whole of the 5,000 Canadian wagons of which mention had been made to the Committee. Of these, some 900 had been erected to the American design as covered wagons, slightly modified to meet the Indian requirements, and about 600 of them are now in service. The remaining 4,100 wagons are being built as open high sided wagons of a modified type, from the Canadian material and additional materials from Great Britain. Although the whole of the material from Great Britain had not yet arrived, there is nothing to stop progress on the work except a strike which is at present taking place at the company's works. The maximum output of the works is 300 wagons per mensem, half at the Howrah works and half at Asansol.

4663. Speaking as Chairman of the Indian Engineering Association, Mr. Cochran explained that this body comprises 23 engineering firms in Calcutta and up-country, five in Bombay, one in Bihar and Orissa, two in Madras, three in Karachi, one in the United Provinces and three in Rangoon. The Association is open to all engineering firms in India and comprises both European and Indian concerns.

4664. The Association are still of the opinion expressed in 1916 that company working of railways is preferable to State management, but has changed their opinion with regard to the domicile of the companies, as they now consider that a Board in India only is desirable. In reaching this conclusion, the Association were influenced by the whole tendency of the Reforms Scheme and the trend of public opinion. They considered that while progress may not be fast, no steps should be taken to block it; and in fact the quicker the change that has been decided upon can be effected consistently with economy, the better it will be.

4665. The Association had been influenced by the discovery of how much could be done in India under war conditions. Formerly there had been a tendency to think that all important engineering work should be obtained from Great Britain, but during the war it was surprising to find how much could be done in India and by Indians. The position had also been altered by the ability of the Tata works to produce steel. Their output began shortly before the war and was essential for the success of India engineering firms. Mr. Cochran stated that in his experience the Tata Iron and Steel Company were much more satisfactory to deal with than firms in the United Kingdom. Mr. Purshotamdas observed that this was a case in which the directorate was wholly Indian. The witness thought that there might be some difficulty in constituting local Boards of Directors for Indian railways owing to the great distance and varying interests to be considered. He did not think however that it would be insuperable, although some inconvenience would be caused by having directors from distant parts of India who would have to make long journeys to attend meetings.

4666. He was not much in favour of local Advisory Committees as they have little power but he agreed with the Chairman that in practice the distinction between an ordinary Board of Directors and an Advisory Board could easily be exaggerated, as a Board of Directors, though possessing the power, rarely has occasion to use it, generally accepting the manager's views in relation to questions of management. He thought that suitable directors could be found in India, but a good deal would depend on how their advice is treated. He thought that it would be easier to manage the Eastern Bengal Railway by a local Board as its interests centre mainly in Calcutta and a suitable Board could therefore more easily be obtained. In the case of the East Indian Railway which runs through many provinces and serves different centres of importance, it would be more difficult and he thought probably that it would be better to work this as a State line. This recommendation did not affect his view that, in general, company management is best, but there are lines (of which the East Indian is one) which could be better worked directly by the State.

4667. He thought that the military account should bear the cost of purely military lines such as the strategical railways on the frontier.

4668. The Association were satisfied that the financial question is the crux of the whole railway problem and it was essential that necessary funds should be forthcoming. In the Association's written statement, it had been stated that the statement of the railway agents that they could only just carry on in 1921-22 afforded very damaging evidence of the paralysing effect of economising at the expense of efficiency. Mr. Cochran agreed that the word economy was really wrong as it was obviously not economy to stint money in such cases as this.

4669. The Association agreed that Government must pay the market price for the money to be raised.

4670. Mr. Cochran explained that to ensure the Indian engineering firms an opportunity for competing with firms in the United Kingdom, a promise had been secured from Government in 1916 that 3,000 railway wagons would be purchased annually in India, if the price were not higher than that quoted for similar supplies from Great Britain. He thought that this was a very moderate concession, as India might reasonably claim the preference in all cases in which the price was not higher, especially seeing that the money would be spent in the country.

4671. In answer to Sir Arthur Anderson he said that wagons are manufactured mainly from imported materials, the plates, wheels, axles and springs all being imported. India is, however, developing and will become more and more self-reliant in future. He expected that before long his firm would be able to make the whole wagon except the wheels and axles.

4672. At present, Messrs. Burn and Company turn out 1,500 wagons per annum. They expect in 15 months' time to be able to turn out 4,500. Another firm, Messrs. Jessop and Company, had a capacity of turning out about 1,000 wagons.

4673. With reference to the suggestion that an advantage of having a Board of Directors in England is that they look after orders placed in that country, Mr. Cochran said that it was certainly likely to prevent orders being placed in India.

4674. Notwithstanding the undertaking given in 1916, it was only in May, 1920, that the first large order for wagon construction had been given in India. Of this, Messrs. Burn and Company received a substantial share. They had been building wagons since 1902 in competition with England. Generally speaking, they obtain more orders from State-managed than from company-managed lines.

TWENTY-THIRD DAY.

(Madras).

Tuesday, 18th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, KT., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. O. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Lieutenant-Colonel E. Barnardiston, Secretary to the Government of Madras, Public Works Department (Railway Branch), was called and examined with reference to a memorandum on the "Railway policy advocated by the combined Government of Madras" which had been furnished to the Committee.

4675. Colonel Barnardiston explained that, in addition to being Secretary to the Local Government in the Public Works Department, Railway Branch, he was also Senior Government Inspector of Railways, No. 7 Circle, Madras, and acts in that capacity on behalf of the Government of India. As Government Inspector he has to deal with matters relating to the public safety, and the proper maintenance of railways; to make enquiries into serious accidents, to give permission to open railway extensions, etc.

4676. The Chairman observed that these functions are generally similar to those formerly exercised by Inspectors under the Board of Trade except that the latter do not make inspections after a new line is once opened. The witness stated that his reports to the Railway Board are not restricted to matters affecting the public safety but also include references to the convenience of the public, for example, overcrowding, and that he is at liberty to suggest remedies. In his last report, for instance, he drew attention to the over-crowding of the South Indian Railway. The Government Inspector's report is a confidential document of which he would put in copies for the use of the Committee but not to be published. He explained that the points marked with an asterisk relate to matters of urgent importance in which the safety of the public necessitates urgent action. In the last report on the South Indian Railway, only one work was starred and this had been carried out by the Railway Administration.

4677. The witness explained that by the "combined Government of Madras," was meant the new Government, that is, His Excellency the Governor in Council together with the Ministers in charge of transferred subjects. He understood that the Government of Madras in expressing their views were looking at the railway problem from the point of view of the Madras Presidency and would not necessarily claim that their opinions should hold good in respect of other parts of India.

4678. The Madras Government recommended the separation of the railway system of India into a number of distinct railway groups; each of which would be responsible for making its revenue sufficient to meet working expenses and interest charges for capital.

4679. Asked what would happen if the revenue were to fall short, the witness thought that the Finance Member of Council would, through the Railway Members of Council, ensure the responsible persons being brought to book. Although it would be the Railway Minister's agents who would be responsible, he thought that both ministers being on the Council and the matter being one for settlement there, it would be easy to ensure effective action. The Government of Madras contemplate that each railway group should pay only its working expenses together with all interest charges on the money borrowed for it; if the Government of India wished to make a profit from the railways, this should be done by means of a direct tax on tickets and a surcharge on goods. It is not, however, considered desirable that this should be done, and the witness thought that this form of taxation would be very undesirable.

4680. The witness was at first disposed to think that the Finance Department could only claim from the railway groups as much money as was necessary to enable their liabilities on account of interest on borrowed money to be paid. He agreed, however, with the Chairman that the Finance Minister might perhaps reasonably claim some recognition of past losses on the railway system, and might claim that the railways should pay some increased percentage, say, 5 or 5½ per cent., as both covering current interest charges and making up past losses; or he might claim interest on a reasonable capital revaluation of the railways. The Chairman suggested that the Finance Member might press the view that the railways are an improving property, and claim a share in the surplus earnings. The witness thought this would be undesirable, and it would militate against the separation of the railways from the direct control of the Finance Department. He thought that the Government would have sufficient control over the trustees in charge of each group to ensure that the necessary revenue would be produced.

4681. The Chairman observed that, if the separate groups were financially independent of each other, a surplus revenue on one could not be utilised to make good a deficit on another, and that it almost seemed as if there ought to be one railway budget (without necessarily implying that the Railway Minister would not handle each group separately). The Finance Minister might reasonably claim that the surpluses and deficits of the several groups should be merged together, and that his requirements should be satisfied on the whole. The witness agreed that this would seem reasonable.

4682. Colonel Barnardiston explained that, by the use of the word "commercial" in the Government's memorandum, for instance, where they expressed the view that railways should not be worked as commercial undertakings, it was not meant to suggest that the railways should not be self-supporting. It only meant that they should not be worked with a view to earning dividends like ordinary commercial concerns, but that they should only balance working expenses and interest charges with perhaps a small surplus to ensure being on the right side.

4683. In support of the Government's complaints about railway facilities, the witness cited the case of the Erode Junction as a particularly bad one, in which facilities were inadequate and nothing could be done, because for some 10 or 15 years, the question of the location of the broad gauge South Indian Railway workshops had been under discussion without a decision being reached; on the decision depend the

arrangements to be made at Erode. The Chairman observed that this position appeared to be due to the alteration made in 1908, when three railways were made into two and the Madras, the Southern Mahratta and the South Indian Railways were regrouped in two systems, the Mahratta and Southern Mahratta and the South Indian Railways, each having a portion of broad and narrow gauge. In the case of the South Indian Railway, it appeared that the broad gauge portion of 418 miles taken over by it included only a small locomotive workshop at Podanur. This the witness stated was not adequate to deal with requirements, and part of the work had to be done by the Madras and Southern Mahratta Railway at Perambur; the question, which has so long been unsettled, relates to the arrangements to be made for enabling the South Indian Railway to terminate this unsatisfactory arrangement and to provide their own broad gauge locomotive workshops.

4684. The Chairman asked whether the division of lines made in 1908 was a satisfactory one, and the witness explained that the object was to secure more geographically compact systems. The South Indian Railway metre gauge shops are at Negapatam whence for years it has been desired to move them. The Company's proposal was to have combined shops for broad and metre gauge at Trichinopoly and to re-convert the existing metre gauge Trichinopoly-Erode line to the broad gauge (the gauge to which it had originally been constructed). That line urgently needs renewal in any case as the existing rails are worn out and train speeds have had to be limited to 22 miles per hour: when the line was relaid it could be reconverted to broad gauge at an extra cost of only about Rs. 12 lakhs. Nothing can be done, however, until the Railway Board is able to come to a decision on the question regarding the location of the workshops.

4685. Referring to the Madras Government's statement that complaints against the South Indian and the Madras and Southern Mahratta Railways are numerous and well known, the Chairman asked whether it is the case that the Companies are really to blame in view of the known restriction of funds by the Government of India. The witness stated that the South Indian Railway are very reluctant to add to the capital of their line for fear of reducing dividends even temporarily. As a case in point, he mentioned that there was a crying need for better shelter for the third class passenger traffic at Rameswaram, a place of pilgrimage to which the number of passengers is very large. He had recently seen that a quite inadequate shelter had been provided along the platform, but had discovered that the South Indian Railway Company had not paid even for this; it had been put up at the cost of a private person.

4686. In the witness's opinion, the Company had got nearly all the money that they had wished to expend on requirements and had asked for, but he was not satisfied that they had pressed for sufficient funds. He quoted, in this connection, the notes of a discussion with Mr. Wood, a Member of the Railway Board, who had visited Madras during 1912. Mr. Wood pointed out that the Agent of the Railway could not say that he had had less money than was wanted and this statement was accepted by the then Agent. The case specially under discussion at the time related to rolling stock, but the witness thought that the Railway Board has not treated the South Indian Railway unfairly in general.

4687. The Chairman mentioned that the evidence in Calcutta was all in the other direction, namely, that railways never got as much as they wanted. Colonel Barnardiston thought that the South Indian Railway at least had got nearly all that they had pressed for, and he believed that had they been more alive to public requirements and pressed for more, they might have got at least something extra. He agreed that owing to deferred maintenance due to the war, any money now obtainable must be spent in making up arrears, and consequently that no further expenditure could be incurred on such facilities as that now in question. The Government of Madras considered the failure of the South Indian Railway as one of a general character. It relates to standard of construction and the provision of facilities of all kinds.

4688. Correcting the figures mentioned in paragraph 3 of the printed memorandum, Colonel Barnardiston explained that the ton mileage carried by the South Indian and the Madras and Southern Mahratta Railways in the 10 years from 1908 to 1918 had increased by 87 per cent. while the number of goods vehicles had increased only by 18 per cent., both the railways meanwhile earning 9 per cent. or upwards. He agreed that, in the case of the Madras and Southern Mahratta Railway, about 70 per cent. of the profit-sharing capital is owned by Government, whereas in that of the South Indian some 93 per cent. is so owned. In his opinion, the holder of the smaller capital dictates the policy of the railway, with very unsatisfactory results. He ascribed this to the fact that the Government had handed over the whole undertaking to the companies to work. The Railway Board was in a position to exercise more control, but does not do so. He agreed that it was unfair to assign the whole of the blame to the companies. The Railway Board must also share this, as brought out later in the Local Government's memorandum. He could not apportion the blame between the company and the Government; they were jointly responsible.

4689. Colonel Barnardiston was not clear on what capital figures the 9 per cent. earnings quoted in the memorandum was based. It was taken from the Administration Report—percentage of net earnings on total capital outlay. He agreed with the Chairman that it was at least clear that the companies were earning substantial dividends.

4690. Speaking of visits by the London companies' directors to India, the witness said that last year Mr. Sawyer, accompanied by Colonel Bonham-Carter, the Secretary of the Madras and Southern Mahratta Railway Company, had visited India. He was not aware of any of the directors coming out this year, nor of any of the South Indian Railway directors coming either last year or this.

4691. With reference to the delay caused by correspondence between London and India, the Chairman mentioned that complaints had been received elsewhere that it takes longer to get answers from Delhi than from London. Colonel Barnardiston mentioned, as an example of what the Madras Government had in mind, the prolonged correspondence between the South Indian Railway Company's agent and the board of directors about the provision of Indian refreshment room accommodation on the South Indian Railway. With regard to the possibility of financing such schemes as this, he recognised that, had the company pressed for all they should have pressed for, they might not have succeeded in securing sufficient funds from Government. He accepted the Chairman's summary of his complaint that the company was unwilling to ask what, if it had asked, it probably would have failed to get.

4692. Referring to the Government Inspector's inspection reports, the witness stated that the Government of Madras are dissatisfied with the Railway Board's treatment of the Government Inspector's reports, the same complaints having been repeated over and over again without any result.

4693. The Government of Madras had estimated an expenditure of some 30 crores of rupees as being required to bring railway communications in Southern India to a state of reasonable efficiency. The witness explained that this was based on an estimate amounting to about Rs. 27 crores made by Sir Harold Stuart, then Member of Council, in 1916. Some items had been cut out from that estimate and a 50 per cent. increase was allowed on account of rise in costs. The witness thought that, as the 1916 prices were high, this was a sufficient allowance for enhancement.

4694. Referring to the constitution suggested by the Government of Madras for the local board of directors or trustees of each group of railways, the

witness explained that the matter had not been gone into in detail by the Local Government.

4695. The Chairman asked which director it was intended should be the chairman of each board. The witness explained that this had not been gone into, but he thought that probably the Government director or the managing director would be the chairman. Asked whether, if the Government director were also the chairman, he would not in virtue of his double position really be an autocrat, Colonel Barnardiston expressed the opinion that the other directors would still exercise considerable influence; he thought that, in cases of difference of opinion, the matter in dispute should be reported to the Minister for Railways. He admitted that there might be a tendency for the Minister for Railways to support his own representative on the board in such cases, though he thought that the system would work well enough in practice. If the managing director were appointed chairman he would be a railway man, and the Chairman suggested that practically he would be the same as the agent now is, with a more imposing name and perhaps a larger salary. The witness thought that the Government director should have a power of veto. The Chairman observed that this power, though it exists in the case of the Government director of the Indian railway companies in London, has never been exercised, and he asked whether such a power which had never been used for forty years could really be useful. The witness thought, however, that the power is a necessary one, and that it should exist even though it was not exercised. He was disposed, however, to think that the Government of Madras would not press this point, realising, as the Chairman observed, that the controlling power of the Railway Board would be very large, and that the local board, being constituted specially to ensure full representation of local interests, might be trusted to administer the railways efficiently without the Government director having any power of veto. In his opinion, the representative members of the board, such as the nominees of the Chambers of Commerce, the industrial and trading interests, etc., would ensure the adoption of sound principles of management of railways, knowing what is necessary in the interests of the country. He realised that it would practically come to this that the board of trustees or directors would be as a whole a machine for organising public opinion so as to make it carry weight with the railway administration.

4696. Colonel Barnardiston explained that, for the purpose of raising money, he would not have the different railway groups compete against each other. The idea of the Government of Madras was that the raising of money would be controlled by the Government of India. If the directors were authorised themselves to raise funds either in England or (preferably) in India, it would be subject to conditions approved by the Government. He thought that money should be raised on the security of the railways in the same way as port trusts and municipalities secure their funds. In answer to the Chairman, he said that he understood that in the case of municipalities sometimes the local Government guarantees the loans. He thought that the Government of India would do the same in the case of the railway borrowings.

4697. The objection taken by the Government of Madras to the existing system is that the railways are not worked in the interest of the public. Their management is handed over, to a large extent, to companies whose sole interest lies in making money, and not primarily in considering the public requirements. In answer to the Chairman's question what action he would recommend in the immediate future with regard to the South Indian and the Madras and Southern Mahratta Railway Companies, whose contracts have many years still to run, Colonel Barnardiston said that he thought it should be explained to the shareholders that heavy arrears have to be made up, and a large further capital expenditure has to be incurred, and that consequently they could not count upon the maintenance of the existing rates of dividends. He thought that they would then only be too glad to accept an offer of a fixed 7 per cent. in lieu of maintaining their existing interests in the railway properties. The Chairman asked what would happen if the shareholders were to decline to accept such an offer. Colonel Barnardiston said he thought that they would change their minds once the heavy capital and revenue expenditure to which he referred had begun, when they realised the effect upon their dividends. He promised to let the Committee have a memorandum showing the extent, if any, to which the Government have power, under the contracts, to insist on the railway companies undertaking further capital expenditure on works considered desirable or necessary by the Government, but which the companies might not wish to undertake.

4698. The Chairman asked what protection the railways would have against the possibility that boards of trustees might demand a reduction of rates to an extent which would cause the earnings to be insufficient to meet the working expenses and interest charges. He suggested that, for instance, the agricultural representative on a board might insist on reductions in rates for agricultural produce, while the industrial representative might take similar action with regard to manufactures and manufacturing materials. Colonel Barnardiston said that it was the policy of the Government that the rates should be as low as possible, but that he was satisfied that the boards of trustees would see that the railway groups for which they were responsible would pay their way.

4699. With regard to the Railway Board, the Government of Madras recommended its abolition, and the substitution of a Railway Member of Council, or possibly a Member for Communications, who would be in charge of railways, roads, canals, and ports and harbours. The Chairman asked whether the local boards of trustees would not have to refer to the central controlling authority questions of importance, such as alteration of rates policy, or such questions of policy as the abolition of second and intermediate classes, to take an instance (from the evidence recently tendered by another witness). Colonel Barnardiston did not think that questions such as the latter should come before a central body; he instanced the abolition of the intermediate class on certain railways, which was done without reference to the Government of India. As the railway groups would be approximately confined to individual provinces, he did not think that inter-provincial considerations need affect this question. He agreed, however, that a good many matters of general interest would need to be referred to headquarters. He did not think it necessary that the administration at headquarters should, in addition to technical experts, also have representatives of public opinion for the purpose of advice. He thought that the local boards of trustees would sufficiently provide for this.

4700. The local Government considered that the Railway Board is at present deficient in two branches, namely, the Technical Branch which used formerly to exist and which should now be reintroduced on a bigger scale, and also a Projects Branch to ensure that a regular policy of construction is pursued and that lines are built on a pre-arranged system. There existed a chief engineer on the Railway Board's staff, but he thought that a reconnoitring staff is necessary also to ensure that the country is properly prospected from the railway point of view. In his experience he had known of cases in which a lack of proper reconnoitring had been a very marked disadvantage. On one occasion, he had been sent to make a detailed survey of a line the unsuitability of which would have been sufficiently demonstrated by a preliminary reconnaissance. In answer to Sir Arthur Anderson he said that he was aware of the reconnaissance work done by the Railway Board in connection with such projects as the Indo-Burma and Agra-Karachi connections, but he thought that his general criticism was not affected by such cases as these.

4701. In reply to the Chairman, Colonel Barnardiston said that during the fourteen years prior to the appointment of the Railway Board, 1,200 miles of new railway had been built in the Madras Presidency, but in the fourteen years of the Railway Board's existence only 535 miles, new lines, were opened of which some 200 were in course of construction when the Board was formed, and 142 were constructed by district boards or other agencies, leaving an annual average of only about fourteen miles to the credit of the Railway Board. In the case of district board lines he explained that the district boards were the promoters, and got much the same terms as branch line companies would do. The district boards finance their railways partly from moneys borrowed from the local Government on the security of the railway cess, partly from moneys borrowed from the Bank of Madras, and partly from the accumulated cess itself. The first method had been stopped owing to the Government of India's objection that the local Government must not spend railway money outside the railway capital programme. This position had however again altered by the recent introduction of the Reforms Act which gave wider financial powers to local Governments, though only in regard to railway projects of purely local importance.

4702. The Chairman inquired whether it would not be difficult to carry out the recommendation of the Government of Madras that there should be a central control of goods rolling stock if, when having authorised money to be put into an undertaking, it then proceeded to pool the stock and transfer the wagons elsewhere. He felt that an Act of Parliament would be required to authorise such a step.

4703. Colonel Barnardiston said that, generally speaking, overcrowding is recognised by the railway administrations, and that he was in a position to give many instances.

4704. He mentioned the inconvenience caused by the existence in the South Indian Railway Company's contract of a special provision designed to protect the company from the competition of new lines, which is in effect a serious obstacle to railway development.

4705. With regard to inquiries into accidents Colonel Barnardiston explained that "joint" inquiries (that is, inquiries by the joint representatives of the different departments of the railway administration) are held in all cases of serious railway accident. The Government Inspector usually attends these enquiries and questions witnesses. He has the power to hold a separate enquiry at his discretion, but he usually acts in the manner described so as to obviate the inconvenience to witnesses and others of separate proceedings. These enquiries are not open to the public. In the case of accidents of special importance the district magistrate also can hold a special public enquiry at his discretion, or may be required to do so by the local Government. The Magistrate is empowered to call upon the Government Inspector for assistance. Thus there might be three enquiries in a single case; the railway joint enquiry, the Government Inspector's enquiry, and the Magistrate's enquiry.

4706. In answer to Mr. Purshotamdas Thakurdas, Colonel Barnardiston stated that the Government of Madras adhered as a matter of policy to the opinions that company management should be abolished, that railway finance should be separated from the finances of the Government of India, and that the railways should be worked solely in the interests of the public as essential communications and not as commercial undertakings working for profit. With regard to the details by which this policy should be carried into effect, he did not understand that the Government of Madras would hold in detail to the suggestions contained in their memorandum.

4707. Speaking of the financial arrangements that would need to be made between the Finance Minister and the railways under the Government of Madras scheme, the witness said that he had not received definite instructions, but that the Government of Madras did not wish the Government of India to make profits from the railways unless directly by means of a tax or surcharge.

4708. The witness stated that he had not been placed in possession of the views of the Government of Madras regarding the interference by railways with transport of commodities by water. He had available some papers bearing on this question in connection with an agreement between the South Indian Railway Company and the British India Steam Navigation Company, and he promised to furnish the Committee with a written memorandum on the subject.

4709. Regarding the employment of Indians in the higher posts, Colonel Barnardiston was not in possession of the views of the Madras Government; he was not aware of the matter having been a subject of complaint in the Madras Legislative Council. He however subsequently agreed with the Hon. Mr. Sastri, who pointed out that complaints about this would naturally not be made in the provincial Council since the question is one of general railway administration and thus a matter for the Imperial Legislative Council.

4710. Regarding the advances made by local Governments to District Boards, he did not think these were regarded as a substitute for the provision of funds for ordinary road construction. In the Tanjore District, railways had to be built because no road metal was available, but apart from that, the District Board lines are looked on as ordinary feeder railways.

4711. In answer to the question why the Government of Madras should not be agreeable to letting the existing Railway Companies contracts run their natural course and then exercising Government's powers of taking over the lines, Colonel Barnardiston emphasized that the Government's experience of the mismanagement of Companies was such that they would prefer to get rid of these at once. They had suffered from them too long.

4712. Asked for particulars with reference to cases which it was stated had been referred to the Railway Board, of unreasonable diversion of traffic to meet the requirements of the South Indian Railway, Colonel Barnardiston cited two examples. The first case related to the transport of a bag of rice from Conjeeveram. In this case, the South Indian Railway had refused to book the rice by goods train from Conjeeveram to Tirupattur on the ground that the Madras and Southern Mahratta Railway had stopped booking of all goods traffic from the metre to the broad gauge of the South Indian Railway, via, Arkonam and Jalarpet. On reference to the Madras and Southern Mahratta Railway, it stated that this was due to restrictions imposed by the South Indian Railway. The matter was referred to the Railway Board who ruled that either the restrictions must be removed and the traffic be taken by the direct route, or else it should be carried by the longer route provided the railway charged the same rate as for the shorter. Colonel Barnardiston was not aware how the matter was actually settled.

4713. The second case related to the transport of nitrate of soda from Calcutta to Conjeeveram and of fish guano from the Government Fisheries at Tanur in Malabar to Conjeeveram. Orders were not complied with owing to the railway companies concerned declining to carry the goods. The South Indian Railway company had restricted the booking of goods via Arkonam to 100 tons per diem. They agreed on the intervention of the Government to take traffic in excess of the restriction booked from Calcutta, while they did not do so in the case of the traffic from Tanur via Jalarpet and Arkonam. Consequently, the guano could only be booked via Erode and Trichinopoly, that is, the through South Indian route which is over 100 miles longer than the direct route. In this case also the Railway Board passed the same orders as in the former case. The complaint was made in June, 1920, and the question was referred to the Railway Board in September, 1920.

4714. Referring further to the constitution of the Local Boards of Directors or Trustees, Mr. Purshotamdas remarked that the composition suggested by the Government of Madras was much on the lines of that of a Port Trust. Colonel Barnardi-

ston explained that he had not personally had the example of the Port Trust specially in mind. It has merely been proposed to put in certain trustees as representing the principal interests served by the railways.

4715. With reference to the Madras Government's suggestion that Directors should be given a very free hand in fixing rates, Colonel Barnardiston understood that the main principles would be laid down by the Government of India who would fix the maximum and minimum allowing a wide range of action to the Local Boards. With regard to the use of their powers by the Boards he thought they would do better and could in any case not do worse than the companies had done.

4716. In answer to Mr. Tuke, the witness explained that the Local Government desired the entire abolition of company management, not only of companies domiciled in the United Kingdom. Railways should be worked by the Local Board of Trustees on behalf of the State. He recognised that monies would have to be issued in the name of the Government of India or the Boards of Trustees by means of debentures. The method of securing loans by shares or stock bearing fixed rates of interest, referred to as an alternative in the Madras Government's Memorandum was not meant to imply that the agency of companies should be used.

4717. Colonel Barnardiston again emphasised his opinion that the existing shareholders on the South Indian and Madras and Southern Mahratta Railways would be willing to accept an offer of a steady 7 per cent. as a condition of foregoing their control over their interest in the profits of the railways. He realised that, in the last resort, it might be necessary to raise money to buy them out, and he admitted that probably it would be best in existing conditions to spend any money that could be raised on improving the railway property rather than in buying out the companies.

4718. In answer to Mr. Hiley, Colonel Barnardiston admitted that, if the companies were abolished and the control exercised through a Board responsible to Government, it practically amounts to State management with central control. He thought, however, it might be differentiated to some extent from State management as usually understood by the delegation of reasonable powers to trustees. He did not think that, because the Railway Board had taken insufficient action up to date, it would necessarily follow that a closer control of the railways from headquarters would be necessary in future, as he explained that the point of view of the trustees would be very different from that of the existing boards of directors who are interested solely in making profits. He thought that the technical supervision of the lines could be entrusted to the Government Inspectors and that more would not be necessary.

4719. Asked whether the South Indian Railway Company had pressed for funds to enable the Erode Junction yard to be remodelled, Colonel Barnardiston again emphasised that nothing could be done at this station until the question regarding the locomotive shops was settled. The delay in this case rested entirely with the Railway Board and not with the Company.

4720. In reply to Sir Rajendra Nath Mookerjee, Colonel Barnardiston stated that he had had a certain amount of experience on other company worked lines, but a good many years ago, he could not remember clearly whether there was so much ground for complaint on the East Indian Railway as in the case of the South Indian lines. The memorandum which he put forward represented the views of the Government of Madras which he supported by his own technical knowledge.

4721. Sir Henry Burt suggested that, in view of the anxiety of the South Indian Railway Company to be allowed to expend large sums of money on such costly projects as the transfer of the workshops to Erode, the conversion to broad gauge of the line from Erode to Trichinopoly, and the transfer of the headquarters office from Trichinopoly to Madras, it would seem hardly fair to say, as Colonel Barnardiston had done, that the company were unwilling to face any capital expenditure which might have the effect of temporarily reducing profits. Colonel Barnardiston admitted that in the cases mentioned the company had certainly been anxious to be allowed to spend money, but instances such as that at Rameswerам, to which he could add others, clearly showed that they were unwilling to spend on matters relating to the public convenience. Another example was their unwillingness to face the expenditure involved on isolating through running lines. Sir Henry Burt suggested that it was possible that the company was really actuated by the conviction that they cannot secure enough money from Government and that they were anxious to spend to the utmost advantage whatever limited sums can be secured.

4722. Sir Arthur Anderson drew attention to the observations made in the written memorandum regarding the question of gauge having not been satisfactorily settled. The Chairman, however, observed that the gauge problem had been definitely excluded from the scope of the Committee's enquiry, and the matter was not pursued.

4723. The Honourable Mr. Sastri asked whether it was not the case that there had been serious complaints regarding the failure of the South Indian Railway Company to cover the overbridge at Madura, that the Legislative Council had frequently been occupied with such complaints, and that the Government had only been able to reply to enquiries that representations were made to the railway company which would not take any notice of them. Colonel Barnardiston agreed that this was so. The work had recently been completed, but only after some years of agitation. This was a case in which the expenditure was within the Agent's own power of sanction.

4724. Mr. Sastri drew attention to the complaint that the Local Governments had not sufficient influence in railway matters and asked how their control would be restored under the proposed scheme. Colonel Barnardiston thought that local interests would be sufficiently represented in view of the constitution of the proposed Board of Trustees.

4725. Questioned with regard to the statement that the Trustees should have a sufficient inducement to work the railways efficiently and economically, Colonel Barnardiston explained that this did not mean any inducement such as a share in the profits; what was meant was really what Mr. Sastri suggested as an obligation rather than an inducement, namely, the necessity, which they would recognise, of paying interest charges and meeting the working expenses of the lines. The trustees would, of course, be paid responsible fees for their work.

4726. Colonel Barnardiston did not think that there was at present any ground for complaint with regard to third-class passengers being allowed on the Egmore station platform. He was aware that there has been some complaints, but these had been put right.

4727. With reference to the complaints made by the Government of Madras regarding the delays in correspondence between the London Boards of Directors and their agents in India, Sir George Godfrey asked whether Colonel Barnardiston was aware that the Government of Madras had the reputation of being conspicuously slow themselves, for example in such matters as acquiring land for railways in which delays extending 9 and 10 months were common. The witness said that he was not aware that this complaint was justified, since the Local Government must comply with the requirements of the Land Acquisition Act.

4728. The witness said that the estimate of Rs. 30 crores as the expenditure necessary to bring railway communication in Southern India to a state of reasonable efficiency, represented the cost of a large number of works. He did not think that all could be carried out in a single year; he thought perhaps 5 or 6 years would be necessary.

4729. Sir George Godfrey referred to the various statements made in the Madras Government's memorandum in which blame for the present unsatisfactory character of the railway management had been ascribed in turn to the financial system, to the rail-

way companies, and to the Railway Board. Colonel Barnardiston said he was unable to allocate responsibility between these; the view of the Madras Government is that they are jointly and severally responsible.

4730. The witness considered that the ordinary maintenance of the railway had been on the whole good; but that special renewals and repairs were deficient. In the case of the Erode Trichinopoly line, the speed of trains has had to be reduced to 22 miles per hour. It was true that this work is now held up because of the locomotive workshop question, but the question of renewals is one which should have been faced many years ago.

4731. In answer to Sir Henry Ledgard, who drew attention to the increased cost of materials and labour, and the larger return which now has to be paid on borrowed money, Colonel Barnardiston said he believed that the public would recognise the necessity for paying enhanced rates and fares in return for improved railway facilities.

Postscript.—In compliance with his promise to furnish further information on certain points, Colonel Barnardiston subsequently furnished the following documents:—

I. Bearing on the ruling that loans for District Board railways should be met from the Imperial programme.

(*a*) Copy of letter No. R. P.–32—16, dated the 11th October, 1906, from the Secretary, Railway Board, to the Secretary to the Government of Madras, Public Works Department (Railways).

I am directed to acknowledge the receipt of your No. 1570–Ry., dated 20th September, 1906, and its enclosures, and to inform you that the Railway Board note the views of the Madras Government regarding the order of precedence in which the projects shown in the two lists of new lines should be constructed.

2. The Board in preparing the triennial programme for the years 1907–1910 have had to meet large demands made by open lines, mainly under rolling-stock, so that the funds available for new lines are small in amount, and the Board desire to add that it is very doubtful whether it will be possible to allot during the year 1907–1908 any funds for the lines now recommended.

3. Under a recent ruling by the Secretary of State, if new lines are constructed from funds raised by District Boards, these lines are to be included in the triennial programme and the sums provided by the Boards in any year are to be considered as part of the total grant for that year.

The application of this ruling restricts the resources of the Railway Board to whatever amount may be fixed as the total expenditure in any year, and grants allotted to District Board lines reduce "*pro tanto*" the funds available for lines to be constructed from Imperial sources. In fact with so many important lines awaiting their turn to be brought on to the programme it will be difficult, if not impossible, to meet the requirements of District Boards unless the Secretary of State withdraws or modifies the orders referred to in response to representations on the subject which have been made by the Government of India. I am directed to say, therefore, that pending further orders on this matter the Railway Board are not in a position to make any statement regarding the lines in the list of District Board Railways.

(*b*) Copy of letter No. R. P.–32 A.—2, dated the 27th February, 1907, from the Secretary, Railway Board, to the Secretary to the Government of Madras, Public Works Department (Railways).

I am directed to acknowledge the receipt of your letter No. 1969–Ry., dated 17th December, 1906, in connection with the subject of railway extension in Southern India, and in reply to state that the views of His Excellency the Governor in Council will be duly considered by the Railway Board.

2. In the meanwhile, however, I am directed to remove a partially erroneous impression which appears to prevail (and for which the wording of paragraph 3 of the Board's letter No. R. P.–32—16, dated 11th October, 1906, may perhaps be responsible) regarding the position of District Board Railways as to the annual railway programme of Government.

3. I am to explain that those lines only are required to be included in the programme which are to be constructed from loans obtained by a District Board from Government under the operation of Government of India, Public Works Department, letter No. 12–R. P., dated 28th January, 1903. Lines which are to be constructed from capital raised in the open market by a District Board or by a railway company under contract with the District Board and the interest on which is to be met from or guaranteed against the proceeds of the special railway cess, fall outside the Government programme of railway construction and the only obstacle to the initiation of lines of this class, once the desirability for their construction in any particular case is admitted by competent authority, is the one which is created by the delay in raising the required capital, an obstacle the removal of which rests entirely with the District Board.

II. Bearing on the authority of the Secretary of State to call on the South Indian Railway Company to carry out works concerning the safety of passengers or the public or the effectual working of the undertaking.

Copy of Clause 27 of the Contract and Working Agreement with the South Indian Railway.

The Secretary of State may from time to time, by notice in writing, require the company to carry out any alteration or improvement in or any addition to the undertaking, that may in his opinion be necessary for the safety of passengers or for the safety of the public, or for the effectual working of the undertaking. Such notice shall specify the alteration, improvement or addition required, and shall also in general terms describe the works to be executed for the purpose of carrying out such alteration, improvement or addition. On receiving any such notice the Company shall with all reasonable speed commence and proceed to execute the works described therein. The Secretary of State shall provide any land that may be required for the purposes aforesaid, and shall supply the funds necessary for the purchase of such land and for the execution of such works, and the cost of the said works as shall be properly chargeable to capital shall be charged against the Capital Account as hereinafter provided, and the cost of all other such works shall be charged as working expenses. If in any case the Company shall neglect to proceed with the proposed works, or fail to complete the same to the satisfaction of the Secretary of State, the Secretary of State may enter on the undertaking and execute the said works, and charge the cost of the same as if done by the Company.

III. Bearing on the injury to water transport caused by railway competition.

(Note by the Secretary to the Government of Madras for Railways.)

Instances where water transport has suffered on account of the competition of Railways.

1 *Agreement between the South Indian Railway Company and the British India Steam Navigation Company regarding the transport of rice from the Tanjore District.*

The nature of the agreement is as described in a recent letter from the Home Board of the South Indian Railway No. 248, dated 8th September, 1920, to their Agent in India. Extracts of paragraphs 2 to 4 of the letter are enclosed.

The agreement in question covers the ports of Tirumalavasal, Point Calimere and Adirampatnam in the Tanjore District. The two latter ports are not affected by the agreement, as steamers never called at these

ports, but steamers which were calling at Tirumalavasal discontinued doing so in consequence of the agreement, and there has therefore been a decline in the trade of the port which, prior to the date of the agreement, *i.e.*, in 1901-02, is stated to have been over Rs. 6 lakhs in value. Requests were made in the Legislative Council for the cancellation of the agreement. An examination of the position in 1916 showed that

(i) the discontinuance of steamers calling at the port resulted from the agreement referred to above;
(ii) that owing to this agreement all the rice in the Tanjore district had to be sent by rail *viâ* Dhanushkodi or Tuticorin;
(iii) that the transport by rail had no compensating advantages in the shape of reduced freight or quicker transit, in fact merchants at Shiyali had to pay two or three annas more per bag of rice for transport by rail to Colombo;
(iv) that owing to shortage of wagons bags of rice were being detained at the railway stations and stocked there in insecure sheds or in the open, and that there was considerable delay in the consignment reaching the destination.

2. *Decline in the trade of the Buckingham canal subsequent to the opening of the railway from Madras to Bezwada.*

The Buckingham canal was constructed at a cost of Rs. 86,14,000. It is divided into two sections, the north and south sections. The northern section is 196 miles in length and is the more important of the two. It placed the town of Madras in cheap and easy communication with five districts and with the large and important towns of Cocanada, Bezwada, Masulipatam, Ongole and Nellore, besides smaller trade centres. It was an efficient canal for transport purposes and was commonly used by boats of 3 feet draught and of as much as 40 tons burden, and had an increasing trade chiefly in provisions, salt, food grains, firewood, building materials, coal, &c. Subsequent to the opening of the Bezwada-Madras railway in 1899 the trade of the canal considerably decreased owing to competition, and at present there is practically no through traffic between the Godavari and Kistna Deltas and Madras, *viâ* the canal, although there was a good deal of traffic before the opening of the railway.

In connection with a resolution which was brought forward by the Honourable Mr. Chidambaranatha Mudaliyar at the meeting of the Legislative Council on the 14th March, 1918, recommending the provision of funds for connecting the Buckingham and Negapatam Vedaranniyam canals, the Honourable Mr. H. F. W. Gillman, on behalf of the Government, said:—

> "The experience of the Buckingham canal since the advent of railways has been this, first of all traffic decreased very considerably, and then it increased after that, but the increase was due to local traffic of the less valuable product, shells, firewood, &c., and in recent years there has been practically no through traffic, so far as Government are aware between the north of the Presidency and Madras."

Letter No. 248, dated 8th September, 1920, from the Managing Director, South Indian Railway, Home Board, to the Agent, South Indian Railway:—

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2. The existing railway from Madras to Arantangi runs through the great rice fields of the Coromandal coast, a large part of the produce from which finds its ultimate destination in Ceylon. Prior to 1902 part of this traffic was lost to the railway altogether, it being taken by carts to the coast ports, and part of it was consigned by rail to the nearest port on the East Coast, and gave the railway only a very short lead on it. In 1902 an arrangement was come to with the British India Steam Navigation Company, who were the chief competitors of the railway through the East Coast ports under which the traffic was diverted to Tuticorin, and thence by the British India Steam Navigation Company's steamers to Colombo. Later the traffic was further diverted in agreement with the British India Steam Navigation Company from the Tuticorin to the Dhanushkodi route, and the routes for the traffic in question now are *viâ* Mayavaram or Tiruvallur, Tanjore, Trichinopoly, Madura, Ramnad and Dhanushkodi.

3. The volume of the rice traffic carried by these routes from the area affected and the railway income therefrom in the past three years for which figures are available were as follows:—

Year.	Quantity exported	Rupees earned.	Remarks.
	Maunds.		
1916-17	27,07,759	5,87,869	Export of rice prohibited.
1917-18	31,31,548	6,04,917	
1918-19	13,82,499	2,63,475	

4. Such of the foregoing traffic as passed through Mayavaram gave the undertaking a lead between Mayavaram and Dhanushkodi of 282 miles, and that which passed through Tiruvallur a lead between Tiruvallur and Dhanushkodi of 272½ miles.

Postscript.—The following letter, dated 8th March, 1921, was subsequently received from the witness:—

I am directed to forward herewith papers relating to the construction of the undermentioned district board railways by the South Indian Railway Company. The papers* to be read are indicated in the reference slip with each case:—

(1) Mannargudi-Tiruturaipundi Railway.
(2) Manamadura-Sivaganga Railway.
(3) Salem-Suramangalam Railway.
(4) Nidamangalam-Mannargudi-Tiruturaipundi-Vedaranniam Railways.

2. The papers connected with items (1) to (3) above relate to the question of claim for compensation made by the South Indian Railway Company on account of short-circuiting. Item (4) is a case in which, although no short-circuiting question is involved, there has been a delay of over 10 years in arriving at a decision in regard to the terms for working the railway.

3. I am, in this connection, also to furnish for the information of the Railway Committee, the following papers:—

(1) G.O. No. 313 Ry., dated 9th August, 1912, relating to the proposal made by the South Indian Railway Company to float a company on an inaugurated basis for the construction of District Board lines.
(2) Letter from the Home Board of the South Indian Railway to their agent in India, No. 248 Ry., dated 8th September, 1920, with connected papers on the subject of the terms for the construction and working of the Karaikudi Arantangi Railway.

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* Not reproduced. Reference should be made to the postscript to the evidence given by Diwan Bahadur M. Ramachandra Rao, in connection with these and other cases. (P. 120.)

I am to request that the Home Board's letter may be treated as supplementary to the evidence tendered by me at Madras on the subject of this railway as, in the opinion of the Government, the letter shows very clearly the attitude taken up by the South Indian Railway Company with regard to railway projects, and the difficulty of constructing any line to which the South Indian Railway will not raise the objection of short-circuiting. The Railway Board have since agreed with the views of the South Indian Railway.

The letter from the Board of Directors of the South Indian Railway Company, No. 248 Railway, dated 8th September, 1920, quoted above, is reproduced:—

The question at issue is not so simple as the Railway Board's letter, No. 188/P/16 of 24th June, 1920, suggests. If it was merely the construction of a line from Arantangi to Karaikudi, with no prospect of its ever becoming part of a through line, the South Indian Railway undertaking would not, as the Railway Board say, be in any way affected, and the question of its protection would not arise. But when the Trichinopoly-Karaikudi-Ramnad line is constructed, as it will be when funds are available, the Arantangi-Karaikudi line will cease to be a branch and will become part of a through line, and it is against that contingency that it is necessary that steps should be taken now to protect the Company's undertaking against the loss which will follow on its being short-circuited.

2. The existing railway from Madras to Arantangi runs through the great rice fields of the Coromandel coast, a large part of the produce from which finds its ultimate destination in Ceylon. Prior to 1902, part of this traffic was lost to the Railway altogether, it being taken by carts to the coast ports, and part of it was consigned by rail to the nearest port on the East Coast and gave the Railway only a very short lead on it. In 1902 an arrangement was come to with the British India Steam Navigation Company, who were the chief competitors of the Railway through the East Coast ports, under which the traffic was diverted to Tuticorin, and thence by the British India Steam Navigation Company's steamers to Colombo. Later, the traffic was further diverted in agreement with the British India Steam Navigation Company, from the Tuticorin to the Dhaneshkodi route, and the routes for the traffic in question now are *viâ* Mayavaram or Tiruvallur, Tanjore, Trichinopoly, Madura, Ramnad and Dhaneshkodi.

3. The volume of the rice traffic carried by these routes from the area affected, and the railway income therefrom, in the past three years for which figures are available were as follows:—

Year.	Quantity Exported. Maunds.	Rupees. Earned.	Remarks.
1916–17	27,07,759	5,87,869	
1917–18	31,31,548	6,04,917	
1918–19	13,82,499	2,63,475	Export of rice prohibited.

4. Such of the foregoing traffic as passed through Mayavaram gave the undertaking a lead between Mayavaram and Dhaneshkodi of 282 miles, and that which passed through Tiruvallur a lead between Tiruvallur and Dhaneshkodi of 272¼ miles. When the short-circuiting link from Arantangi *viâ* Karaikudi to Ramnad is completed, the lead on the traffic will be reduced to the distance between Ramnad and Dhaneshkodi, or to 44¼ miles.

5. It will be obvious, therefore, that the Company's undertaking will be very seriously prejudiced by the construction of the Arantangi-Karaikudi-Ramnad chord, unless the contract with those promoting the construction of the chord, or any part thereof, provides for the protection of the undertaking in terms of Clause 7 of the 1910 Contract.

6. The Railway Board say that when the Trichinopoly-Ramnad line is built, the distance between Dhaneshkodi and Madras will be only about 12¼ miles shorter by the Karaikudi-Arantangi route, and that "this small difference is considered to be a negligible factor in diverting traffic from the main line"; and that when the Panruti-Trichinopoly chord is built, not only will the South Indian Railway be protected against short-circuiting, but there is probability of the Tanjore District Board Railway route suffering a loss of revenue by diversion of traffic to the main line.

7. In the first place, the construction of the Trichinopoly-Panruti line does not and cannot affect the question under consideration in any way; in the second place, its construction would not divert an ounce of traffic from the Tanjore District Board Railway, as the whole of that Railway's traffic for beyond Ramnad now goes *viâ* Tiruvallur or Mayavaram and Tanjore, and would not, and could not, be affected in any way by the construction of the Panruti-Trichinopoly chord; in the third place, it is assumed that the only traffic affected by the construction of the Arantangi-Karaikudi-Ramnad line is that to and from stations north of Panruti, whereas the bulk of the traffic in question is from stations south thereof; and in the fourth place, if the Company work the chord from Arantangi *viâ* Karaikudi to Ramnad, the shortest route would have to be credited with the income by whichever route the traffic may have been carried, unless provision was made otherwise in the Contract with the owners of the chord line. If, on the other hand, the Company do not work the chord line, there would be competition all the time and no end to the disputes to which it would lead.

8. But if, as the Railway Board seem to suggest, the Company would be at liberty, after the opening of the new route, to keep the traffic in question to the existing route, notwithstanding that the former is shorter and that they would be justified in doing so, it seems to the South Indian Railway Board that the straightforward and the safe course would be to respect the protection clause in the Company's contract, and (1) to make it a condition of the concession for the construction of the Arantangi-Karaikudi line that, if and when it ceases to be a branch and becomes a part of a through and/or short-circuiting line whether the chord is completed by a private company or by a District Board, or by the South Indian Railway Company itself as part of its undertaking, or by any other party, the promoters must look for their income entirely to traffic originating and/or terminating on their own section of the chord, and (2) to make it clear to them that they will not be allowed to receive any income from cross traffic or from diverted traffic, even though such traffic may be carried by their route. This is the course which has been followed in the case of the Trichinopoly-Puducottah line which the Puducottah Durbar wish to construct, and also in the case of the Ramnad-Virudupatti-Tenkasi and the Dindigul-Palghat lines which private companies wish to construct; and the South Indian Railway Board cannot see any reason why the promoters of the Arantangi-Karaikudi project should be treated any differently.

9. It is easy to understand the pressure which the Tanjore District authorities have brought to bear to have the protection clause of the Company's contract set aside, as the Tanjore District Board Railway stands to gain enormously by the diversion of traffic to the chord route. The reason for the pressure doubtless is the idea that was sedulously spread abroad when the terms of the 1910 Contract were made public, that there had been a "betrayal" of the public interests in the protection which had been promised to the Company in their Contract; but those who were interested in giving currency to this idea should have known how absolutely wide of the truth it was.

10. A glance at the map will show that the South Indian Railway undertaking is made up of a series of curves and angles and parallel lines which, as the railway system of India develops, lend themselves irresistibly to short-circuiting by the construction of chord lines. The Arantangi-Karaikudi, Ramnad was

not the only chord projected, but several others were in contemplation. Long before the negotiations for the 1910 Contract began, the question of these chord lines had been under discussion with the Madras Government, and advantage was taken of a visit which the then President of the Railway Board paid to the Presidency in 1908, to hold a meeting at Mandapam to discuss this and other matters. At this meeting there were present His Excellency the Governor of Madras, the Secretary for Railways, Madras, the Collector of Madura and Ramnad, the Private Secretary to the Governor, the President of the Railway Board, and the South Indian Railway Company's Agent; and the record relating to the subject in question was as follows:—

"In connection with chord lines which District Boards might wish to make, Mr. Wynne explained "to His Excellency the policy adopted by the Government of India in cases where it was proposed "to make a chord line which would seriously affect the interests of an existing main system. To "illustrate his remarks he instanced the arrangement made by the Government of India with the "Southern Punjab Railway under which the interests of the North Western State Railway were "protected. The essential point of the arrangement is that the parent line has the right to run "traffic which originates on its system to its destination at another point on it *viâ* the chord line, "the owners of which are *not* entitled to receive any of the freight for such through traffic. This "arrangement has worked very well on the Southern Punjab Railway, and the Company have con- "cluded a new agreement with the Secretary of State on the same terms for a long line from Kasur "to Lodhran. The adoption of this principle in connection with District Board lines would be fair "to both parties and be an arrangement on the same lines as the State has decided on to protect its "own State Railway interests. It would be an arrangement also which would practically remove the "main difficulties now existing against the extension of District Board Railways, as it would reason- "ably preserve the interests of the South Indian Railway while enlarging the scope for District Board "enterprise."

11. As the construction of these chord lines would have had a disastrous effect on the revenues of the South Indian Railway undertaking, the Board would have failed in their duty, when the terms of the 1910 Contract came to be discussed, if they had not asked for an assurance that the undertaking would be protected against loss from short-circuiting, in the same way as Government had found it necessary to protect the State-owned and State-managed North Western Railway against the loss which would have resulted to it, if it were not protected, by the construction of the Southern Punjab Railway chord lines; and the assurance which the Company were given was not obtained by any astuteness on the part of the Company's representatives, or through any lack of regard for the public interests on the part of the Secretary of State's representatives.

12. Men like Lord Inchcape, the late Sir Lionel Abrahams and Sir Hugh Barnes, who were the representatives of the Secretary of State in the negotiations, were not likely to be easily imposed upon or talked over. They had before them the record of the Mandapam meeting (*see* para. 10 *ante*); they had had experience of the working of the Southern Punjab Railway contracts; they appreciated that there must be some assurance of security of income before any valuation of the property could be made for the purposes of capitalisation; they recognised that the cordial co-operation of the Company in extension schemes could not be counted upon so long as the danger to their revenues from short-circuiting hung over their heads; and, finally, they realised that short-circuiting must affect the revenues of the Government of India to a far greater extent than it would those of the Company, if the undertaking were not given the protection the Company asked for.

13. These were hard facts which no subtlety or argument could brush aside or explain away, and the protection clauses were inserted in the contract in all good faith on the part of the representatives of both parties to the Contract. They were a definite part of the consideration which made it possible for the Company to agree to the Contract; and all that the Board now ask is that the Contract should be respected, and that the protection which was promised them should be secured to them, whenever the Government are granting concessions for the construction of new lines which will be, or which some day may become part of, chord lines.

14. The protection clauses of the Company's Contract are of supreme, if not of vital, importance to the Company's undertaking, and the Board feel that they would be betraying the interests they are here to safeguard if they gave ground at all on the question.

15. The Board have taken the stand they have in this matter in no spirit of obstructiveness or obstinacy, and they hope that the Madras Government and the Railway Board will not misunderstand them, or consider them lacking in respect, if they say, very emphatically, that they are not prepared, under any circumstances or in any respect whatever, to waive their claim.

16. The Board are anxious, as they always have been, to help and not to hinder the Government in any schemes for the advancement of the country, but they cannot be expected to make sacrifices, and, more particularly large sacrifices, of revenue, when they can see no compensating benefits in other directions. If the Madras Government and the Railway Board would recognise this fact, as the President of the Railway Board did in 1908, and as the representatives of the Secretary of State did when the Contract was under negotiation, the Board feel sure it would lead to more helpful co-operation and to more rapid progress.

Mr. T. E. MOIR, C.I.E., I.C.S., Commissioner of Labour, Madras, and late Director of Civil Supplies, Madras, was called and examined.

4732. Mr. Moir explained that he had been Director of Civil Supplies for about six months shortly after the war; from April, 1919, to November, 1919. He had not received any instructions from the Government of Madras with reference to the evidence which he should place before the Committee, but was in a position to speak as to the position and difficulties experienced in connection with railway transport during the period referred to above.

4733. The Chairman stated that the official views of the Government of Madras on questions of railway policy had already been placed before the Committee by Colonel Barnardiston, Secretary to Government in the Public Works Department, Railway Branch, but that the Committee would welcome a statement of Mr. Moir's experience in the capacity of Director of Civil Supplies. Mr. Moir explained that at the period for which he spoke conditions were very exceptional. There had been a great shortage of rolling stock and, he understood, of engine power on the railways, while there was an exceptional scarcity of food over a large part of the Presidency. As Director of Civil Supplies, he was one of a number of officers empowered to issue priority certificates for railway transport. Thus he issued blue (or urgent) and red (or ordinary) priority certificates in espect of transport of foodstuffs. Other officers, with whom he was not concerned dealt similarly with the transport of military stores and of coal. So far as foodstuffs were concerned, the principal commodity dealt with was rice; large quantities of Burma rice were being imported, the rapid distribution of which was very important. Before his appointment there had been a Controller of Railway Traffic who he understood exercised certain powers of co-ordination, but this appointment was abolished before he took up his own post. There was no real co-ordination between the different

authorities issuing priority certificates and he had some reason to think that the efficacy of the priority system was impaired by the too generous issue of the more urgent class of certificates by others.

4734. In Mr. Moir's opinion, the administrations of both the railways with which he was concerned did their best, in the unprecedented circumstances, to cope with the demands made upon them and made the best use of the means at their disposal: he had no reason to complain of the manner in which they dealt with his representations. While he had no serious criticism to offer, he thought that the railways had been caught napping occasionally; for instance some difficulty occurred at points where there was a change of gauge necessitating transhipment. With reference to this point, the Chairman pointed out that if transhipment facilities had been provided only on a certain scale, any large increase of traffic was bound to cause congestion. Mr. Moir stated that congestion had taken place more on the broad gauge than on the metre gauge system. So far as the South Indian Railway was concerned, it was worst at Erode Junction.

4735. The Director of Civil Supplies had no control over the ports to which rice was brought from Burma. The Shipping Controller sent the ships where he thought best and the authorities in India had to make the best of it. It sometimes happened that rice was unloaded at Negapatam and it had been found best to take it to Salem *viâ* Erode.

4736. Congestion also occurred at Bezwada. Mr. Moir explained that the Kistna District was the only district in Madras which had a large surplus of rice. No export was allowed from that district except under license. Many complaints were received from licensed exporters that they could not get their rice away and that the subordinate staff, station masters and others, who appeared to be in a position to manipulate the supply of wagons, had to be bribed in order to secure rolling stock. His impression was that this malpractice was serious and prevalent throughout the line though it was mainly confined to those stations where there were large volumes of traffic. The Chairman asked whether this was not a criminal offence, to which Sir Arthur Anderson replied that this was the case, as instanced by a recent successful prosecution on another railway. Mr. Moir stated that he had had considerable correspondence with the railway authorities and with the Local Government on the subject of the malpractice referred to. The Government were much impressed and had asked his deputy to prepare a statement showing the extent to which it was prevalent.

4737. The irregularities were accentuated by the fact that in the districts of Guntur and Godavari, adjoining Kistna, there were also good stocks of rice, but not so large as in Kistna. Mr. Moir had found it necessary to stop the export except by license from those districts, and prices rose higher there than in Kistna partly because of the surplus not being so considerable and partly because the merchants held up supplies in the hopes of the export restriction being withdrawn. There was thus an inducement to take rice from Kistna into the Guntur and Godavari districts, and this led to an organised system of smuggling growing up. Bags of rice were taken surreptitiously by passenger trains, goods trains and even on engines. The Chairman explained that the Committee could not go into the details of particular abuses, but was concerned rather with the general questions of policy. He enquired what the result of the references to Government and railways had been and especially what remedy Mr. Moir would suggest to prevent the recurrence of similar irregularities. Mr. Moir stated that he thought that the railway agents had not fully recognised the seriousness of the position. So far as he was aware the Government had not come to a final conclusion in the matter, which was still under correspondence.

4738. He did not know whether it was the duty of the railway police to follow up such matters even if they had cognisance of them. Numerous merchants had complained, but always under the pledge of secrecy. They were perfectly willing to give information but not willing to come forward as witnesses, and this prevented the institution of criminal proceedings.

4739. So far as remedy for the future was concerned, Mr. Moir thought that the only suggestions he could make was greater courage on the part of the public and that the rolling stock and engine power should be adequate to meet the maximum demands. In reply to the Chairman he said that he did not think that this would necessitate keeping a very large stock of equipment idle in the expectation of a famine occurring, because when a famine occurs, although it increases certain kinds of traffic, others fall off. He thought that a railway which is able to cope with the traffic of a good year should be able to handle that offering in a year of famine.

4740. In answer to Sir Arthur Anderson, he said that he fully recognised that the difficulties experienced by the railways had occurred immediately after the five-year period of depression during which railway equipment had not been allowed to grow normally. He emphasised that in his opinion the railways had done all that they could reasonably be expected to do.

4741. Although he had thought that the railway agents had not fully appreciated the seriousness of the complaints regarding corruption, and had furnished further additional evidence to satisfy them, he had not considered it his function to follow up matters further after having brought them prominently to the notice of both the railways and of the Local Government.

4742. As Commissioner of Labour, Mr. Moir stated that he had not received complaints in connection with the grievances of third-class passengers. He had not noticed the matter ventilated in the public press of late, where one would expect to see the first signs of dissatisfaction.

4743. In reply to Mr. Purshotamdas, Mr. Moir stated that after a preliminary period of some confusion, there were some six firms engaged on the distribution of Burma rice, two European firms, Messrs. Best & Co. and Messrs. Walker & Co., and four Indian firms, namely, Messrs. Kuopal Doongarsee, Messrs. Ellappa Chetty & Sons, another Hindu firm and one Mohammedan firm, whose names he had forgotten. He had not received complaints as to these firms having to bribe the railway staff. On the contrary, he had been assured by the heads of European firms that they at least never paid anything. Mr. Moir explained that he did not mean to suggest that the Indian firms had paid bribes any more than the European firms, but that naturally he was in a position to obtain information more easily from the latter.

4744. In the case of Burma rice, arriving at Madras Harbour it was put direct into wagons and despatched in accordance with the pre-existing orders. The system had worked very well. The distributing firms had nothing to do with the arrangements alluded to in the Kistna district.

TWENTY-FOURTH DAY.

(Madras.)

Wednesday, 19th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Lieutenant-Colonel C. L. MAGNIAC, C.M.G., C.B.E., R.E., Agent, Madras and Southern Mahratta Railway Coy., accompanied by Mr. F. B. WATHEN, M.B.E., General Traffic Manager, Madras and Southern Mahratta Railway, was called and examined on a memorandum which had been furnished to the Committee by Colonel Magniac.

4745. Colonel Magniac stated that he was the Agent of the Madras and Southern Mahratta Railway, and also a Lieut.-Colonel of the Royal Engineers. He joined the Indian State Railway Service in 1897 and had been employed in turn as Assistant Engineer, Assistant Traffic Superintendent, Assistant District Traffic Superintendent and District Traffic Superintendent on State railways. He had had experience of company railway working as Deputy Agent and Agent from 1908 to 1914 on the Madras and Southern Mahratta Railway. He then went to France and served there in the capacity of Deputy Assistant Director of Railway Transport, Assistant Director of Railway Transport and Deputy Director of Railway Transport, between September, 1914, and February, 1919, returning to the Madras and Southern Mahratta Railway as Agent at the end of 1919. In France he was working at headquarters, and shared in the charge of the whole railway transport system, working in direct contact with the French Railway Service.

4746. The Chairman explained that, as the Committee had already taken the evidence of Colonel Constable in London, it would be unnecessary to go into the opening portion of Colonel Magniac's written statement regarding State *versus* Company management.

4747. Colonel Magniac stated that the Board of Directors of the Madras and Southern Mahratta Railway consists of a Chairman, a Deputy Chairman and four Directors (omitting the Government Director). He stated that of these Colonel Constable and Mr. Sawyer had a special knowledge of the Madras and Southern Mahratta Railway system. Sir Donald Robertson had been Resident at Mysore and some of the other members had general Indian knowledge; and one of them, Mr. Forrest, was conversant with the Bombay side of the undertaking. In speaking of a Company's Board having more detailed local knowledge than a State Railway Board could have, he was not relying wholly on the personal knowledge of the members of the Board, but also on the detailed information constantly supplied by the Agent to the Directors. He mentioned that two representatives of the Board had visited India in 1919-20.

4748. Referring to the statement that there is every likelihood of less competition between lines controlled by the State than between separately administered company managed railways, the witness stated that there is not much competition between the South Indian Railway and the Madras and Southern Mahratta Railway. The Chairman remarked that, if all the lines belonged wholly or largely, as they do, to the State, it did not seem reasonable that they should compete with each other, the interests being so largely identical. The witness considered that there is sure to be competition in the case of lines managed by companies whose interests diverge, and the Chairman observed that it hardly seemed to follow that the identical interests of the State should be set in opposition to each other. Colonel Magniac explained that he did not think the competition in India was comparable to that in the United Kingdom. Each railway here puts forward the claims of different ports and does its best for its own. Colonel Magniac was not aware of any case of the development of a port being hindered by a railway in order to secure more traffic over a long railway lead. He thought that his Board would always act on the assumption that the development of a new port would lead to an increase in railway traffic.

4749. Colonel Magniac laid stress upon the discouragement to energy on the State railways owing to promotion going by seniority, and also on the disadvantages caused by transfers from one line to another. He considered that such difficulties are inherent in State management. He had reason to believe that experience on the State railways in France was the same.

4750. The Chairman said that on the one hand it was objected by some that State railways are actuated by considerations of a non-economic, or what is called "political," character, and, on the other, that the companies are actuated too much by a desire to earn large dividends, and asked whether, if "political influence" really were directed to securing the general benefit of the country, Colonel Magniac would approve of State management. If this desirable end could be secured by the control of the railways by the State, Colonel Magniac said he would approve, but he added that he feared that, if important interests conflicted with the railway policy, the railway policy would go to the wall. He thought that something might be done to prevent railways managed by the State being influenced undesirably for particular or political purposes if there were something in the nature of a Railway Council on which the different interests to be served were represented. A good deal would depend on getting the right men on the Council. He agreed that men of the right class are coming forward in Indian public life.

4751. In the written statement Colonel Magniac alluded to the advantage of direct access to the Secretary of State secured by the circumstance of the Companies' Boards being domiciled in England. The Chairman suggested that India is surely competent to manage its own business and that this access puts the Railway Board at a disadvantage. The witness agreed that this was so though it was not a disadvantage from the point of view of the railway com-

panies. He agreed also that it was unfair that there should be an appeal over the heads of the authorities in India when the appellant only has direct access to the deciding authority. He mentioned that he was looking at the matter from the point of view of the companies which have contracts with the Secretary of State. The Chairman observed, however, that the Committee is considering the matter rather from the point of view of future policy.

4752. Colonel Magniac did not press the advantage mentioned by him of the facility of access to the consulting engineers: he thought that there is something in this advantage, which he had personally found useful, but did not regard it as essential. The Chairman remarked in this connection that others, for instance, the Governments in Australia, did not find it necessary to employ consulting engineers in England except on special occasions.

4753. Colonel Magniac had expressed the opinion that the location of the Boards of Directors must be determined to a large extent by the place in which the shareholders' capital is raised. He mentioned that the Madras and Southern Mahratta Railway owns some four-thirteenths, of the share capital exclusive of advances by the Secretary of State. The Chairman enquired whether, assuming that 90 per cent. of the total capital in Indian railways has been provided by the Indian taxpayer, and only 10 per cent. was companies' capital, he did not think that the Boards should be in India. The witness considered that this did not follow, as the State has large powers and can exercise them through the Railway Board. He did not agree that it would be better if the owners of the remaining 10 per cent. of the capital were in direct contact with the Railway Board. He took the view that the maintenance of the headquarters in London is justifiable because the share capital of the companies has been raised there, though he admitted that it might not be so desirable from the administrative point of view.

4754. Referring to Colonel Magniac's opinion that an ideal Board must be composed of technical, commercial and financial representatives and of a Chairman chosen for his technical qualifications, the Chairman asked whether he was aware that, for example, the Bank of England had refused for the past 200 years to have a banker on its Board of Directors; and whether he would, himself being a technical expert in close daily touch with the railway problems, think it desirable to be controlled, and perhaps to be overruled, by a Board composed of members claiming expert knowledge, gained in the past and attending the Board's meetings perhaps only once a fortnight. The witness replied that so long as the Board approved what he advised he was quite content, and that personally he would not like frequently to be overruled.

4755. Referring to the statement of the witness that the Board of a railway company should have an intimate and up-to-date knowledge of its working, the Chairman asked whether the existing Board of Directors of the Madras and Southern Mahratta Railway has a better knowledge of the kind indicated than any State Railway Board could have. Colonel Magniac said that they derived much information from the agent's weekly letters as well as from their own experience. Colonel Magniac stated that about one day in the week is devoted to his correspondence with the Board of Directors. He did not spend a large part of his time on correspondence with the Railway Board. The Chairman observed that this might be held to bear out the complaint that the Railway Board does not devote much attention to the affairs of Southern India. The witness stated that, in important matters, he found his Board of Directors generally agreed with his views, but sometimes they put forward valuable comments and suggestions. He agreed that normally the function of a good Board is to choose a competent agent, and trust him to a large extent, guiding him by advice rather than by frequently over-ruling him. Colonel Magniac observed that, apart from cases involving the possibility of being over-ruled, he referred many cases to the Board of Directors for orders. He would not like it if the Board were frequently to over-rule him.

4756. As regards the placing of contracts for English stores and materials, the Chairman mentioned that the High Commissioner for India is now responsible for dealing with such matters for Government Departments and the State railways, and enquired whether there would be any objection to his, or somebody else with a corresponding appointment, doing similar work for the company managed railways. Colonel Magniac thought that there would be no objection as long as there was some responsible person to do it, in correspondence with the Consulting Engineers.

4757. In his written statement, Colonel Magniac had mentioned that cases arise where local Governments put pressure upon companies' boards to offer favourable terms for working feeder lines, which, if accepted, would only result in a loss of revenue to present companies. The Chairman asked whether, if local opinion could be secured within the railway management, this would not help to a better appreciation of the railway companies' point of view. Colonel Magniac thought that a financial interest would be necessary. People are anxious to get things done, and, unless they had a financial interest, they would not appreciate the difficulties and objections. He agreed, however, that a competent council for example, in Madras, comprising representatives of different industries, commerce, agriculture, etc., might be of some advantage in resisting unreasonable pressure of the kind referred to. He thought that there was a general idea that railways were made to be fleeced. Though he was doubtful about the advantage to be secured by means of local advisory councils, he was not averse to something of the kind being considered.

4758. The witness had expressed the opinion that money raised by companies by means of debentures or otherwise should rank as capital for the division of surplus profits in the same manner as advances made by the Secretary of State. He admitted, however, that, if it were the case, as mentioned by the Chairman, that the debentures or other issues are secured by the guarantee of the Secretary of State, this would make a difference.

4759. The Chairman observed that it appeared to him from what Colonel Magniac had written to the effect that a suitable Chairman for a local Board could be obtained only by appointing the Agent of the railway, that it came back to this: that the head official, no matter by what name he is called, who gives his whole time, ought to be the real manager.

4760. Regarding the difficulty anticipated by Colonel Magniac in selecting suitable Directors for Railway Companies serving different provinces and centres, the Chairman observed that it was not infrequent in London for Directors to be appointed who have little local knowledge of the places in which the business of their company is done: they are chosen rather for their general qualifications. Colonel Magniac thought that there would be a greater tendency to bias in India. For example, a Madras Director, he thought, would have a natural bias in favour of Madras interests. He agreed, however, that there is something to be said on both sides of the question.

4761. Colonel Magniac alluded to the difficulty of formulating a workable system under which management might be conducted jointly by Boards located in the United Kingdom and in India, although at first sight the proposal appeared attractive. He admitted that ultimately authority must be centred in one place or the other, any power given to one of the Boards being controlled by, and being subject to, revocation by the other. He agreed with the Chairman that a railway is an entity, and its management cannot be divided into two parts. There must be some one authority with power to harmonise and co-ordinate. With reference to his recommendation that the function of the Indian Board should be consultative only, he agreed that their powers should be subject to the ultimate control of the London

Board. Colonely Magniac was apprehensive of difficulties which might run in the way of conflicting orders being received by the agent from the London and Indian Boards. He agreed that much would depend on the personality of the agent and the extent to which he could either persuade the local boards in India to agree with him, or to recognise at least the reasonableness of his position in cases of disagreement.

4762. In Colonel Magniac's opinion the Railway Board spends a portion of time on matters of small importance. He thought that the schedule of powers delegated to the railway companies should be enlarged. He did not experience difficulty ordinarily in getting sanction to his proposals, but there was a waste of time and trouble in making references. In cases of emergency he could anticipate sanction to make appointments, but usually this was not necessary. He did not find the Railway Board unreasonable, but merely thought that the necessity for referring minor matters to them, though it did not really fetter the agent's discretion, caused loss of time and unnecessary work. The matters which he had in mind were mainly staff questions. For instance, a case of the grant of exceptional leave, outside the leave rules, would need to be referred to the Railway Board. There would be no temptation to an agent to give such leave unless it was necessary, and he might very well be allowed to use his own discretion.

4763. The Chairman observed that the Railway Board appears to have two distinct functions: one, executive, dealing with such matters as the control and management of State railways, scrutiny of designs of works and so forth; the other consultative and advisory. The Board has or should have a general policy with regard to rates and fares, programme of extensions and the like. Colonel Magniac considered that there should be a Board of several members, responsible for the executive work. He was opposed to centralising the authority of the Board in the President; in saying this he had in mind his experience in the Army Department where much difficulty and delay was caused by the necessity for referring matters to a single controlling head, whereas in the Railway Board he had found that a matter could be disposed of by a single member much more rapidly. With regard to the question whether the President of the Board should have a deciding voice where a difference of opinion occurred after discussion, the Chairman suggested that, in the somewhat similar case of a railway adminstration, the agent would insist on having the power to over-rule the heads of departments. Colonel Magniac considered that the case was different, the decisions of the Railway Board being issued as those of the Board as a whole and not in the name of any one individual. He saw no reason why the Board should not adopt more generally the practice of meeting, and discussing and passing orders on matters after seeing the papers relating to them. He observed that it was not the practice of the Government of India to deal with business in this way, but he considered that such a practice, if introduced, would be a change for the better. In his written evidence he had not proposed a radical change in the constitution of the Board. He agreed, however, that it would be desirable to reconstitute the Board as a body of technical men on the executive side, with a representative council on the consultative side, to deal with questions of general policy and finance. The Minister in charge of railways should be the President in both cases. He did not contemplate that the members of the consultative council would meet more than three or four times in a year.

4764. The witness agreed that it was undesirable that the Finance Department should have an opportunity, such as had been alluded to by Sir T. Wynne, of choosing any particular expression of opinion in the Board's office notes which happened to be in accord with their own views, and using it to support those views. In his opinion the less the Finance Minister interfered with the railway business the better it would be.

4765. He agreed that it is impossible for the Board as a whole to perform tours of inspection without interfering with their current work at headquarters. He considered that they should be strengthened by the addition of a staff of inspectors for commercial and operation purposes.

4766. To secure continuity on the Board he would abolish the five year time limit on the tenure of appointments of members. He was strongly opposed to bringing the railways under the control of the Department of Commerce and Industry: the railway system being too important to be treated as an appendage to any other department.

4767. With reference to railway expenditure for military purposes, Colonel Magniac expressed the opinion that the Army Department not having enough funds for its requirements, had been strong enough to cause the burden to be imposed on the railways. He agreed that this expenditure should be a charge to military funds.

4768. He was of opinion that there has been a tendency to give a larger share of the available capital funds to the lines serving the most important presidency towns and ports in response to the pressure of powerful interests. He said, for example, that the Eastern Bengal Railway was favoured because of its serving Calcutta and of its connection with the jute industry. Generally speaking, he believed the places near the Railway Board's headquarters got greater consideration than those which are more remote. One advantage of the appointment of local inspectors would be to secure the better consideration of the needs of more distant places.

4769. Regarding the distribution of capital funds, the witness was decidedly of opinion that the Railway Board could not have a clear grasp of the relative importance of different demands. He did not see, for instance, how they could say that an engine was more urgently required on the Madras and Southern Mahratta Railway than a bridge requiring strengthening on the Assam-Bengal. He was not certain, but assumed, that when a railway budget grant has to be cut down, something in the nature of a *pro rata* distribution is made amongst all the railways. So far as he could see, the Railway Board has no better way of deciding how to distribute a reduction; subject always to the consideration that the more influential people would probably get a larger share of whatever is available.

4770. In his opinion inconvenience was caused by the practice of the Railway Board, in allowing concessions to the staff on State lines, communicating the fact to the railway companies, leaving it open to the boards of directors to introduce similar concessions, if they so desire. Even if the directors did not wish to exercise the authority, the staff were certain to press for the same concessions which thus tended to spread throughout India.

4771. Colonel Magniac promised that he would furnish the Committee with further details of the items in the Schedule of powers in which he considered that the authority given to the boards of directors might reasonably be increased.

4772. Referring to his opinion that the Railway Board possesses adequate powers of control in matters relating to the requirements of the travelling public and of trade, the Chairman asked whether, for example, the Railway Board has power to order the provision of a refreshment room. Colonel Magniac said that the Railway Board could bring pressure, but he did not understand that it has actual authority to issue orders. He agreed that it is reasonable that there should be some power of public control to deal with the case, if such were to arise, in which a company might be reluctant to provide reasonable facilities which did not directly increase dividends.

4773. The Chairman suggested that a case might arise in which a railway company, acting within the approved maxima and minima rates, might levy different charges for the same service rendered to individuals. Colonel Magniac said that he did not

consider that railways ever act so unreasonably. He agreed, however, that if anybody though such cases might occur, the remedy provided by the Indian Railways Act, namely the appointment of a Railway Commission for dealing with complaints, is too cumbrous; he would see no objection to the appointment of a tribunal consisting of a lawyer specialising in railway work and including two business men and two railway officials to deal with complaints regarding rates and fares. He thought it necessary that a deposit of caution money should be required from complainants, to prevent frivolous complaints being made. He suggested that Rs. 100 would not be too deterrent a fee.

4774. Colonel Magniac shared the opinion which other witnesses had expressed that there could be no reasonable objection to an increase of rates and fares if railway facilities were correspondingly improved. As instances of places where railway facilities are specially needed, Colonel Magniac mentioned the Arkonam and Jalarpet Junctions. He stated that at present the Madras and Southern Mahratta Railway are not refusing traffic, but traffic has fallen off considerably of late. Frequently traffic is delayed in transit. He ascribed this mainly to the want of sufficient rolling stock.

4775. Mr. Wathen mentioned that congestion of traffic has been caused, for example, by the carriage of locomotive coal from Bezwada to the metre gauge lines to the West. This has to be carried during the heavy traffic season, over a light section of the line on which heavy engines cannot run. Coal was formerly taken by sea to Mormugao, but it was now carried by rail mainly on account of heavy cost of sea transport.

4776. Regarding the question of the adequate supply of funds for railway expenditure, the Chairman drew attention to the details contained in the following statement comparing the demands made by the Madras and Southern Mahratta Railway for funds, with the amounts allotted by the Railway Board:—

	Demand by Railway. Lakhs Rs.	Sanctioned by Railway Board. Lakhs Rs.
1912-13	36·84	32·70
1913-14	58·31	53·62
1914-15	47·70	47·70
1915-16	68·92	29·93
1916-17	62·00	17·89
1917-18	73·05	33·06
1918-19	159·29	54·55
Total in seven years	506·11	269·45

4777. The Chairman observed that out of Rs. 506 lakhs asked for, roughly only one-half had been allotted. These figures, the witness explained, related wholly to open line capital requirements, and did not include funds for the Guntur-Tenali line (16 miles), the only extension constructed during the period under reference. The figures therefore represented the cost of additions for bringing the open lines and equipment up to a suitable standard. In 1919-20 the railway had got at the beginning of the year Rs. 18 lakhs more than had been asked for; the larger part of the Rs. 154 lakhs allotted in that year was for engines and wagons. In 1920-21 the demand was for Rs. 145 lakhs, and the sanctioned grant was Rs. 161 lakhs. This, however, included a provision for an anticipated throw forward of liabilities from the previous year of no less than Rs. 134 lakhs, so that there was only about Rs. 27 lakhs not already earmarked when the grant was allotted. For the year 1921-22 the demand was for Rs. 164 lakhs, and the preliminary sanction is for Rs. 67 lakhs only. This necessitates the abandoning of all new projects during the coming year. The agent observed that this is not conducive to economy, and makes it impossible to make up existing arrears. He explained the reference to "arrears" as meaning that it was impossible to work up to the accepted programme; he did not refer to actual arrears of expenditure.

4778. Turning to two statements attached to the written evidence, the Chairman ascertained that Statement A, relating to renewals of rails on the broad gauge and metre gauge lines, indicated that out of a programme of 194 miles proposed by the railway and generally approved by the Railway Board to be renewed on the broad gauge, only 75 miles had actually been renewed from 1914-15 to 1919-20, the corresponding figures for the metre gauge being 342 miles in the programme and 131 miles actually renewed. This meant that the renewal programme is 119 miles behind hand in the case of broad gauge and 211 in the case of metre gauge. The largest part of this cost would have been chargeable to revenue. The fact was that Government had been utilising as revenue for general purposes money which should have been spent to keep the railways up to standard; but these renewal arrears were also largely due to difficulties caused by the war in obtaining the required material and stores. The witness promised to furnish the Committee with money figures corresponding to the mileage mentioned above.

4779. Turning to Statement B, which relates to renewals of locomotives, carriages and wagons, the Chairman noticed that the comparison would be as follows:—

	No. of renewals that ought to have been made.	No. of renewals provided in the current year.
Broad Gauge.		
Locomotives ...	36	12
Boilers	37	12
Coaching vehicles	114	67
Goods stock ...	608	160
Metre Gauge.		
Locomotives ...	20	22
Boilers	37	10
Coaching vehicles	257	110
Goods stock ...	595	393

4780. The Chairman enquired why the renewals on the metre gauge were less inadequate than on the broad gauge. The witness explained that this was merely due to the accident of supply. Colonel Magniac promised in this case also to translate the information given into terms of money [giving an indication in both instances of the basis on which the calculation of costs is made]. The Chairman said that he would also be glad to have information regarding renewals in another shape, namely, a statement showing the actual expenditure for the past ten years, year by year, on maintenance and renewals, both for permanent way and rolling stock.

4781. Colonel Mangniac urged that the existing lines must be brought up to standard before extensions could be contemplated. The strengthening of bridges is very important, as heavy engines cannot be run over many of the existing bridges. The Godavari bridge, for example, is not up to the present standard: it was built some 22 years ago to take a calculated train load (allowing for impact stresses) of 344 tons, the present load of the Madras and Southern Mahratta Railway trains reaching over 544 tons. In this connection, it was explained by Sir George Godfrey that about 1906 an enquiry was instituted by the Railway Board into bridge standards, and standards were decided for new bridges on the basis of a considerable increase of engine axle loads above the pre-existing figure of 14 tons. The recommendations made were examined further and the new standard "B," as it was called, was again revised and it was decided that for the future bridges should be built to the standard "B" plus 25 per cent. The effect of introducing the revised standard is that a very large number of existing railway bridges in India are out of date. The Chairman observed that he judged from the information given that India was lagging behind other countries in the matter of standards. Colonel Magniac mentioned that the standard now adopted would allow of train loads of 780 tons (calculated) as compared with 344 tons prior to 1906. He explained that the Godavari Bridge was

built by the East Coast State Railway and not by the Company.

4782. Referring to the agent's estimate in his written statement that for the next five years a capital grant of about 200 lakhs is necessary to meet the requirements of the Madras and Southern Mahratta Railway, Colonel Magniac stated that this would include the provision for the capital portion of the requirements indicated in Statements A and B appended to his evidence.

4783. The Chairman drew attention to Colonel Magniac's observation that there are decided advantages in raising in India a proportion of the capital funds required by railways. Colonel Magniac agreed that it would be better that some of the Indian public should be encouraged, as shareholders, to see railway questions from the railway point of view. At present they do not appreciate the need of cutting the coat to suit the available cloth, there being a tendency to think that the supply of cloth from the United Kingdom is unlimited. They would appreciate the position more directly as shareholders, and he would prefer this to their being obliged to realise it in the form of taxation.

4784. Regarding the employment of Indians as officers on the Madras and Southern Mahratta Railway, Colonel Magniac stated that a certain number of promoted employés have risen to the position of both officers and honorary officers. In the case of honorary officers, their appointments are superior to those of subordinates and carry the ranks and privileges of ordinary officers but not exactly the same scale of pay. These appointments were not restricted to Indians. There were some Anglo-Indians in them also. Apart from these, there are about 12 Indian officers of ordinary status employed as assistant traffic superintendents, assistant engineers, assistant secretaries, and assistant auditors. There is nothing to prevent these rising to higher appointments. It is only a question of capacity and merit.

4785. In reply to the Chairman, he said that he had no objection to the employment of Indians in officers' posts. He had not had suitable men pressed upon his attention, but had had to seek them when required. He said that he had not refused any man of suitable qualifications offered by the Madras Government, but had to obtain some of his Indian officers from up-country. He considered it essential that the officers appointed should have had a suitable education and be prepared to undergo the usual training. He was entirely opposed to anything savouring of racial discrimination.

4786. In the event of Boards of Directors being constituted in India, he realised that a substantial proportion would be Indian gentlemen. Colonel Magniac was of opinion that it is preferable to raise additional monies by means of preference shares or debentures, rather than as ordinary share capital. He thought that to raise ordinary share capital on terms necessarily different from those applying to the existing capital would cause undesirable complications. He was unable to say how the question of control could be properly dealt with in the event of a substantial body of Indian shareholders coming into existence.

4787. Adverting to his opinion that a more or less general increase in railway rates is justified, subject to the check of a tribunal as already agreed to in principle, the Chairman asked why he objected to an all-round percentage of increase. Mr. Wathen stated that in his opinion some of the traffic could not bear an increase of rates. The railway had dealt with individual cases and had increased rates where considered desirable, frequently by the cancellation of the existing special rates. In some cases the rates had been increased by as much as 100 per cent. He thought that in the event of a general increase of rates, it would not be practicable for railways to compete with canal traffic.

4788. In this connection, the Chairman drew attention to the complaint of the Southern India Chamber of Commerce that the railway attempts to "kill" canal traffic competition altogether. Mr. Wathen admitted that the railway competed, but he thought fairly, for such traffic. He considered it quite arguable that the railway is justified in quoting rates appreciably lower than the generally prevailing rates on the system and allowing of only a small margin of profit to the railway, for the sake of securing the traffic from competing carriers. He admitted that he had been trying to "kill" the steamer traffic from Madras to Calcutta in order to utilise empty stock. After some discussion on the use of the word quoted, he observed that the word "kill" had been put into his mouth, having been quoted from the Southern India Chamber of Commerce's representation. He emphasised that water carriage will always be cheaper than transport by rail. The canal and steamer traffic is in fact protected by the existence of the minima rates imposed on the railways by Government. Though water carriage would always be cheaper, the railway is able to secure a share of the traffic because of the greater expedition of despatch.

(*The Witness withdrew.*)

Colonel MAGNIAC, Agent, Madras and Southern Mahratta Railway, and Mr. WATHEN, General Traffic Manager, Madras and Southern Mahratta Railway, were recalled and further examined.

4789. The Chairman asked, with reference to Colonel Magniac's objection to control being exercised both in India and in the United Kingdom, how the natural claim of Indian shareholders to a share in the direction could be met. He instanced the case of the Bombay tramways, in which he had been informed that the Indian shareholders had bought out the English shareholders and transferred the Company to India from the United Kingdom. Colonel Magniac agreed that this might be done in the case of the railways also, if Indians were to subscribe so large a part of the share capital. He urged that dual control would in any case be impossible. He would not object to control being exercised in India if Indian shareholders held a dominating interest in the line. He thought that Government should always retain the majority of the capital so as to be in a position to claim a preponderating voice in the management as the most important shareholder.

4790. With reference to the question of raising maxima and minima limits for rates and fares, Mr. Wathen thought that it might be urged that one-tenth pie per mile per maund—the minimum rate for first-class goods which had originally been introduced as the lowest rate at which railways might carry traffic without loss—should now be increased in view of the all-round rise of working expenses, but he considered that it is still not too low for traffic carried over long distances in stock that would otherwise have to run empty; and he thought it was better not to raise the minimum limit for this reason.

4791. Colonel Magniac had suggested that the maximum for passenger fares might be increased to:—

1st class	...	...	pies 30 per mile
2nd class	...	...	pies 15 per mile
Inter, ordinary	...	...	pies 6 per mile
Inter, mail	...	...	pies 7½ per mile
3rd, ordinary	...	...	pies 4 per mile
3rd, mail	...	...	pies 6 per mile,

it being left to railway administrations to adopt such increase within these maxima as they might consider justifiable. He agreed that the public should be given reasonable notice of any intention to increase goods rates, to enable them to arrange their contracts accordingly.

4792. Referring to the existing system under which railway administrations are not free to transfer the provision in the budget grant between certain heads,

the Chairman asked if there was any special reason why money which could not be spent, for example, on works, owing say to the occurrence of a strike, should not be spent on the purchase of coal, if ultimate economy could be produced thereby. Colonel Magniac said that he was not aware of the precise reason for the restrictions on transfers. He understood them to be a part of the general policy of Government, and designed to maintain control with the object of preventing wasteful expenditure. He had not found that the Railway Board had always refused applications to transfer provision from one head to another, and he had not experienced delay on the part of the Railway Board in answering references.

4793. With reference to the July forecast of capital requirements, he explained that this is only an estimate of expenditure which the railway considers likely to be required. It has to be worked up some time before July in which month it is submitted to the Railway Board. Thus in effect it is drafted nearly a year before the proposals in it come into force. Although sent to the Railway Board in July and discussed with them by the agent in August, it is not until about December that orders are passed. Colonel Magniac was not in a position to say exactly what happened in the intervening period, but he thought that it is probably spent by the Railway Board in discussing matters with the Finance Department.

4794. Referring to the grant by the Railway Board, of additional sums for expenditure during the year to which the grant relates, Colonel Magniac explained that such extra allotments can usually be spent only in India, because time does not permit of orders being placed and complied with in the United Kingdom. The effect was to restrict outlay to such work as can be carried out in India, but it has frequently been advantageous to utilise such additional grants in this way as it relieves the charges which would otherwise fall against the following year's grant.

4795. In his written statement, Colonel Magniac expressed the opinion that the financial control of the Railway Board should cease once it has sanctioned the grant of money to any railway. He was not asking to be allowed to carry out unsanctioned works, but only to be allowed to make the best use of money provided for expenditure on approved works. Under the present system, the budget provision lapses at the end of the year even if definite commitments had been entered into. For example, if an order for coal be given during a particular year and the coal is not delivered in that year but is delivered in the next money to cover the payment in the following year must be definitely provided in that year's grant.

4796. The Chairman drew attention to certain figures set out in Colonel Magniac's written evidence, the tenor of which was to show that frequently since 1912-13 the amount of money granted for capital expenditure in particular years had been but little greater than the amount of indents outstanding at the beginning of the year. Colonel Magniac suggested that the figures seemed hardly consistent with the opinion of the Indian Railway Finance and Administration Committee of 1907 that, in deciding the allotment to be made in any particular year for railways, the Government takes account of any improvement in the financial position owing to the occurrence of lapses. For instance, in the year 1913-14, the total grant amounted only to Rs. 53·62 lakhs, whereas the amount of indents outstanding at the beginning of the year was no less than 49·90 lakhs. In this case the railway had demanded a grant of Rs. 58·31 lakhs. Colonel Magniac admitted that possibly the inference drawn by him from the figures was not fully justified, as the amount of outstanding indents at the beginning of the year would include, as pointed out by Sir George Godfrey, not merely the amount which lapsed from the grant for the preceding year but also the amounts by which indents had been certified in advance for the current year. In addition to the difference between the net capital grant and the amount of outstanding indents at the beginning of the year, the railway capital account would receive a credit for stores issued for revenue purposes and the money available for cash expenditure in India on works chargeable to capital would be correspondingly increased. In connection with this question, Colonel Magniac admitted that, in common with most others, he did not clearly understand all the details of the budget system. It was a matter in which the Railway Agents usually rely largely on their Audit Staff.

4797. Referring to the question of the classification of goods, Mr. Wathen explained that a uniform classification had been approved by the Railway Board in 1910. The sanction, however, had shortly afterwards been cancelled, before the classification could take effect. He could not explain the reason. In practice, the witness said, the introduction of a uniform classification led to the transfer of certain commodities from a lower to a higher class. Where this involved a transfer from the lowest to a higher class, it might in some cases necessitate the quotation of higher rates owing to the fact that the minimum rate for all the higher classes was one-sixth pie as against one-tenth in the case of Class No. 1. Otherwise, the only effect of the altered classification would be to enable the railways, if they chose, to introduce higher rates within the new maximum, as the minimum rate would remain unaltered. Although the uniform classification had not been finally approved by the Railway Board, the railways are as far as possible working towards it and are eliminating exceptions from its provisions. Thus the Madras and Southern Mahratta Railway has eliminated all exceptions and other railways have fewer than they formerly had.

4798. Mr. Wathen was unable to explain why the Great Indian Peninsula Railway should be permitted to charge pies ·80 per maund per mile for cotton, full pressed, whereas the Madras and Southern Mahratta Railway, in common with others, is only permitted to charge pies ·50. The Madras and Southern Mahratta Railway had at one time applied for permission to transfer cotton to the 5th class in the classification; this had been sanctioned by the Railway Board, but subsequently cancelled. The commodity at present stands in the second class on this Railway and the Great Indian Peninsula Railway is the only railway which, for some unknown reason, is allowed a special classification for this commodity.

4799. In his written evidence, Colonel Magniac had mentioned two cases of exception being taken to the rate quotations of the Madras and Southern Mahratta Railway, namely, for firewood and betel leaves, in which higher rates were charged in the busy traffic months than in the off season. Mr. Wathen defended the policy of railways charging higher seasonal rates for traffic which only comes to the railway at times of pressure or when other means of transport, for example, carriage by canal, have temporarily become unavailable.

4800. Colonel Magniac had stated that, on the Madras and Southern Mahratta Railway it is impossible to comply in full with all demands of merchants for wagons from about the beginning of March to the end of June. He stated that it had been his experience throughout his railway service on the State as well as on companies' lines that at certain times public demands cannot be fully met. It follows that the maintenance of a priority register for wagon supply is a matter of course on Indian railways.

4801. Questioned by the Chairman with reference to evidence given by others regarding the restrictions of interchange between the South Indian and the Madras and Southern Mahratta Railways, Colonel Magniac quoted as an example Arkonam junction where traffic is exchanged between the two railways and between the metre and broad gauges. He stated that restrictions had been imposed by the South Indian Railway which announced its inability to accept more than 100 tons daily at Arkonam. The Madras and Southern Mahratta Railway had, for this reason to distribute amongst all railways the right to book *viâ* Arkonam, so that the maximum of 100 tons should not be exceeded.

4802. With reference to the evidence given by Mr. Moir to the Committee regarding complaints of corruption against railway staff, specially in the Bezwada district Colonel Magniac promised to furnish the Committee with information. He had not been on the railway at the time of the complaints and was not in possession of full details. He believed, however, that the complaints had been generally exaggerated. He read a letter dated 16th March, 1920, to the *Madras Times* newspaper in which it was pointed out by him that no specific cases had been brought to the notice of the railway. He admitted that, in certain cases, the railway authorities have satisfied themselves that the staff had acted improperly. These cases were dealt with departmentally, and the station masters and others responsible had been dismissed or otherwise punished. All specific cases had been dealt with in this way; but people would not come forward to substantiate their complaints and the railway could do nothing more in the circumstances. Mr. Wathen explained that the station staff really had no control over the distribution of wagons which was made by the District Traffic Superintendents on the priority certificates issued by Government officers. There were rumours of a similar nature regarding irregularities connected with the issue of priority certificates. The Chairman, however, observed that the Committee could not go into that question as it did not concern it.

4803. Referring to Colonel Barnardiston's evidence to the Committee, the Chairman asked whether there was any ground for suspicion that the Madras and Southern Mahratta Railway did not ask the Railway Board for as large allotments of funds as they should have done. Colonel Magniac thought that the figures already placed before the Committee and quoted in the morning's evidence, showing that the railway had asked for nearly double the sums allotted to it over a series of years, was a sufficient disproof of the suggestion.

4804. In respect of delays in correspondences, Sir George Godfrey asked what Colonel Magniac's experience had been of the slowness of the Madras Government in acquiring land for railways. Colonel Magniac said that there had undoubtedly been serious delays, extending in some cases from six to eleven or twelve months. He instanced a case which the local Government had taken from March to December, 1920, to settle, though the owner of the land was perfectly willing to sell the land and the railway to buy. There was no reason for delay. In another case there were certain complications, but he thought the delay which had occurred was unwarrantable.

4805. In reply to the Hon. Mr. Sastri, Colonel Magniac stated that the railway administration employed Indian officers on the recommendation sometimes of the Government of Madras and sometimes of the Railway Board. In the case of promotion of staff, no enquiries are necessary, but in the case of outside candidates for appointment, enquiries must be made regarding their suitability. Colonel Magniac denied that the policy of employing Indians was one of very recent date; from the time he was on the Madras and Southern Mahratta Railway there had been Indian officers employed. There was no special arrangement on this railway for ensuring the recruitment of a regular number of Indian officers annually. It was not, however, correct to say that the Board of Directors did not make special efforts to secure Indian officers. They had, for instance, succeeded only with difficulty in getting one Indian with European qualifications in the engineering branch. Mr. Sastri suggested that European qualifications could hardly be necessary in that branch as there are good engineering colleges in India. Colonel Magniac said that he thought that Indians trained in the Madras colleges were not as a rule anxious to enter railway service, but preferred to go to the District Boards, and the State lines had the pick of the men from Roorkee.

4806. In the case of a railway, like the Madras and Southern Mahratta Railway so large a number of vacancies do not occur every year as would make it possible to introduce a regular recruitment system. Colonel Magniac said that he would have no objection to an arrangement for the admission of a limited number of apprentices annually.

4807. In answer to the Chairman, he said that there are 140 officers on the railway. The average period of service, he thought, might be taken at about 30 years or something less, so that the average total recruitments would not be more than about five per annum.

4808. Sir Arthur Anderson observed that Colonel Magniac was in favour of the association of Indian gentlemen of standing with the Railway Administration and also of the utilisation of Indian money for railway development. In this connection, he drew attention to the scheme which had been put forward for the utilisation of Indian companies affiliated with the main line companies domiciled in the United Kingdom, and asked whether Colonel Magniac had received any instructions on the subject from his directors. Colonel Magniac stated that he had received from them a copy of a letter on the subject from the India Office but no instructions.

4809. Sir Henry Burt enquired whether Colonel Magniac would see any objection to the general business of the railway being brought before a Consulting Committee which might, for example, discuss with the agent such questions as the railway programme. Colonel Magniac thought it might lead to difficulties; he had no objection, however, to taking the public into his confidence and to taking advice provided it seemed to him to be good.

4810. In answer to Sir Rajendra Nath Mookerjee, the witness explained that apprentices are taken in the Madras and Southern Mahratta Railway workshops, but only of the artisan class.

4811. Asked how he would avoid the difficulty of dual control in the event of Indian subscribers putting up as much money as the existing English shareholders have, Colonel Magniac reaffirmed his objection to any form of divided control, which he regarded as impracticable. He considered there would be good reason for the direction of the railways being transferred to India in the event of Indians acquiring a preponderating interest in the lines, but thought it was looking far ahead to assume that they would do so. Sir Rajendra Nath drew attention to the fact that, in the future, money required for railway expenditure must be voted by the Imperial Legislative Assembly, and said that he thought that effective Indian control is coming much sooner than Colonel Magniac appeared to anticipate.

4812. In reply to Mr. Hiley, Colonel Magniac emphasised that the detailed knowledge of companies' Boards of Directors is gleaned largely from the reports submitted by the agents to the railways. The Railway Board could not be expected to deal with similar reports from all the railways in India.

4813. With regard to competition between different railway administrations, Mr. Hiley emphasised the point that, even under State management, competition in efficiency could be secured by a proper use and comparison of operating statistics. The witness agreed with Mr. Hiley that, in the event of the purchase of stores being arranged through a High Commissioner or other special officer who was not tied to any one firm of consulting engineers, some advantage might be secured by ensuring that the most up-to-date and highly specialised advice would be available in connection with any particular problem. The witness agreed that some advantage might also be secured under a similar system through the combination of orders from different railways so as to get the benefit of ordering large quantities; he did not, however, think that the advantage would be very great. He considered, also, that this might lead to less individual care and attention.

4814. With regard to the possibility of the Home Board of Directors taking advantage of opportunities of getting into touch with officers of the railway on leave, Colonel Magniac agreed that he would not expect the Board to be influenced by information gleaned from such officers differing from what he, as Agent, after due deliberation, had decided to

place before the Board. He thought, however, that the Association of the Directors with those officers would help to bring them into closer touch with the position in India without necessarily derogating from the Agent's independence and authority. Colonel Magniac explained that, when he had recommended that the Railway Board should include amongst its members men acquainted with the different parts of India, he was speaking of the Board proper. His object was merely to ensure that the controlling Board should have as much local knowledge as possible of different parts of India. Should this be impracticable, the next best thing would be for the Board to have amongst its staff officers with the necessary acquaintance with different parts of the country.

4815. Adverting to Colonel Magniac's view that the President of the Railway Board should not be given the right to over-rule his colleagues, Mr. Hiley suggested that experience showed that, among a group of technical experts, it was desirable that one should be president or vice-president, so as to co-ordinate the policy of the whole body. He recognised that a member whose opinions had been over-ruled should have the right to place the case before the Railway Minister. Colonel Magniac agreed that he would not be prepared to manage a railway unless as agent he had the power to over-rule his technical officers in case of a difference of opinion. The Chairman stated that from the observations made both Mr. Hiley and Colonel Magniac appeared to contemplate the establishment of a railway board with a president, as at present, responsible to a separate Railway Member of Council. Mr. Hiley explained, however, that all he had in mind was that amongst the technical officers one should have a preponderating position.

4816. Referring to that portion of Colonel Magniac's evidence in which he expressed the opinion that powerful industries such as the jute industry in Bengal are in a position to exercise undue influence over the allotment of railway funds, Mr. Hiley asked whether the appointment of merchants on the local advisory boards would not assist other parts of India to secure fuller consideration when funds were distributed. The witness agreed that this might certainly prove to be the case.

4817. With regard to the reconstitution of the Railway Board, Mr. Hiley asked whether it was Colonel Magniac's opinion that there should be a separate Department for Railways only with a member in charge. The witness said that that was so.

4818. With reference to Colonel Magniac's statement in his written evidence that ordinary share capital with a Government guarantee would be the most promising method for attracting private capital in India, Mr. Tuke asked whether the witness really thought that the ordinary capital of an English company with a Government guarantee would be attractive to Indian investors. The witness said that he was not sure if it would, and did not feel competent to express an opinion.

4819. The witness thought that Indians would be unlikely to invest in a railway company domiciled in Great Britain; a rupee capital company would be much more likely to appeal to them. Asked whether it would not be preferable that Government should raise funds by the issue of a Government loan, he considered that the objection to this course was that a fixed rate of interest is attached to Government loans, which are, therefore, not so attractive as the prospects of a better return on share capital.

4820. In reply to Mr. Purshotamdas Thakurdas, the witness stated that he was a member of the Madras Chamber of Commerce and of the Madras Port Trust, and thus gets in touch with the requirements of certain sections of the community. As regards the Indian commercial community, he had not been invited to become a member of the Southern India Chamber of Commerce, which specially represents their interests, nor of the Madras Trades Association. If invited to do so, he would willingly become a member of the Indian Chamber. It was not at his instance, but at that of the Chamber itself, that the agent and general traffic manager of the Madras and Southern Mahratta Railway had become members of the Chamber of Commerce. He believed that Indian merchants are represented on the Chamber of Commerce.

4821. He claimed that he was able to get in touch with the requirements of Indian merchants, whom he was always glad to meet. In the case of the Mysore Chamber of Commerce, the railway had been invited to nominate a member, and a district traffic superintendent had been appointed.

4822. Referring to the appointment of honorary officers, he explained that these hold an intermediate position between the subordinates and the regular officers of the railway, drawing special rates of pay. Mr. Purshotamdas observed that in the Bombay mills most of the engineering appointments are held by Indians who are quite efficient, whereas forty years back they were all Europeans; and, asked whether that would not be a parallel for the Railway Locomotive Department, Colonel Magniac said that he had not found qualified Indians in Madras in that line; his experience was that Indians were more lacking in power to control their staff than Europeans.

4823. Mr. Purshotamdas asked how the officers who were relieved for active service during the war were replaced. Colonel Magniac said that it had been partly done by stoppage of leave, by the promotion of subordinates, and partly by fresh appointments from outside. Some Indians had been promoted, and in one case an Indian had been employed specially as assistant traffic superintendent. This young man was now a regular officer of the company.

4824. When speaking of the difficulty of securing impartial directors with commercial experience, Colonel Magniac explanied that he had in mind impartiality as regards local requirements. A Madras director, for example, would naturally be more inclined to further the interests of Madras rather than of other parts of India, such as Bombay. He thought that it would be placing a heavy burden on the headquarters controlling board, for instance, the Railway Board, to expect it to exercise a restraining influence to secure a due balance of conflicting provincial requirements. Colonel Magniac said he was not aware of any case in which a proposal put before the Railway Board for facilities, such as waiting sheds for third-class passengers, desired in the interests of the travelling public had been refused. Ordinarily, however, such cases would not be referred to the Railway Board, as they would be within the powers of sanction of the directors. The Railway Board would come in only in connection with the provision of funds.

4825. In answer to Sir Rajendra Nath Mookerjee, Mr. Wathen stated that there were refreshment cars for Indian passengers on certain trains both on the broad and metre gauge of the Madras and Southern Mahratta Railway. He was not certain whether the North-Western Railway had introduced a similar convenience. He believed that on the Madras and Southern Mahratta Railway the provision of a refreshment car was appreciated by the Indian passengers.

4826. The Chairman asked whether Colonel Magniac could justify the disproportionate allowances of rolling stock to the Eastern Bengal and the North-Western Railways over that of the Madras and Southern Mahratta Railway, quoting figures to show that the former lines have relatively much more stock per unit of traffic per mile than the last named. Colonel Magniac thought that the explanation might lie in the fact that on the Eastern Bengal Railway there is more seasonal traffic and shorter leads and numerous sidings, involving a loss of effective carrying capacity; while on the North-Western Railway there is heavy seasonal traffic and also a surplus of stock for strategic reasons. The Madras and Southern Mahratta Railway is a receiving line, and usually has foreign vehicles on it, for which it

can provide back loads; whereas the position on the Eastern Bengal State Railway is different, some of its stock usually being employed on other lines. The Chairman was doubtful whether the explanation of the circumstance noticed by him is quite adequate, and pointed out that there might be something in the suggestion which had been made that the State Railways receive more consideration from the Railway Board than the company-worked lines. Colonel Magniac stated that in his experience he had never known sufficient rolling stock to be in existence at times of pressure on the Eastern Bengal, the North-Western, or the Madras and Southern Mahratta Railways.

TWENTY-FIFTH DAY.

(Madras).

Thursday, 20th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The Hon'ble Mr. J. F. SIMPSON, Chairman, together with SIR GORDON FRASER and Mr. A. P. SYMONDS, Members of the Madras Chamber of Commerce, were called and examined upon a written statement which had been furnished to the Committee.

Written Statement No. 36, Vol. IV., p. 139.

4827. The Chairman observed that the Chamber of Commerce had expressed themselves as being in favour of the existing policy of railway management being maintained: that is to say, that railways partly owned by the State should be worked by companies. They had admitted that they were not perhaps in the best position to express an opinion in the matter, as they had no direct contact with lines managed by the State, but on broad grounds they were inclined to think that company-worked lines are likely to be more efficiently, more economically, and more satisfactorily managed than State railways.

4828. The Chamber had observed that they were rather attracted by the suggestion that the systems of management by companies domiciled in England and by companies domiciled in India might be combined, and considered that this proposal should be explored. An advisory and consultative Board with powers of independent action in certain directions might be a useful adjunct to a main Board in London. They feared, however, that such a plan might be found unworkable.

4829. In answer to the Chairman Mr. Simpson said that he thought there might be more room for such Local Boards as the Chamber contemplated, if an advance were made in the direction, indicated by the Madras Government, of grouping the railways into systems corresponding roughly with the provincial divisions of India. In this case it might perhaps be possible to combine the management by Boards in England and in India.

4830. Mr. Simpson agreed that if, for instance, the South Indian and the Madras and Southern Mahratta Railways were treated as one group, London company management being maintained in view of the fact that the existing contracts do not expire for many years to come, it would, in the last resort, be a matter for the voluntary acceptance of the London Boards of Directors whether they would accept the co-operation of a Local Board in India as suggested, though some pressure could no doubt be brought to bear upon them to accept this system. He fully realised the difficulty of having two controlling Boards each exercising real powers, and agreed that ultimately, in the case contemplated, the London Board must retain the final authority and be free to withdraw any powers delegated by it to the Board in India. In such cases Mr. Simpson thought the old adage that "who pays the piper calls the tune" must apply.

4831. The only alternative would be the acquisition of a controlling right by Indian subscribers through their putting up a larger share of railway capital than the London companies. The unattractive nature of an investment by an Indian subscriber in an English domiciled company, consequent on the liability of dividends to English income-tax was of course obvious, but if Indians acquired a controlling interest in the English companies they could of course secure the transfer of these to India.

4832. Sir Gordon Fraser stated that he thought a dual company system might be found practicable, and he placed before the Committee a rough outline of a scheme which he suggested for consideration. He explained that he was merely putting forward his personal ideas and was not now speaking for the Chamber of Commerce, as he had not been able to place the matter before his colleagues.

4833. In rough outline his suggestion was that the existing Madras and Southern Mahratta Railway Company, domiciled in England, should sell its assets to a new Madras and Southern Mahratta Railway Company (India), to be domiciled in India, in return for shares of equivalent value, which, in the instance taken, would be £5,000,000. The London Company would then become merely a holding Company and its entire property would be its shares in the Indian Company. At first the London Company would hold the whole of the share capital of the Indian Company and would have complete powers of control over that Company. But taking this as a starting point he contemplated the subscription of additional capital in India by Indian shareholders to the Indian Company. So long as the London Company had a preponderating interest, it should exercise its control by retaining the right to nominate the majority of the local Directors on the Board of the Indian Company. Or alternatively it might appoint one or two of its own Directors as London Directors of the Indian Company, reducing *pro tanto* the number of its local representatives on the Indian Board. It would be open to Indian sub-

scribers to come forward, and possible for them in time to acquire a preponderating interest in the Indian Company. If this were to happen, the right of the English Company to nominate the majority of the Directors would cease to operate.

4834. Ordinarily the Directors resident in India would deal out of hand with the day to day business of the Indian Company, but it should be provided in the Articles of Association that in the case of important questions under heads to be specified, a decision should not be taken by the Board of the Indian Company until it had obtained by letter or by telegram the recorded opinion of its one or two London Directors should these exist. Sir Gordon Fraser thought that some such scheme would amply protect the British shareholders' interests, while giving Indians an immediate influence in the management together with an opportunity of subscribing and ultimately acquiring a controlling voice in the concern. Thus the Board of the Indian Company might consist at the outset of seven persons, three representatives of Indian interests, two London Directors and two Directors in India nominated by the London Company. Later on, when the Indian capital exceeds the British capital, the Board might be increased for instance to nine including, say, five representatives of Indian interests, with the two London Directors and two Directors in India nominated by the London Company.

4835. Sir Gordon considered India perfectly entitled to expect this transfer of effective control to the Indian Company as soon as Indian subscriptions exceed the British capital, but he did not think that this position would be attained for many years to come. In addition to the members of the Board mentioned there might also be on the Indian Board one or more Government nominees. Once the amount of Indian share capital had reached equality with the British share capital both the British and the Indian shareholders should have equal right to subscribe further share capital as required.

4836. It appeared to Sir Gordon that under such a scheme English income-tax would be leviable only on the money sent to the English Company for payment as its dividends to the British subscribers, and that dividends paid to Indian shareholders and any sums placed to reserve would be free of English income-tax. Sir Gordon observed that, if the return on capital were sufficient to attract English investors, it should be still more attractive to Indian investors as, in the latter case, it would be free of English income-tax, and would incur no risk of loss through fluctuations in exchange.

4837. The Chairman observed that shortly before he left London the Madras and Southern Mahratta Railway Company had declared a divided of 9 per cent., yet its stock stood only at 94. It was evident that the 9 per cent. dividend is precarious, it having been explained that 3 per cent. of it was due to a profit on exchange which could not be counted on again. It was evident that the Company's prospects were not regarded as sufficiently good to bring the shares to a par quotation. In these circumstances he doubted whether Indian investors could be induced to subscribe at par unless a more profitable contract than that at present existing was arranged. Sir Gordon Fraser said that he would not be in favour of offering a better return to Indian subscribers than to the shareholders of the existing English Company, especially in view of the advantages already mentioned by him which the Indian shareholders would enjoy. He agreed that, in the present abnormal conditions of the money market, it might be difficult to attract share capital either in India or in England, and that it might be impracticable to use the scheme to attract Indian capital at the present time. He thought that it would certainly have done so before the war, and hoped that it might afford a nucleus of a suitable scheme for future adoption. So far as relates to the immediate future, assuming that share capital would not be subscribed, even if the Secretary of State permitted the English investors to do so under the existing contracts, the Secretary of State could himself go into the market and raise money paying whatever rate of interest might be necessary.

4838. Sir Gordon Fraser explained that what he contemplated was that the capital of the London Company should be in sterling and that of the Indian Company in rupees. He had not gone fully into the question of the complications which would probably be caused by fluctuations in exchange. The natural course would be for the Indian Company to declare in rupees the amount available for payment as dividends to the English Company. Dividends paid by the Indian Company to the English Company would be transferred to London at the current rate of exchange and distributed to its shareholders by the English Company. As an alternative which might be worth consideration, he suggested that it might be specially arranged that the dividends on any part of the subscribed capital should be remitted to London at the same rate of exchange as prevailed at the time when the capital was subscribed. In this case any loss on these transactions would be charged to working expenses of the railway.

4839. In reply to the Chairman Sir Gordon Fraser admitted that there would be difficulties in perfecting his scheme, but he thought that they would not prove insurmountable. He knew of at least one company in India constituted very much on the lines suggested. The Chairman thanked Sir Gordon Fraser for having put forward the first constructive suggestions which the Committee had received for a scheme by which the dual company system might be carried into effect. Sir Gordon promised to furnish the Committee with a memorandum setting forth his views in a somewhat more detailed manner.

P.S. (The memorandum was subsequently furnished and is reproduced as an annexure hereto.)

4840. In reply to Mr. Hiley, who asked whether, if Government were to have directors on the Indian Board in proportion to their holding, it would vitiate the scheme under consideration, Sir Gordon Fraser said that in that case, the capital being mainly (about 93 per cent.) Indian, the control would be in India; in the particular instance in Madras.

4841. Sir Arthur Anderson pointed out that in the case of the Madras and Southern Mahratta and other Indian railway companies, there are really no tangible assets. The Chairman observed in this connection that the position in India was peculiar: the companies generally holding no specific assets, but only a guarantee covering the payment of interest and the ultimate repayment of capital. Sir Gordon Fraser agreed that the lack of any definite asset, which could be assigned to the proposed Indian company, might involve some complication, but that presumably the company's interest in an agreement with Government would rank as an asset.

4842. Sir Arthur Anderson suggested for consideration that, as under the existing system, each railway is managed practically by the Government of India as a senior partner with a working company as junior partner, the latter exercising certain powers of control, it might be possible for the Government to take in a second junior partner in the shape of an Indian company to which some of these powers of control might be specifically delegated. The witness expressed no opinion on the suggestion beyond that the proposal might fail owing to the application of the English Income Tax. Sir Arthur Anderson said that the difficulty which he anticipated in Sir Gordon Fraser's scheme would be in persuading the shareholders to transfer their holdings to India as suggested.

4843. In answer to Sir George Godfrey, who asked whether he thought the adoption of his scheme by one or more companies would result in Indian railways obtaining more money, Sir Gordon Fraser said that though, as time goes on, those who have in the past been urging that Indians should be allowed a greater interest in the railways would come forward,

he was certainly not very hopeful at the moment. He thought, however, that Indian money was more likely to be forthcoming under his scheme than under present conditions.

4844. Mr. Simpson observed that, as had been explained by Sir Gordon Fraser, the Chamber of Commerce had not had an opportunity of considering the scheme, which had not been placed before the Chamber. In the Chamber's opinion, the whole of the railway problem was one of finance. He thought that any scheme that promised assistance in raising funds was deserving of consideration.

4845. Sir Gordon Fraser observed that an object of his scheme was that it should, in addition to facilitating the raising of money, afford Indians a definite opportunity of being associated with the control of the railway property, and that the advantages of a more local control would be very considerable, only important matters being referred to London.

4846. The Chairman explained that another line of approach would be that Government, acting both as Government and as the preponderating partner, might decide to establish local advisory boards to assist in the management of the railways. Sir Gordon Fraser thought it possible that they might decide upon this. Personally, he was doubtful of the value of advisory boards if they had no definite powers. He thought that merely advisory boards were likely to be more of a nuisance than of a help. The Chairman observed that the recorded opinion of the Chamber was in favour of the appointment of boards, advisory and consultative, with certain powers of limited action, and that it seemed clear that the Chamber had no objection to the exercise of advisory functions over and above the exercise of any actual power which these boards might possess. Mr. Simpson agreed that, assuming some power is delegated to the Boards, there would be no objection to their advising on matters of which it was not within their competence finally to dispose.

4847. Mr. Simpson stated that the Madras Chamber had no experience of any inconveniences due to the agents in India not having adequate powers and having to make references to London.

4848. The Chamber urged that the majority of the directors on the London Boards should have recent Indian experience, and that they should keep in close touch with the conditions in India by means of frequent visits. He said some visits had been made from time to time, but, speaking generally of normal times, he did not think that this had been a regular custom. It would be a step in the right direction to make it a rule that ordinary directors should keep in personal touch with Indian conditions by means of periodic visits. The Chairman observed in this connection that there might be on the boards of directors in London a few directors chosen specially, for instance, for financial experience, and personal knowledge of Indian conditions might not in their case be regarded as essential.

4849. The Chairman drew attention to the recorded opinion of the Chamber of Commerce that the Railway Board cannot be said to have come up to public expectations and would seem to require strengthening and enlarging. In this connection he explained that the Railway Board exercises two distinct functions—one executive, the other relating rather to matters of policy—and asked what the Chamber would think of the reorganisation of the Board in such a manner as to provide an expert, whole-time body dealing with executive questions, associated with a consultative body representative of different interests and places. The latter committee would not be a whole-time body, but would probably meet three or four times a year. Mr. Simpson agreed that this seemed to be a promising suggestion. He urged, however, the desirability of having on the executive body somebody who was acquainted with South Indian conditions. He did not agree with the Chairman's suggestion that a locomotive engineer, for example, who had acquired his experience in Southern India, would not necessarily be very valuable on the Railway Board. He thought that the Board would at least be more efficient in dealing with South Indian questions with such a man as one of its members than it is at present. He agreed that the members of the proposed consultative body should not be paid a fixed salary as in the case of the members of the whole-time executive Board; they would, of course, be paid their expenses and suitable fees for their attendance. It would be necessary for this body to have an effective voice in the railway administration. He agreed with the Chairman that this would probably be sufficiently secured through the facility with which local representatives on it could have public attention drawn to matters in which their opinions had not been accorded sufficient weight and consideration in the Imperial Council. He, however, still thought that the Railway Board should be strengthened and enlarged.

4850. Mr. Simpson laid stress upon the opinion of the Chamber of Commerce that it is an absolute necessity for many years to come to improve the existing facilities on, and equipment of, open lines, and that new construction should be held in abeyance for the present. He stated that these views applied equally to the construction of branch lines as to extensions to existing railways. In this connection he read a letter from the Cochin Chamber of Commerce, dated the 8th January, 1921, in which that Chamber stated that it would wish to be associated with the Madras Chamber in any representation placed before the Committee. He drew attention to the following statement in the Cochin Chamber's letter, in deference to its wishes:—

> "The Cochin Chamber has no definite opinions to put forward regarding railway administration, but, if opportunity offers, would request you to call the attention of the Committee to the development which will be necessary as the Cochin Harbour Scheme progresses and the disabilities at present existing through the break of gauge from the South Indian Railway to the narrow gauge of the Shoranur Cochin Railway and the serious shortage of rolling stock on the latter-mentioned railway to Cochin."

4851. He felt bound to say that the Madras Chamber would deprecate new extensions which would militate against the bringing up of existing railways to an adequate standard of efficiency. Subsequently, in reply to Sir George Godfrey, Mr. Simpson said that if the construction of a new harbour with new lines connecting to it would relieve the pressure and congestion on existing railway routes, he would not oppose the immediate expenditure of money on such a scheme. He would regard it as in the same light as expenditure on improving open lines.

4852. In answer to the Chairman, who mentioned that the vice-chairman of the Calcutta Port Commissioners had accepted the suggestion that there should be a closer organic connection between the administration of Indian ports and railways, Mr. Simpson expressed himself as also in agreement with this view. The Chairman mentioned that recent legislation in England was designed to secure this closer connection between the railways and the harbour authorities of the United Kingdom.

4853. Mr. Simpson said that the Chamber were of opinion that separate borrowings for railway purposes would undoubtedly interfere with Government borrowings for general purposes. The Chamber would prefer that money required by Government for capital purposes should be obtained by means of a large ordinary loan of which a considerable proportion should be devoted to railway purposes. The Chairman asked, seeing that before the War only a relatively small amount of money was borrowed by Government for purposes other than railways and irrigation, whether the witness thought there would be any considerable competition between ordinary Government borrowings and railway borrowings in future. Mr. Simpson thought that Government borrowings for ordinary purposes would be likely to be heavier in future. He mentioned that probably larger sums would be required for military purposes, though

unable to detail the other objects for which the Central Government might desire to raise money.

4854. With reference to the question of lapses Mr. Simpson considered that it is quite unreasonable to treat railways in any other way than as a mere ordinary business concern. No business would work as Government does, on the principle of a cash account in which the books are closed periodically without taking into consideration outstanding liabilities and assets.

4855. The Chamber's written statement observed that its relations and, so far as the Chamber is aware, the relations of the trading community in general, with the railways serving the Presidency are of the most amicable and satisfactory character. Mr. Simpson stated that, in making this statement, the Chamber had in mind both the South Indian Railway and the Madras and Southern Mahratta Railway Administrations.

4856. Referring to the emphatic opinion of the Chamber that there was serious cause for complaint against the adequacy of the railway system at present, Mr. Simpson stated that they had got along fairly well up to 1914, although at certain seasons difficulty had been experienced. The Chamber had in mind the difficulties and arrears caused by the war, but regards it now as an urgent matter to repair war-time leeway before undertaking any new railway construction. The daily recurrent maintenance of the railway had dropped behindhand, and the public are now suffering greatly from the inadequate carrying capacity of the lines. He considered that the traffic is growing and must continue to grow. He commented on the extent to which the railway stations are crowded with merchandise, lying frequently for days awaiting transport. In this connection, he cited as an example the Beach Station at Madras where this state of affairs might be seen. He considered it a matter of urgent necessity that the improvement of the carrying capacity of the railways should be attended to.

4857. Mr. Simpson said that he had no reason to believe that the railways had refrained from asking for sufficient funds for the reason that they had no desire to expend them.

4858. The Chamber had mentioned the necessity, when time comes for pushing the system of feeder railways, of revising the Branch Line Terms so as to provide an adequate attraction for the subscription of capital. Mr. Simpson stated that the Chamber had no experience enabling it to express a valuable opinion regarding the merits of fresh construction by independent companies rather than by the existing main line companies.

4859. In answer to Sir Henry Ledgard, who drew attention to the very large extent to which, since the war, capital had been subscribed for new industrial enterprises, Mr. Simpson indicated that he would attach much more importance to the amount of paid-up capital than to the amounts for which new companies had been registered. He agreed, however, that there is more money to be procured, though he would not say that there is no scarcity of money at the present time, the markets now being very much disorganised.

4860. In this connection, Sir Gordon Fraser thought Indian investors are much more attracted by a speculative investment offering a chance of high return, and a large part of the money which had been referred to by Sir Henry Ledgard as having been subscribed during the past couple of years, had been put up in that hope; it would not necessarily have been available for the more modest return promised by railway investments.

4861. With regard to the attractiveness of premium bonds as a means of borrowing money, Sir Gordon Fraser said he hardly felt competent to express a definite opinion on the subject. It had to be remembered that this Presidency is mainly agricultural and that the majority of the population here have not got much ready money to invest.

4862. In reply to the Chairman who asked whether it is possible to get at the hoards of silver in India, Mr. Simpson mentioned that the recent speculative boom had brought out a certain amount, but the present moment is inopportune for attempting to induce a subscription of further capital.

4863. In answer to Sir Rajendra Nath Mookerjee, Sir Gordon Fraser agreed that purely advisory committees might be useful to some extent, though he was much in favour of the establishment of Boards with certain definite powers. Sir Rajendra Nath Mookerjee asked whether it could be expected that capable business men would be willing to join committees possessing merely consultative and no real powers of action. Mr. Simpson thought such men would be forthcoming for service on local consultative Committees. He agreed with Mr. Hiley that responsible business men would be capable of impressing their personality and exercising an appreciable measure of effective control through their advice. He said that of course they would not attempt to interfere with the details of railway management, but he believed that their advice would be valuable to the Railway Administrations in general commercial matters.

4864. In this connection, reference was made to a resolution passed last year by the Associated Chambers of Commerce in favour of the association with the Railway Board of a commercial representative. The principal Chambers had however found it impracticable to nominate a whole-time commercial man of adequate standing, and the matter had not been pursued further for that reason. The appointment of members to local consultative Committees stood however on an entirely different footing and should present no difficulty.

4865. In answer to Mr. Hiley, Mr. Simpson stated that the Chamber had done all it could to impress Government with the necessity for improving the railway position. They had acted mainly by constant unofficial references. Mr. Hiley remarked that the Committee had been struck by the unusual patience displayed by the public in tolerating the inadequate railway service.

4866. In reply to Mr. Purshotamdas, Mr. Simpson stated that he had not had an opportunity of studying in detail the views placed before the Committee by the combined Madras Government. He thought however that the Government's view would not meet with general assent amongst the commercial community.

4867. He agreed with the local Government that the railways should be worked in the interests of the country but considered that they should be managed by companies as commercial concerns. Mr. Purshotamdas said that it had been explained that the Madras Government did not mean that the railways should be worked in an unbusinesslike manner but only that they should not be worked for profit but should rather aim at balancing working costs and interest charges.

4868. Mr. Simpson agreed that there would be no objection to the separation of railway finance if it were impracticable to provide for the requirements of railways from the general borrowings of Government. The Chamber was however definitely opposed to the abolition of company management. He admitted that the Chamber was not directly acquainted with State management, and so did not feel itself in a position to discuss the merits of State *versus* company management in detail. The Chamber's views were based on general considerations. They had been put forward with full cognisance of the trend of Indian public opinion against managment by companies.

4869. Mr. Simpson explained that the Chamber as such was not concered with the grievances of the travelling public, particularly of third class passengers. It was however not oblivious of the interests of the Indian public in general in regard to commercial matters with which it was more particularly concerned.

4870. In connection with the quotation of special rates, for taking raw produce to factories and for removing manufactured articles from factories to places of consumption, Mr. Simpson stated that the

Chamber as such had never approached the railways with any request; individual members might have done so.

4871. Mr. Simpson explained that there were hardly any branch line companies in Madras and that the Chamber was not therefore in a position to say much on the subject of branch line companies. Subscriptions for feeder railways were not generally placed on the open market in Madras.

4872. Mr. Simpson agreed entirely with Mr. Purshotamdas that it would be unjust to say that the Indian public would not subscribe for railway purposes, until they had actually been given a reasonable opportunity of doing so. In this connection, Mr. Purshotamdas drew attention to the circumstance of Government having on some occasions raised money for Indian purposes, in London, at a higher rate of interest than had been offered to subscribers in India.

P.S.—With reference to paragraph 4839 above the following memorandum which was subsequently furnished by Sir Gordon Fraser is reproduced:—

Madras, 21*st January*, 1921.

As requested by the Chairman of the Committee I have the honour to submit, herewith, a memorandum embodying proposals with reference to the future control of Indian Railways.

I have no practical knowledge or experience of the administration of Indian Railways, so submit the following proposals with due diffidence, realising that on many points the scheme is open to criticism, and that many important details are not dealt with.

It will simplify matters if I treat the scheme as applying to one particular railway, and for the purpose of this memorandum I take the Madras and Southern Mahratta Railway Company.

The two main points I have in view are to bring the administration more in touch with the actual working of the railway, and also to protect the earnings of the railway from English taxation. The Madras and Southern Mahratta Railway is, at present, incorporated in England, and the railway is managed by the London Board of Directors of the company.

I suggest for consideration that a company be formed and incorporated in India under the title of the Madras and Southern Mahratta Railway Company (India), Limited, to take over the interests of the present Madras and Southern Mahratta Railway Company. The value of the interest taken over to be paid for by an adequate allotment to the London Company of shares in the new Indian Company. Under this arrangement the constitution of the London Company would not be changed, but, instead of administering the railways in India, the London Company would be a "holding" company only, and its assets would be the shares allotted by the Indian Company.

The Board of Directors of the Madras and Southern Mahratta Railway Company (India), Limited, to be constituted as follows:—

(1) Directors elected in India by the shareholders of the Madras and Southern Mahratta Railway Company (India), Limited.

(2) Directors nominated by the Madras and Southern Mahratta Railway Company, London, in proportion to the London Company's holding in the Indian Company.

(3) Directors nominated by Government.

In addition to the above, the London Company should have the option of nominating, say, two of its own Board as London Directors of the Indian Company, but if this option is exercised the nominations to the Indian Company's Board in India would be reduced accordingly.

The interests of the Madras and Southern Mahratta Railway Company, London, would be amply safeguarded by the above power to nominate Directors in proportion to its financial holding in the Indian Company. The administration of the railway would be in the hands of the Directors of the Madras and Southern Mahratta Railway Company (India), Limited, but it would be necessary for certain important matters of administration to be reserved, and only dealt with after recording by letter or cable the opinions and votes of the two London Directors of the Indian Company.

All other questions of administration relating to the railway would be decided on the spot by the Indian Board. The right should be reserved to the Madras and Southern Mahratta Railway (India), Limited, to raise capital in India to an amount equal to the total value at par of the shares in the Indian Company held by the London Company. Thereafter, both companies to have the right to participate on equal terms in all issues of new capital of the Indian Company. Some safeguard would probably be necessary to ensure that the failure of one party to raise its share of new capital would not debar the other party from accepting capital offered.

The above scheme would, I think, give to India the opportunity of subscribing capital for railways, and at the same time secure to Indian shareholders powers of control proportionate to their financial interests.

The earnings of the Madras and Southern Mahratta Railway Company (India), Limited, would be free from liability to English Income Tax except, of course, in regard to dividends received in London by the London Company on its holding of shares in the Indian Company.

If the return on capital invested in railways in India is sufficiently attractive to investors in England, it ought to prove even more attractive to Indian investors, as the latter would pay Income Tax on a lower scale than the former. Also, the Indian investor would not run the risk in exchange incurred by the shareholder in the English Sterling Company. The home expenses (Offices, Directors, etc.), would also have to be deducted from dividends received from the Indian Company before the same would be available for distribution by the London Company to its shareholders.

I was questioned as to whether the above scheme would result in money coming forward more freely for the development of Indian Railways, but I am afraid I cannot give a definite opinion on this point. It seems to me, however, that the above scheme amply safeguards the English investor and will not make it more difficult to raise money in London in the future than in the past.

On the other hand, the scheme certainly makes the position more attractive to the Indian investor, and provided Indian Capital were forthcoming it would not be long before Indian shareholders secured a controlling interest in the railways in this country.

The fact that the Madras and Southern Mahratta Railway Company, London, is a Sterling Company, and the Madras and Southern Mahratta Railway Company (India), Limited, would be a rupee one, raises a difficulty, but not, I think, an insurmountable one. It would be necessary in the case of sterling capital to fix the rate of exchange at which the rupee shares would be given in exchange for the sterling. This means the sterling investor runs a serious risk in exchange which might be overcome by an arrangement whereby dividends on sterling capital would be paid to the London Company in sterling at the same rate of exchange at which the original sterling capital was converted. If sterling investors are prepared to take the risk, well and good, but, if not, and if capital raised in London is essential, then it seems to me there is no alternative but for the Indian Company to accept the risk.

In a covering letter forwarding the above memorandum, Sir Gordon Fraser made the following remarks:—

There is one point which has occurred to me, and which requires legal opinion, and that is whether a company under the English Act can transfer its business or property in exchange for shares in a foreign company. Clause 192 of the English Act permits a company, on being wound up voluntarily, to transfer its assets to another Company, but as the definition of "Company" under the Act is "A Company registered under this Act," it follows that Clause 192 restricts the transfer to a Company registered under the English Act, and this, of course, would not cover a company registered under the Indian Companies Act.

Clause 192 only refers to the case of a company being wound up voluntarily, and I do not know what the position is in the case of a company transferring its assets in exchange for shares and continuing as a "holding" company only. These, however, are questions for a legal expert.

The present subject, however, is so important, politically, that I think the Secretary of State, if he so desired, would have no difficulty in passing the necessary legislation to make the proposed transfer possible, provided the transfer met with the approval of both parties concerned.

The point was raised yesterday that very probably English shareholders would oppose the exchange of their interests for shares in an Indian Company, but I think the scheme as a whole is such an important concession to India that, in turn, the Indian Company might very well offer sufficient compensation to make the transfer attractive to the English shareholders.

One method of doing this would be by fixing the exchange for the conversion of the original capital, and the payment of dividends on same, at rates sufficiently favourable to the English shareholders to ensure their acceptance.

Mr. M. A. Ahmed Badsha Saib, B.A., representative of the Southern India Skin and Hide Merchants' Association, was called and examined upon a statement of which copies had been furnished to the Committee immediately before the meeting.

See Written Statement No. 37, Vol. IV., P. 140.

4873. Mr. Badsha explained that there had been some delay on the part of his Association in preparing the statement to be placed before the Committee, due to pressure of other work on the part of the Association and, possibly, also to some oversight in its office. The Association had confined itself to expressing its views on general matters connected with railway policy, which had been suggested by the questionnaire, and had not dealt specifically with the bearing of the railway problem on the hides and skins trade.

4874. The Association were entirely in favour of direct State management. They had had no immediate experience of railways managed by the State, but, their experience of companies' railways led them to think that management by the State would probably be better. On general grounds, also, they considered that the State would manage the railways more in the interests of the public.

4875. Mr. Badsha distinguished between the application of this view as a general one, which might be urged in respect of railway administration in any country, and its application in the special case of India. He pointed out that in other countries railway companies have, as a rule, been floated in the countries themselves, whereas in India all of the important companies are companies with foreign domicile and foreign shareholders. It might be the case, as pointed out by the Chairman, that two-thirds of the capital, for instance, of the Madras and Southern Mahratta Railway, is owned by the State; but so far as his observation had gone, the company appears to be quite uncontrolled.

4876. Some discussion followed as to whether the railway companies could fairly be blamed for deficiencies in carrying capacity and rolling stock if they had, as the agent of the Madras and Southern Mahratta Railway had represented, applied repeatedly to Government for the necessary funds. Mr. Badsha was of opinion that the companies had failed to do what was necessary and that the only remedy would be the transfer of the line to the State and direct financing by Government. The Chairman explained to him, that, in fact, the lines are in any case dependent upon the provision of funds by the Government of India, but Mr. Badsha urged that the State should have a larger measure of direct control over the companies.

4877. Referring to a specific instance mentioned in the written representation, Mr. Badsha emphasized the need for better communications between Madras and Pallavaram or Chingleput. He said it was in his own experience that there was an urgent demand for the railway to be doubled to enable it to cope with the heavy traffic on it. He was not in a position to furnish details as to any applications which the company might have made to Government in this connection, but could not believe that Government would have refused to provide funds for so urgent a necessity. The Chairman mentioned that the evidence which had been placed before the Committee elsewhere was conclusive that Government had been unable to supply funds for many admittedly urgent requirements in various parts of the country.

4878. Mr. Badsha was unable to furnish figures in support of his statement that, in the higher Indian railway service, there are relatively fewer Indians than in the various Departments of the State. He was, however, convinced of the accuracy of the assertion.

4879. Regarding the opinion of the Association that labour troubles and difficulties could be solved more satisfactorily by the State than by private companies, he cited the settlement of the coal strike in England under State guidance. The Chairman pointed out that it was while under State management that the recent strikes had occurred in the coalfields and on the railways in the United Kingdom.

4880. With reference to his representation regarding the need for better facilities for the Chingleput traffic, Mr. Badsha was asked whether, if money could not be found in India he would prefer to borrow it in England or to do without the facilities. He expressed his inability to believe that the necessary funds could not be raised in India. He thought it could be done if the lines were managed by the State. His Association were of opinion that, if company management must be retained, they should at least have companies floated in India and not elsewhere. He considered that a considerable amount of money would be subscribed for railway purposes even by the ryots. He thought they had subscribed substantially for the war loans. He thought there was a good deal of money available, apart from what may have been locked up in jewellery and ornaments.

4881. Referring to the Associations' statement that Indian railways could be worked at a profit under proper State management, the Chairman drew attention to the fact that the State was already receiving some 9 per cent. on its capital in the Madras and Southern Mahratta Railway property. Mr. Badsha explained that it was not desired that such high profits should be earned at the expense of public convenience. He agreed, however, that railways should be worked at some profit.

4882. His Association were strongly of opinion that railway officers' salaries are excessively high in India and much higher than in other countries.

4883. Speaking of his special experience as a trader in hides and skins, Mr. Badsha explained that the principal difficulty met related to the supply of wagons, and that constant difficulties and delays in transit had occurred, especially in the case of hides coming from long distances and passing from one administration or gauge to another. The hides were liable to damage and great delay, and there had been

many cases of complaint. There was a demand for greater expedition on the part of the railway authorities. As matters stand, merchants were always afraid of being unable to fulfil their contracts owing to delays caused by the railways. He did not believe that the railways did their best to grapple with the problem.

4884. As an instance in which he thought there was ground for complaint, he mentioned that, in the case of damage to consignments passing over more than one railway, if he appealed to the Madras and Southern Mahratta Railway he was referred to the Great Indian Peninsula Railway, and the Great Indian Peninsula in turn transferred the blame elsewhere, and ultimately the whole loss falls on the purchaser of the goods.

4885. Mr. Badsha had no special complaint to make with regard to rates charged by the railways.

4886. In answer to Mr. Purshotamdas, he explained that the members of his Association are all exporters and importers of hides and skins. Asked to give an idea of the importance of the interests represented by the Association, he estimated the annual turnover at from five to ten crores of rupees.

4887. He was asked to quote instances in which the Association had grounds for dissatisfaction with the railway. He said there had been several grievances; but barring one or two instances which he mentioned in answer to the Chairman, he could not remember any others. Asked whether the Association had ever approached the Railway Board and complained that the railway agent did not attend to any particular grievance, the witness replied that they had not done so.

4888. He mentioned a case in which damage had occurred to a consignment transferred from the Madras and Southern Mahratta Railway at Raichur. This was a case in which there was no change of gauge, but for some unknown reason the goods had been transferred from one wagon to another. He could not say where the damage had actually occurred.

4889. Mr. Badsha said that he could not confirm the evidence placed before the Committee by representatives of the Madras Chamber of Commerce that the traders had no complaint against their relations with the Madras and Southern Mahratta Railway. He mentioned, as an example, the dissatisfaction of the piece-goods merchants, who complained bitterly that they are kept waiting for weeks together for wagons; and even when they get these, consignees cannot count on prompt delivery of goods. He mentioned that it was "necessary to spend something" to ensure the supply of wagons. This was a matter of common talk even in the newspapers. He could not remember whether specific complaints of this kind had been brought to the notice of the railway authorities. Representations might have been made to them.

4890. His principal reason for pressing for the State management of railways was that it would make the railway administrations more responsive to the people in the Legislative Assembly.

4891. Mr. Hiley commented on the absence, in the Association's representation, of any special mention of grievances connected with the hides and skins trade. Mr. Badsha agreed that the most important grievances, on which the Association wished to lay stress, were those of the third-class passengers.

4892. The Chairman observed that it appeared to him that, if the grievances of the Association had really been very serious, they would not have failed to have brought them prominently to the notice of the Committee and would have devoted more attention to the subject matter of the Committee's investigations and have dealt with it at an earlier date than they had found themselves able to do.

(*P.S.*—The President of the Association subsequently wrote to the Committee mentioning that the Questionnaire was received by the Association only on the 1st January, 1921, this being the first official information received by the Association about the Committee.)

TWENTY-SIXTH DAY.

(Madras.)

Friday, 21st January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKA.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Sir P. THYAGARAYA CHETTY, B.A., M.L.C., President, Southern India Chamber of Commerce, Madras, was called and examined on a statement which had been furnished by the Chamber.

4893. The witness stated that he was the President of the Southern India Chamber of Commerce, which had been established for about ten years. The present membership of the Chamber was about 230, mostly wholesale traders. The membership is wholly Indian except for the representation of the South Indian Railway Company. The Chairman enquired how it came about that the Madras and Southern Mahratta Railway was not a member of the Chamber, seeing that the South Indian Railway was. He remarked that the Madras and Southern Mahratta Railway had said that they had never been invited to become a member. The witness stated that neither had the South Indian Railway been invited; he believed that they had volunteered to join the Chamber. In view of it having been stated that the Madras and Southern Mahratta Railway would be glad to join if invited, he thought that the Chamber would readily issue the invitation.

4894. The Chairman drew attention to the fact that the Chamber's opinion was decidedly in favour of

management of railways by the State. He observed that there appeared to be some conflict between the Chamber's observation that their experience in railway matters was confined to the two administrations in Southern India which are company-managed, and their observation that their experience led to the conclusion that State management was in every way better than management by companies. The witness explained that the Chamber had every reason to expect that State railways would be better than company-managed railways, although they had not had personal experience of the former system. The Chairman mentioned that many witnesses had appeared in Calcutta who had experience of both the systems, and that some of them considered that they were better served by the company-managed system than by the others. The witness stated that the state of affairs in Madras is so extremely bad that it could not, in fact, be worse. He was confident that State railway working would be better, mainly because it would be amenable to public opinion. Referring to the Chamber's desire that railways should be managed by Government, and their belief that it would be possible in this case to compel the administrations to devote more attention to public requirements, the Chairman asked what would happen if Government failed to fulfil these expectations. The witness observed that the position could not anyhow be worse than at present, and there was good reason to expect that it would be better, for although they had no experience of State railway management, they had sufficient experience of the working of Government in other departments to justify confidence, and they could always bring pressure to bear in the reformed councils.

4895. With reference to the Chamber's observation regarding companies' railways being managed by representatives of stockholders living thousands of miles away, the Chairman asked whether the witness did not think that Government itself really manages the lines in view of the extent of its capital invested in them and of the powers it exercises. The witness answered that he did not think this was the case. The Chairman cited an instance in which the agent of a company-managed railway could not allow an officer a special rate of pay and travelling allowance while employed on special Government duty without referring for, and obtaining from Government, the necessary sanction, and asked whether this was not a clear indication that Government was really the managing authority. The witness thought, however, that management by Government is only nominal. He agreed that if, for example, in his own business one of the heads of his departments had to obtain his permission to carry out measures which it was desired to introduce the management would then in reality be his and not that of its subordinate.

4896. The Chairman cited another instance in which complaint has been made to the Committee regarding the lack of a double line railway in a place where traffic is very heavy, and asked who was responsible in such a case as this, if the failure to provide the required facility is due to the refusal of Government to find the necessary funds. The witness thought that, if the Government were to directly manage the lines, the public would succeed in getting such improvements carried out. The public would be prepared to face additional taxation, if it were necessary, for the purpose, though he did not think that this would be necessary, seeing that the railways now earn about 9 per cent. He considered that the companies were to blame for not pressing sufficiently for the necessary funds. He said that under the existing system the public made complaints, but could get no one to listen to them, and they had become quite despondent.

4897. The Chairman asked why the pubic should not force Government to attend to their grievances even now. Being by far the largest proprietor in the railway system, the Government obviously could not shelter themselves behind the fact of the companies having a relatively very small interest in them. The witness considered that Government was at present only nominally the head. He was prepared to admit, however, that Government might have the powers, but it does not exercise it. The Chairman asked that, if the management was so bad that it could not be worse, and if they had to put up with such an intolerable state of things for 24 years on the South Indian and for 16 years on the Madras and Southern Mahratta Railway, why they did not make the Government do what they wanted. The witness replied that it was not possible to secure any consideration for their demands because the railway administrations were manned by Europeans, and the Government, having left the working of the lines in the hands of the companies, could not interfere with them. The Chairman again asked whether the Chamber had ever complained to the Railway Board, and the witness replied that it did not occur to them to do so; the Railway Board was too far away. They only approached the agents who were on the spot, but failed to secure satisfaction from them. He mentioned that on one or two occasions complaints were made to the Railway Board. A member of the Railway Board visited Madras before the war about 1913, and matters were discussed with him. No complaint had been addressed since then to the Railway Board, as the Chamber recognised that improvements could not be expected under war conditions. The Chairman observed that the Southern India Chamber of Commerce was an important body, and would surely have its representations attended to, if it continued to make them to the Railway Board. He did not understand why the Chamber did not approach those who had the control over the local railways if the latter proved obdurate, as represented by the witness. The witness said that the public are now getting into a position in which they can ensure their wishes being carried out through the medium of the Legislative Assembly.

4898. The Chamber proposed that during the pendency of the contracts with the railways serving this Presidency a provincial Advisory Committee composed of officials and non-officials with the Senior Government Inspector of Railways at the head should be constituted, the non-official members being representatives of trade, industries, finance and the general public. It should be the duty of this Committee to enquire into all railway grievances; to use their best offices and influence in the settlements of claims against the companies and of disputes between the employers and employees; to offer its considered opinions on proposals for branch and feeder railways; for changes in rates and fares, for improvements in train services, for additions to rolling stock, etc., and to ensure, in short, the more efficient working of the railways and the convenience and comfort of all classes of the population and the several interests served by the railways. The proceedings of this Committee should be regularly recorded and communicated to the Government of India for information, and further action, should that be necessary. The Chairman suggested that there might be a difficulty in asking the Senior Government Inspector of Railways to be the chairman of the proposed Advisory Committee, considering that he is a subordinate of the Railway Board, and asked whether the witness would like any assistant of his own to lead a deputation complaining of his management of his own business. The witness considered that the Government Inspector might not unreasonably be given the position suggested, considering that he is a public servant; he is not the personal servant of the Railway Board, though he is subordinate to it. The Chairman agreed that this point might, however, be waived, as no doubt a suitable chairman could be found. As a matter of personal opinion, he thought the functions and the procedure proposed for the Advisory Committee were eminently reasonable, and he expected that the railways would not be opposed to the institution of such a Committee; in fact, Colonel Magniac had expressed himself as not opposed to some such body.

4899. The Chairman remarked that the representatives of the Chamber of Commerce, Madras, said that

they had no complaints against the two railway administrations. The witness observed that they rightly said so, it being Indians who had ground for complaint. His Chamber were convinced that in such matters as the allotment of wagons preference is given by railway administrations to European firms. He stated that goods are stored on platforms and left unprotected for long periods, causing loss both by delay and damage. He quoted an instance occurring in 1916, in which a specific complaint had been made by telegram to the Railway Board by the Guntur merchants. The member of Railway Board who visited Madras was not satisfied with the telegraphic statements, and demanded specific instances of this kind of preference to enable him to deal with a complaint of so serious a character. Particulars were duly furnished to the Railway Board, but no reply had been received. The Chairman suggested that it was hardly the fault of the Railway Company if the Railway Board failed to take notice of such a representation. The witness observed that the public suffered all the same; he promised to furnish further specific instances of more recent date in support of the statement that railways serve European firms better than Indian firms.

4900. The witness also read the following extract from the Annual Report of the Proceedings of the Executive Committee of the Southern India Chamber of Commerce for the year ending February, 1913, as showing the complete neglect of public requirements on the part of the railways:—

Delay in the Transport of Goods.

Mr. W. H. Wood, Senior Member of the Railway Board met the members of the Committee at the rooms of the Chamber on the 6th August, 1912. The interview lasted for over three hours, in the course of which several railway matters affecting the public were discussed at great length. One of the subjects was the delay in the transport of goods. In the interview of the Chamber with Mr. S. Finney in 1910, it was pointed out that goods were carried to wrong places and by wrong routes, entailing serious delay, which was generally avoidable with reasonable care and attention. It was contended that when loss was occasioned by negligence on the part of the administration or its servants, the owners of goods should be compensated. It was also requested that the general exemption from liability regarding the arrival of goods within any definite time at any station should be modified. A specific case of the evil complained of, a case which was typical of the delay and the consequent inconvenience and loss, was taken to the notice of Mr. Wood. In this case, a member of the Chamber complained on the 25th June last, that several consignments of gram despatched to him from Chirgaon, Harpalpur, Jhansi, Lalitpur, Morina and Mengavali, on the Great Indian Peninsula Railway, between the 20th April and the 28th May, aggregating to nearly 4,000 bags, had not till then arrived, excepting 300 bags received partly on the 13th May and partly on the 24th June, and that thereby he had been put to much inconvenience and loss. He stated:—"These consignments were wired for by me to execute certain contracts and to meet certain offers about that period, and by these delays I had to suffer penalties in various ways. I can't say when it is likely that these consignments will come into my hands, and if at all they arrive I am at a loss to know how to dispose of them, since the market for this stuff is so very dull just now." The Chamber forwarded copies of the complaint with particulars of the consignments to the Agents, Madras and Southern Mahratta Railway and the Great Indian Peninsula Railway as well as to the Railway Board. The first replied that the responsibility for the delay rested only with the Great Indian Peninsula Railway. The latter intimated that some of the consignments had passed Raichur, its limit, and that endeavours were being made to trace the remaining consignments. The Railway Board, however, pointed out that the Great Indian Peninsula Railway had had more traffic offering to them than they were able to carry and that the Company were doing their best to deal with the very difficult situation. At the time of the interview with Mr. Wood, the consignments and arrivals were as follows:—

Date of Invoice.	No. of bags.	Date of Arrival.
April 20	150	*Nil* (not yet arrived).
,, 22	300	27th June, 1912.
,, 27	700	13th May, 1912 (*a*).
May 4	300	6th July, 1912 (*b*).
,, 6	175	24th June, 1912.
,, 9	222	18th June, 1912.
,, 10	172	10th July, 1912.
,, 17	300	6th July, 1912 (*c*).
,, 20	300	29th June, 1912.
,, 20	151	5th July, 1912.
,, 26	131	21st June, 1912.
,, 26	170	8th July, 1912.
,, 27	215	26th June, 1912.
,, 27	120	25th June, 1912.
,, 28	132	28th June, 1912 (1 bag short).
,, 28	174	1st July, 1912.
,, 28	161	8th July, 1912.

(*a*) 175 bags received on 13th May, 1912, 125 on 24th June, 1912, 225 on 26th June, 1912, and 175 on 12th July, 1912.

(*b*) 150 on 6th July, 1912, and 150 on 15th July, 1912.

(*c*) 99 on 6th July, 1912, rest not yet arrived.

The first consignment in the list was booked on the 20th April at Chirgaon. It was believed that this consignment of 150 bags was received in Madras about the 17th July in two parts, the first of which contained 20 and the second the 130 remaining bags. The Madras and Southern Mahratta Railway withheld delivery on the ground that no code mark of forwarding station, Invoice No., etc., were to be found on the bags. No replies to enquiries had been received till the 28th July. There was thus a delay not only in consignments reaching their destination but also in actual delivery after arrival. With regard to another consignment not included in the above list invoiced on the 10th June at Harpalpur, 175 out of 525 bags arrived at the Salt Cotaurs and were lying at the shed for over 10 days, during which period enquiries were leisurely proceeding, and it was not before the 17th July that the consignments were delivered. The remaining 350 bags had not arrived on the 25th July. The above was a typical instance of delay, and the Committee drew the attention of Mr. Wood to the disappointment and dissatisfaction among merchants, who at the time had arranged to have their consignments from Central India sent from Calcutta and shipped from there to Madras, though by this route they had to pay three annas extra on each bag. In these circumstances, the Committee requested the Railway Board to institute a careful enquiry and to devise some means by which these inordinate and ruinous delays could be mitigated, if not removed, in the near future.

He agreed that this particular case did not give any indication of preference to Europeans, but he cited it in support of the general complaint of the Chamber against the existing system of railway management.

4901. Referring to the suggestion of the Chamber that the Advisory Committee should use its influence in the settlement of claims against companies, the witness explained that he did not mean that the influence should always be exercised against the

companies but only, as understood by the Chairman, in the interest of justice as between the two parties concerned. The witness agreed with the Chairman that great advantage would be secured through the appointment of an Advisory Committee, enabling responsible representatives of different public interests to meet the railway authorities in person. He was sure that this would lead to a better mutual understanding between the traders and the railways.

4902. Referring to the Chamber's further recommendation that, if the Railway Companies are not agreeable to transfer their Boards of Directors to the scene of their actual operation, they should at least be urged to constitute auxiliary local Boards, the Chairman observed that he regarded the demand for some authoritative body on the spot to assist in the settlement of difficulties as perfectly natural. He observed that he understood that the wishes of the Chamber would be met in this respect if the advisory committee, recommended in the earlier part of the written statement, were instituted. The witness agreed that this would be enough. What they wanted was that their difficulties should be discussed and settled across the table in Madras, instead of being told that matters must be referred to London or even to Delhi. The witness urged that, as the company system must apparently be put up with for 16 or 24 years, it is necessary that there should be somebody to supervise the companies.

4903. The Chamber were not dissatisfied with the existing system of control by the Raliway Board. They had urged that that control should be vested in the Commerce and Industry Department with a fully equipped Railway Branch with an expert staff in the Traffic Section and Stores Department. The witness said that some such form of control might at present exist, but he considered that it is only nominal. What the Chamber contemplated was that a section of the proposed Railway Branch should be located in Madras. The Chamber would like the Minister in charge of Railways to take a firmer hand and to have an adequate number of local representatives. He recognised that one representative already exists in the Government Inspector of Railways, but desired that there should also be an Inspector authorised to deal with matters relating to traffic and public convenience.

4904. The Chairman drew attention to the observation in the Chamber's written statement that the members of the existing Railway Board are erstwhile Company Agents, and that there is a free interchange from the Companies to the Board and *vice versâ*, and remarked in this connection that the Committee had been assured in Calcutta that the whole staff of the Railway Board were drawn from the State Railways and none from company-worked lines.

4905. Some misunderstanding as to the witness's views with regard to the assistance that would be required at the headquarters by the Minister in charge of Railways, was subsequently cleared up by the witness in answer to a question by Mr. Hiley. He explained that what he had in view was that there should be an expert body located at headquarters to assist the Railway Minister, and that there should be local expert branches of that body in Madras and elsewhere. Most matters requiring decision would thus be settled locally, and it would only be necessary to refer them to Delhi in case of differences of opinion.

4906. The Chamber emphasised the necessity for crying a halt in new construction, unless pressed by the most urgent necessity for military or strategical considerations. The Chairman remarked that he thought everybody would agree with the view of the Chamber, that such money as can be provided at present should be devoted to improving open lines and new equipment. The witness agreed with the Chairman that in a case of an expanding business such as that of the railways, it was hardly reasonable to expect that new capital expenditure should be provided from earnings. He would not object to additional capital being raised, though the Chamber thought that as far as possible railway earnings should be devoted to railway development and improvement. The Chairman thought that progress would be retarded if railway earnings were relied on too much for this purpose. He understood, however, from the Chamber's written statement that their view was that money should be raised preferably by a Government loan in India; failing this by a Government loan in England, and only if both these expedients failed, by allowing companies to raise further share capital. The witness agreed that this was the Chamber's view. He urged that they did not wish to stop railway development, but are anxious that as far as possible finance should be provided by Government. The Chamber were in favour of the separation of railway finance from the general finance of the country in the interests of simplicity and also as facilitating a departure from the existing budget system of "lapses." The Chamber would be very unwilling to see railway development hampered in Madras merely to enable Government to spend money for different purposes elsewhere, as for instance, in military expenditure in Afghanistan.

4907. The Chairman referred to the dissatisfaction of the Chamber of Commerce with the existing Government control of rates and fares. He observed that three experienced agents, including the agent of the Madras and Southern Mahratta Railway, Colonel Magniac, had expressed themselves favourably disposed towards the suggestion that public interests might be protected by the establishment of a special tribunal consisting of a lawyer chairman specialising in railways matters assisted by two commercial and two railway members. The witness agreed that such a tribunal should be very useful, but he was not clear why its president should be a lawyer. The Chairman explained that it was desirable to have on such a body someone qualified to sift evidence and impartial by training. He did not, however, lay stress at the moment upon the qualifications of the chairman. He was glad to hear that some such tribunal would be acceptable.

4908. Referring to the increase of rates on the South Indian Railway the Chamber had observed that they had not been able to discover the causes of the increase in each case. The witness explained that the Chamber fully recognised that an increase of rates might be necessary, but they were unable to understand the system on which individual rates had been increased by very varying amounts. He agreed with the Chairman that a railway tribunal would be useful in considering such matters as complaints against unreasonable alterations in rates. He accepted the Chairman's assurance that the fixation of railway rates is a very difficult and technical matter which could never under any circumstances be simple. He said he was not opposed on general grounds to an increase of rates in present conditions so long as it was not done as a means of earning larger dividends. The Chairman remarked that railways had expressed themselves as apprehensive that dividends might be reduced. The witness, however, observed that there was little fear of this.

4909. In the written statement, the Chamber of Commerce had commended for consideration the views expressed by the Indian Industrial Commission under the head "Industries and Transport" in their report. They desired to emphasise the general principle recommended by the Commission to be followed in railway rating, so far as it affects industries, that internal traffic should be rated as nearly as possible on an equality with traffic of the same class for similar distances to and from the ports. The witness agreed that the words "and in the same quantities" might reasonably be added in this enunciation of policy after the words "similar distances." Subject to this addition, the Chairman said that he thought that nobody would question the reasonableness of the principle as set forth.

4910. The Chairman explained that the Committee could not deal with the technical issue involved in the "railway risk" and "owners risk" question to which the Chamber had drawn attention, though it

was clearly a matter which should receive consideration.

4911. Regarding the use of railway workshops as a training ground without racial distinction for the youth of the country in mechanical engineering and allied directions, the witness observed that there was not even a pretence at this in Madras. He was pleased to hear that considerable progress had been made in this matter in Calcutta under the Presidency of Sir Rajendra Nath Mookerjee, as stated by the Chairman. He hoped that a commencement would be made in Madras also. The Chairman observed that he thought that everybody would agree with the Chamber's aspirations. He suggested that Government is moving in the matter, though not very fast. The witness agreed that this was the case, especially with regard to the qualifying clause.

4912. Turning to the observations of the Chamber with regard to bribery taking place in connection with the distribution of wagons, the Chairman observed that Colonel Magniac had given particulars of a number of cases in which punishment had been inflicted on railway servants for favouritism. He also mentioned that Mr. Moir, speaking from his experience as late Director of Civil Supplies, had said that the merchants were willing to give information in such cases, but refused to come forward as witnesses. He suggested that they should be willing to do this. The witness observed that he had been present at a conference at which the railway representatives were also present, in which a specific instance was cited in which Rs. 150 had been paid to ensure the supply of a single wagon. The name of the railway servant who accepted the bribe had not, however, been given. The witness did not consider it possible to stop this kind of abuse on the part of the railway servants unless the railways adopted special measures to check it. The Chairman remarked that it was certainly not possible to check such improper practices unless those within whose power it was would come forward to give evidence. The witness remarked that the objection to this was the liabilty to prosecution under the Indian Penal Code of the complainant as well as of the person bribed. The Chairman did not pursue the matter, observing that this appeared to be rather a question for the consideration of the Legislative Assembly.

4913. Turning to the observation of the Chamber about competitive traffic, that the Madras and Southern Mahratta Railway has killed all traffic by the Buckingham canal, the witness explained that from the time the East Coast Railway—which was a State railway—was started, the Buckingham canal had been neglected and it was thought by everybody that this had been done in order to support the traffic on the railway. Formerly the canal was navigable for 30-ton cargo boats but now even 20-ton cargo boats could not move on it easily in the hot season. The witness said that for this state of affairs which has now lasted for over 15 years, the Government of Madras was to blame. He remembered having complained about it as far back as 1910, when he was a member of the local Legislative Council. The Government of Madras then promised to improve the canal, but did not do so. In this connection, the Chairman remarked that it was the fault of Government in not having kept the canal in proper condition and asked how the railway got the traffic away from it. The witness said that as the railway rates were lower the traffic went to the railway.

4914. Speaking of the concluding observations of the Chamber regarding the abhorrence in which the South Indian Railway corridor carriages are held by the public, the Chairman observed that corridor carriages had been liked in other countries and he supposed had been introduced in India under the impression that they were an improvement which would be appreciated. The witness urged that they were particularly disliked by third-class passengers.

4915. In reply to Mr. Purshotamdas, the witness stated with reference to the representation of the South Indian Railway on the Chamber of Commerce, that the headquarters of that line are at Trichinopoly, but any officer may be deputed by the railway to attend the Chamber's meetings. For some time attendance had been regular, but afterwards it became irregular owing to the negligence of the railway staff. He agreed that it was an advantage to have a railway representative on the Chamber as it facilitated the representation of matters requiring attention.

4916. Referring to the Chamber's views regarding Government management, he explained that the Chamber held that, so long as the existing contracts remain in force, the Government control over the companies should be stricter; and that thereafter Government should assume direct charge of the railways. Mr. Purshotamdas expressed the hope the witness would supply the committee with some definite instances illustrating the failure to secure attention to their complaints which had led to the feeling of despondency to which the witness had referred in answer to the Chairman. He expressed himself as surprised that so powerful a body as the Southern India Chamber of Commerce had not been able to secure the adequate attention.

4917. The witness mentioned that the preferential treatment of European traders by the railways had come to be regarded so much as a matter of course, that complaints have ceased to be made. Although the Chamber believed that great improvement would be secured by the association of Local Advisory Committees with the existing company administrations, they were still decidedly of the opinion that the railways should be taken over directly by the State when the companies' contracts expire. Even after the assumption of direct control over the railways by the State, they considered that Advisory Committees would still serve a useful purpose.

4918. Mr. Purshotamdas drew attention to the observations of the Chamber regarding the increase of rates and fares. The witness observed that the classification was frequently changed. It transpired however, that what was meant was not that constant changes were made in the classifications approved by Government but there had been a number of cases in which special rates had been withdrawn which led to the ordinary class-rates automatically becoming applicable. The point on which the Chamber wished to lay stress was that they should be consulted by railway administrations before alterations in rates are made. At present they know nothing of what is in view until changes are actually announced. They should have an opportunity of representing their point of view before action is decided upon.

4919. Regarding the question of payment of bribes for securing goods wagons, Mr. Purshotamdas, observed that it appeared that the railways had asked for definite proofs of the irregularity, which those concerned had not produced. He asked whether in any case the railways might not have taken steps to prevent the possibility of irregularities. The witness stated that they had promised to do so but he was not aware of what they had actually done. He understood that they had not appointed a special inspecting officer for the purpose. He was aware that the railways have an ordinary traffic inspecting staff but was understood to suggest that there was some suspicion that these were themselves not free from blame.

4920. In answer to the question whether, if there are the same defects on the State-managed lines as had been complained of on the company-managed lines, he would ascribe this to the fact that the former take the company lines as their model; the witness said that he could not say if this was so, as he had no clear idea of how the State lines are worked and whether Government keeps sufficient control over them.

4921. With further reference to the Buckingham Canal case, in reply to Mr. Purshotamdas, the witness said that as the railway company came in and offered lower rates, the canal was neglected and it could not at present carry heavy traffic. He did not

mean, however, that the traffic had entirely stopped but only that it had considerably decreased. If a large amount of traffic passed through the canal, the Government would get some revenue.

4922. Reverting to the question of bribery in connection with wagon supplies, the Chairman asked whether the witness was sure that the railway had not employed special detective staff, as would seem reasonable for them to do rather than to put uniformed inspectors who would be recognised as such. The witness said that he was not aware of what had been done, in this connection. In reply to Mr. Purshotamdas at this point, he said that no information had been given by the Railway administration that they had taken any such action.

4923. In answer to Sir Arthur Anderson, who drew attention to the heavy expenditure, estimated at Rs. 30 crores per annum, which was necessary for railway improvement and development the witness expressed his inability to make an estimate of how much money might be expected to be subscribed in Southern India.

P.S.—In connection with the promise of further evidence made in paragraph 4899 above, the witness subsequently furnished the Committee with an extract from the Annual Report of the Executive Committee of the Chamber in which the same charge against the railways of giving preferential treatment to European firms was made. The witness was thereupon asked whether he could not quote actual instances in support of the allegations. In reply, he wrote:—

> "I am afraid I cannot furnish any further evidence in the matter from the records of the Chamber, though I am aware that instances of favouritism shown to European firms in the matter of their supply of railway wagons are quite common in this part of the country. It is because such cases are very common that they do not form the subject of formal complaints."

Mr. W. LAMB, Deputy Secretary and Treasurer, Bank of Madras, was called and examined.

4924. The Chairman said that he did not propose to ask Mr. Lamb about railway matters, but to ask his assistance in connection with the question of finance. He referred to information which had been furnished by the Secretary and Treasurer, Bank of Bengal, regarding cash subscriptions to Government loans in recent years, and asked whether Mr. Lamb could indicate to what extent these subscriptions had been contributed by the Madras Presidency. Mr. Lamb explained that he had not full details with him, but he placed the following figures before the Committee as showing where Government Paper was held the amounts of the 4 per cent., 3½ per cent. and 3 per cent. Loans enfaced for payment of interest being as follows:—

	Crores.
Calcutta	65·47
Bombay	36·20
Madras	7·84
Rest of India	25·83

4925. The total subscription of Rs. 29,34,69,400 to the ten year six per cent. Bonds issued in 1920 was divided as follows:—

	Crores.
Calcutta	11·47
Rest of Bengal	0·15
Bombay	9·50
Madras	2·14
United Provinces	2·09
Punjab	1·43
Burma	0·52
Bihar and Orissa	0·24
Central Provinces	0·36
Assam	0·02
Central Revenues	0·50
Post Offices	0·92

4926. The above subscription consisted of new—

	Crores.
Money	11·59
Treasury Bills	0·17
War Bonds payable 1920-22... ...	17·58
	29·34

Of the new money 26 lakhs were withdrawn from the savings bank. Mr. Lamb drew attention to the fact that less than Rs. 1 crore had been subscribed through the post offices throughout India; he thought that it would be unduly optimistic to assume that Madras would subscribe for Government loans in future in the ratio of every two crores to eleven that might be subscribed in Bengal. He doubted in any case whether as much as two crores could be got from Madras.

4927. He stated that the usual pre-war practice had been for Government loans to be issued only through the Presidency banks by tender. So far as the Madras Presidency was concerned, he did not think other banks could help very much; they had few branches throughout the Presidency. The Indian Bank has only two branches, both situated in the places where there are also branches of the Presidency Bank. A large part of the recent 6 per cent. bonds and of the war loans had been taken up by the Bank and disposed of to clients. The experience of the Bank of Madras in this connection was somewhat different from that of the Bank of Bengal, as given to the Committee by Sir Norcot Warren, as they had not been able to dispose to their clients of the whole of the block of 6 per cent. loan which they had taken up. The Bank was left in possession of rather a larger share than it had intended to hold on its own account. He mentioned as a significant fact that a larger percentage of the people of the Madras Presidency subscribed to the war loans than in other parts of India, although the amount subscribed was relatively smaller. He was not much disposed to believe in special propaganda in connection with loans. What had happened in connection with the war loans is that the paper is largely coming back to the Bank of Madras. Mr. Lamb stated that the only market for Government Paper in Madras is the Bank of Madras. A big transaction, by which he meant a transaction of Rs. 5 lakhs or upwards, could not be put through easily. Bombay is much better situated for important financial operations.

4928. He entirely agreed with Sir Norcot Warren's opinion that it would be best to raise any capital money required by means of an ordinary Government loan. He was also of the same opinion as Sir Norcot as to the unattractiveness to the average Indian subscriber of any new form of security. It should be remembered that Madras is an agricultural Presidency, and a great deal of money is not to be expected from it.

4929. Mr. Lamb agreed with the Chairman that 5 per cent. is regarded as a poor return now-a-days. He thought that the inducement of an extra 1 per cent. would make a real difference in the amount that might be subscribed. He said that it would, of course, depend on circumstances, but would be regarded as good business for a commercial concern to pay even a high rate for money urgently required to a develop a prosperous and growing undertaking rather than see its progress blocked for want of additional capital. He would prefer to borrow in India the money required for railways if the total amount wanted could be obtained in the country. He would not, however, rule out any particular market, but would borrow wherever money could be obtained. He saw no prospect of getting money cheap in any country at the present time. He thought that the amount of money seeking investment in Trustee

securities in Madras from year to year is relatively insignificant.

4930. With regard to the depreciation of the existing 3½ per cent. Government Paper because of the issue by Government of new loans at higher rates, Mr. Lamb observed that the quotation of 3½ per cent. paper at present practically places it on a 6 per cent. basis. It had recently fallen to a 7 per cent. basis, but had recovered to six. He agreed that, even if Government were not to issue loans at a higher rate, there would be a natural tendency, though it would manifest itself slowly, for the 3½ per cent. paper to fall to the current market rate. Assuming that the Government were to issue a new loan at 6 per cent., unless it were income tax free, Mr. Lamb saw no reason why it should be more popular than investments in 3½ per cent. paper at a 6 per cent. valuation. He noticed that even the recent 6 per cent. Government loan had fallen to Rs. 98-8; he could not say why. He agreed, however, with the Chairman that 6 per cent. bonds issued at par can never appreciate very much as it is redeemable in ten years.

4931. Mr. Lamb was of the same opinion as Sir Norcot Warren that the banks could do nothing more than they already do to popularise the flotation of Government loans. The practice of purchasing for customers and allowing them to repay the purchase money by instalments had been introduced during the war. He thought the Banks would probably hesitate to continue to offer this facility.

4932. Mr. Lamb thought that even if Government did get a loan of Rs. 100 crores at the present moment it need not be idle, as they would have no difficulty in lending it out till they were ready to spend it pretty profitably at present market rates.

4933. With regard to the suggestion that money might be raised by premium bonds, Mr. Lamb expressed the strongest dislike to an experiment of this kind, which savours too much of a gamble. He did not think that subscribers generally would care for it, and thought that, if it attracted money, it would do so only at the cost of something else. Mr. Lamb agreed that Indian taxation is low considering the security of the country. The Chairman instanced the postal charges, which are very low as compared with the corresponding charges in the United Kingdom. Mr. Lamb thought that these low charges could not last much longer. He regarded an increase of taxation as being undoubtedly overdue.

4934. The Chairman mentioned that Sir Norcot Warren had expressed the opinion that, if a loan of 30 crores of rupees were floated in one year it would probably be found easier to float a similar loan in the following year, owing to the education of the public, who would gradually become accustomed to such investments. Mr. Lamb said that Sir Norcot Warren was doubtless speaking from his experience of Bengal and Northern India. He doubted whether it would make much difference in the case of Madras, where the people would develop very slowly the habit of investment.

4935. In answer to Mr. Purshotamdas Thakurdas, Mr. Lamb stated that the average bazaar rate in this Presidency is usually some 3 per cent. or so higher than the Bank of Madras rate. The Madras Bank rate had always been 1 and sometimes 2 per cent. above the Bank of Bombay rate. Mr. Lamb noted, however, that the Banks of Bengal, Madras and Bombay are now amalgamated under the style of the Imperial Bank of India, and the official minimum rate for advance on the security of Government Paper will be the same throughout India. He ascribed the large percentage of subscribers to the war loan rather to effective propaganda and the influence of patriotism.

4936. Mr. Lamb had no experience of the issue of Madras Port Trust loans, of which none had been issued for some time. With regard to the municipal loans, the latest rate, as far as he could remember, was 4 per cent. He had little to do with that class of security, and, therefore, he could not quote figures off hand.

4937. Mr. Purshotamdas suggested that, now that Government is borrowing at rates more closely approximating to the rates ruling in the open market for commercial transactions, it seemed likely that it would be easier for Government to secure their full requirements for railways in India. Mr. Lamb was doubtful of this; he thought that mercantile firms can employ their money to greater advantage in their own businesses.

4938. In reply to Sir Henry Ledgard, Mr. Lamb said that he was of opinion that India offers a better return on borrowed money at present than the English money market. He thought that in the event of a considerable sum of money requiring to be borrowed every year, it would be better if a single large loan were issued every year rather than three or four smaller ones. He thought that, if a loan were to be income tax free, Government should have the right to redeem it after a short term, by which he meant ten years or a little more. He was not in favour of the issue of income tax free loans. If the loan were not free of income tax he thought that Government should have the option of repurchasing at any time after 21 years had elapsed. But he would not give any corresponding option to the lender. Mr. Lamb said that the facilities for buying and selling Government paper in Madras are simple and convenient. A man can either sell or buy without difficulty within a few hours.

4939. The Chairman mentioned that a witness had told the Committee that a number of small investors in the war loan were under the impression that the scrip handed to them was no more than a receipt for a donation to Government, and that, in many cases, the scrip had been destroyed. In this connection Mr. Lamb mentioned that there had been an instance of a Mohammadan subscriber in the South of India who had been extremely indignant when furnished with the interest warrant sent out by Government in pursuance of special arrangements made to facilitate the payment of interest to subscribers. The gentleman in question considered himself insulted by the suggestion that he should be paid anything for money placed by him at the disposal of Government for their urgent necessities and refused to receive the interest. The Chairman observed that this was not exactly what he had in mind. It rather related to some subscribers being under the impression that their subscriptions were a gift and not a loan to Government.

TWENTY-SEVENTH DAY.

(Madras.)

Saturday, 22nd January, 1921.

PRESENT:

Sir WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Honourable Mr. V. S. SRINVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. C. Duraiswamy Ayyangar, Representative of the Madras Liberal League was called and examined.

4940. Mr. Ayyangar stated that he proposed to give evidence as a representative of the Madras Liberal League, which is a political association started in March, 1919, and now having a strength of 200 members, men of light and leading in Madras. The object of the League is the attainment of responsible self Government in India as an integral part of the Empire.

4941. The main point which the League wished to press on the attention of the Committee is the necessity for railways being managed by the State, and the abolition of the existing system. They wished to impress the political aspect of the matter as seen by the average Indian politician. In reply to the Chairman, Mr. Ayyangar explained that the Madras Liberal League is affiliated with other bodies with similar objects in different parts of India. He believed that the demand for State management of the railways is endorsed by all of them.

4942. He said that he would consider it desirable to buy out, if possible, those companies whose contracts have still a long term of years to run. He recognised that the shareholders' assent to this step would have to be obtained, and that it would doubtless be necessary to give them a good bargain to induce them to surrender their existing interests in the railways. He thought it preferable to pay them a lump sum to get rid of them once and for all rather than to continue to allow part of the profits on Indian railways to go year by year to shareholders of the companies outside India.

4943. The view which he desired to represent is that the people of India are the major partner in the railway enterprise. They have by far the largest share, though varying in different instances, and they see no reason why they should not themselves manage the railways. They objected to the management being dictated by companies who have only a trifling interest in them. He recognised that in a business concern a manager might be employed who might even have no partnership in the concern. He did not, however, think this is a fair parallel. In the case of the railways the managing companies appear to be all in all, and Government to have power to exercise but little control.

4944. He agreed that the case would be different if the companies could be brought under proper control. In view of the political temper of the country, and in the interests both of the Government and the companies, he considered it desirable that a different state of affairs should be brought about. Mr. Ayyangar agreed that there would always be complaints in any big business, and that even if the State manages the railways, there would be complaints against the administration. He considered that, however well the companies might manage the lines, the political aspirations of the people would not be satisfied. Indians are anxious to advance the material development of their country, and as a part of that large scheme of economic reconstruction of India it would be anomalous that the railway management should be in the hands of foreign private companies.

4945. The Chairman pointed out that in the old phrase Rome was not built in a day, and observed that the existing policy of the Government of India is a gradual, not an abrupt, transfer of authority from bureaucratic government to government by elected representatives of the people. He asked whether Mr. Ayyangar would approve of a corresponding gradual process in the transfer of the management of the railways. Mr. Ayyangar considered that the transfer of the railways to the Government of India is only one step which might be taken at once. The railways would still remain a reserved subject of administration and the transfer to effective *popular* control would still be gradual only. He did not agree that the necessity for improving the Railway Board also affords an argument against the State assuming the control of the railways. He considered that the administrative system and the controlling machinery might both be improved simultaneously. He wished to establish a machinery of a stable character. The speed at which it might be worked would be a matter for separate judgment.

4946. The educated people of India feel strongly that as they pay the piper they are entitled to call the tune. He considered that the masses are even more discontented than the better educated people. They blame the companies and not the Government. They realise perfectly that the railway administration is in the hands of foreign companies. It was not merely a matter of vague aspiration. There is a practical desire for a change of policy, and this is growing stronger day by day.

4947. One aspect of the case to which he specially would draw attention is the prevalence of racial discrimination in railway management. There is a strong feeling that railways have one way of dealing with one class and another with another. When a European wanted to have a seat reserved in a train, or to be served in a refreshment room, or to be provided with wagons for the transport of his goods, he invariably found greater facilities and attention than an Indian with identical requirements. The feeling is acute and strong that railways are more anxious to satisfy Europeans than the Indians who constitute the bulk of their clientele and whose traffic is the mainstay of their prosperity.

4948. As an instance of want of consideration in matters of form, the witness cited the fact that name-boards indicating certain conveniences for the use of

Europeans are marked "Gentlemen," whereas those for Indians are marked "For Indian Passengers." He thought this an instance of a distinction which is hurtful to the feelings of Indian gentlemen. The Chairman said he hardly thought this particular instance was a very strong one as the use of the word "gentlemen" in that way is streotyped in England. The witness, however, observed that the distinction is made in India. He instanced again the use of retiring rooms at the stations, to which Indians are not admitted although Europeans are. The Chairman said that he understood from a recent mention in the newspapers that these retiring rooms had been thrown open to the public regardless of race. The witness observed that this is not, generally speaking, the case, and that only in certain instances had it been done. He considered that the retiring rooms should be available for the use of all passengers of the particular classes for whose use they are provided. A discrimination between classes of passengers was reasonable, but not a racial discrimination. He was unaware whether on the State lines similar distinctions injurious to the feelings of Indian passengers exist.

4949. He was satisfied that once the management is in the hands of the State, the people could look after themselves. The case may be as bad on the North-Western Railway as on the Madras and Southern Mahratta, but, if so, the people have the power to have it altered on the North-Western Railway, whereas they have not the power to do so on the Madras and Southern Mahratta Railway.

4950. When grievances were brought to notice in the Council, the Government of Madras have only been able to say that they had referred to the companies, or else that the companies were unwilling to remedy matters. The witness considered that a scheme should be evolved which should enable Government to redress grievances locally. The Chairman observed that even in such democratic countries as the United States, Canada and South Africa (with small exceptions in the case of the United States), matters of railway administration are reserved to the Central Government. They had found that this was necessary, and that the control of the railways could not be divided up between the Governments of different provinces. The witness said that, even so, it would be something if the Government of India had authority to deal with matters. What he wanted was a proper machinery for representing the views of the public which would ensure attendance to local grievances.

4951. The witness emphasised another point, that foreign companies running the railways in the interests of the shareholders have no inducement to promote the industrial progress of the country except in so far as it might pay them to do so. He thought that there would be better progress if the Indian public had control over the lines. He admitted that the Government at Delhi might not know much about what is necessary to ensure the economic development of a district in Madras. But he considered that there should be a machinery controlled by the Railway Department or Railway Board at Delhi which would be fitted to ensure attendance to such matters.

4952. The Chairman enquired whether all development would not in fact be to the interest of the shareholders in the railways. The witness replied in the negative. He said, for example, that if the public of Madras had a free hand, they would proceed more rapidly with the construction of District Board railways. An obstacle was interposed by the South Indian Railway Company to the construction of lines which it thought might take away some of its traffic from its existing line. There is a provision in its contract safeguarding the South Indian Railway from the competition of short circuiting lines. Objections had been raised when that contract was made, but they had not been attended to by the Secretary of State. He had been informed, in fact, that the representations made had reached the India Office, if not actually after the new contract was settled in 1908, at least too late to have its provisions altered.

4953. With regard to the provision of funds for railways he explained that the District Boards themselves were responsible for finding the money. They found it from the railway cess or by borrowing on the security of the cess. The Chairman observed that a difficulty which might influence the South Indian Railway in objecting to the construction of feeder lines is the practice by which the main line has to find the rolling stock for the feeders. The South Indian Railway is already short of rolling stock and would naturally dislike having to provide stock for an additional length of railway. So far as this went the real difficulty is the failure of the Railway Board to find sufficient money for the main lines. The witness observed that he was not speaking of the conditions in the immediate present, but was trying to evolve a scheme for the future.

4954. Another way in which an average man looked at the companies having their headquarters in London is that they have the ear of the Secretary of State and get things done in the way they desire, whereas the Railway Board, which should look after the interests of the people of this country, and is in touch with its people and Government, has no influence with the Secretary of State, and that, therefore, the system is faulty. The ordinary man did not care whether it was the company or the Railway Board that was to blame. He considers that if the companies are wrong-doers, the Government are abettors. He hopes that, under the new political dispensation, the Government will stand by him, and that a Government machinery will be devised which will manage the railways in the way in which this important State property should be administered.

4955. In reply to the Chairman the witness said that, in his opinion, full control of the railways should be handed over at once to the Central Government, popular control following more gradually. The people felt that these companies are an obstacle and that they must go. How best this block could be removed should be a matter for consideration and recommendation by the Committee. Anyhow it has got to be done, as otherwise the people of the country would neither give themselves nor the Government rest.

4956. He desired also to draw attention to the necessity for amending the Indian Railways Act of 1890 and the subsidiary Act of 1905. The Chairman remarked that in making this recommendation the witness was knocking at an open door, as the need for amending the Railways Act was generally admitted. The witness complained that the provisions in the Act for the appointment of Railway Commissions to deal with traffic matters was a dead letter—so dead, in fact, the Chairman observed, that it had never been born.

4957. Regarding the responsibility of railways as carriers, the Chairman observed this was too technical a matter for the Committee to go into. The witness said that he did not wish to go into technical subjects, but would point out that such matters as these should not be shirked as at present. They should be considered and arrangements made to enforce responsibility on railways.

4958. In connection with the development of District Board railways the Chairman observed that they would bring additional traffic on the existing lines, and it was clearly necessary for large capital to be provided for this. He asked whether the Indian public would readily meet the cost if guaranteed reasonable accommodation and a reasonable voice in the railways which so closely touch their daily lives. He remarked that the essential difficulty in the past had been the fear of Government allowing too much money to be spent on the railways. The witness agreed that that policy had been a mistaken one and was satisfied that the public would readily pay on the conditions stated. The Secretary of State should borrow whatever money was necessary, on the credit of India, wherever he could get it on favourable terms.

4959. In reply to Sir Rajendra Nath Mookerjee the witness expressed the opinion that there is plenty of money in India to enable the existing English companies to be bought out. He saw no reason why the abolition of the companies should affect the ability of the Government of India to raise money, as its credit is good.

4960. He considered it preposterous that the companies should be in a position to dictate the terms on which their contracts should be terminted before these expire by efflux of time. He thought that, if it is really the case that they can do so, the Government are tenfold more to blame for having entered into such contracts than he had believed them to be.

4961. In reply to the Honourable Mr. Srinivasa Sastri, the witness said that his view was that railways must be brought under the influence of the people's representatives. By their immediate transfer to the control of the Central Government the railways would still not cease to be a reserved subject, so that any danger there might be in entrusting them to inexperienced people is not imminent. He considered that Government would be well advised in employing experts to manage the railways. The objection to the way in which it is at present done is that the experts manage the lines for their own benefit and not for that of their employer. The people have the impression that the Railway Board is powerless and has been allowed to be eclipsed by the companies' boards, which have become unduly independent. So far as there were any complaints in the State railways it is probably because they had been influenced by the example of the longer established company-managed lines.

4962. The witness claimed that the State railways are further advanced in respect of employment of Indians, and that this fact was a clear case where the influence of the people was felt, because it was the State they had to deal with and not the companies.

4963. The witness agreed with the Honourable Mr. Sastri that there are many matters in which, though the Government of India might be supreme, local governments are used as agents, and he thought that a similar plan might be devised by which local authorities could be enabled to deal with matters of local importance in railway administration.

4964. He agreed with the Honourable Mr. Sastri that companies are not willing to take in hand small lines which do not show immediate prospects of prosperity. There are, however, indirect benefits to the country from the construction of railways. In regard to the development of the country there would thus be a great difference between the attitude of a company and of the State.

4965. In reply to Sir George Godfrey the witness stated that he had been connected with the Southern India Chamber of Commerce as assistant secretary for the past ten years; there was no disputing the fact that there was great congestion on the railways, and that a large sum of money would have to be spent to bring these to a proper standard. Assuming that only a limited amount of money was available, he agreed that he would devote it, in the first instance, to the removal of the congestion rather than to buying out the companies. He did not wish, however, the importance of the latter measure to be ignored.

DEWAN BAHADUR M. RAMACHANDRA RAO, B.A., B.L., M.L.C., President, District Board, Kistna, was called and examined upon a statement which he had furnished to the Committee.

See Written Statement No. 39, Vol. IV., P. 143.

4966. The witness said that since 1910 he has been a member of the Madras Legislative Council. He had special experience as a member of the Pilgrim Committee appointed by the Government of India for the Madras Presidency.

4967. The witness said that the point which he wished to make with regard to the position of the Secretary of State in regard to the administration of railways is that the Secretary of State is far away and cannot be in as close touch with the opinion of the Legislative Assembly at Delhi as the Government of India, and his control ought to be the last resort, especially so now that there is a non-official majority in the Legislative Assembly and that the provision of funds for railways will be subject to the popular vote. The Chairman observed in this connection that a difference exists between India and England in that in this country, if the Legislative Assembly do not agree with the Railway Minister, they cannot turn him out of office, whereas Parliament can get rid of a Minister with whose policy it disagrees. He suggested that it might possibly be an advantage from the Indian point to be able to bring influence upon the House of Commons or House of Lords to ensure the attention by the Secretary of State to Indian requirements. The witness observed that it is a far cry to England, and he thought that the object to be aimed at is the attainment of a position in which the Government of India itself could get rid of an unpopular Minister. The Chairman mentioned that meanwhile some advantage will be secured through the appointment of the Joint Committee of both Houses of Parliament, which has been formed specially for Indian affairs.

4968. With regard to strategical railways, the Chairman observed that there are certain railways built at a large capital cost and worked at a considerable loss, for military purposes, and asked which Minister ought to take the responsibility for that expenditure. The witness said that ordinarily he would leave it to the Minister in charge of railways so far as the management is concerned. The Viceroy can always say that so much expenditure should be incurred on these railways and there would be no difficulty about voting funds. That being so, the witness thought that the strategical railways should be under the Minister for railways. He considered, however, that the expenditure ought to be debited to the military account seeing no difference in that respect between railways required to protect the frontier, and the guns.

4969. The witness laid stress upon the point made in his written memorandum that all loans raised in India either for railway or for other purposes will have to be embodied in the budget of the year, and urged that it will no longer be expedient for the Secretary of State to conclude agreements with railway companies in England over the heads of the Government of India and local Governments: if he did so, notwithstanding the reservation of certain powers to the Governor General in financial matters, he could not in the normal course of events hope to obtain the assent of the Legislative Assembly. The Government of India must therefore in the nature of things hereafter be the primary authority with whom questions relating to railway development, finance and administration should be settled. Notwithstanding the reservation of railways as a central subject, he regarded the liability of the budget provisions to the popular vote as giving the Indian Government considerable power. He considered that in the altered circumstances, the system of management by boards in London cannot last permanently and would not work smoothly even with advisory boards assisting them in India.

4970. With regard to railway companies whose contracts have still many years to run the witness hoped that the Committee would be able to devise some method for getting rid of these. The Chairman observed that whereas in the case of some railways, for instance, the East Indian and the Great Indian Peninsula Railways, only a few years have to run before their contracts expire, others have much longer periods. He asked whether the witness would desire the State to take all over at once, or to take them in turn according as the contracts expired. The witness thought that an attempt should be made to expedite the process rather than spread it over a long

period. Recognising that Government has no power to terminate the existing contracts, which was indeed one of his complaints against the Government policy in the past, he agreed that generous terms should be offered to induce the existing companies to surrender their interests in the Indian railways. He considered it as important to buy the companies out as to expend money on the development of the existing railways. He laid stress upon the point, made in his written statement, that should it be decided that company management should be continued in future, all new contracts entered into with companies, whether in the United Kingdom or in India, should be entered into by the Government of India, and only after obtaining an affirmative resolution of the Legislature in India. Public discussion and acceptance of the proposed action was the more necessary in view of the experience of the past. He referred to the case of the South Indian Railway contract which was made in 1910 against the wishes of the local Government and the people of the Presidency, and which can only be terminated in 1945. The witness was not aware what the views of the Government of India were with regard to that contract but he had been informed by a member of the Government that they had endorsed the objection of the public in Madras to the terms arranged with the company, but it was understood that the protest had reached the India Office too late to be effective.

4971. With regard to the raising of funds, the witness thought that it would probably be necessary to raise additional capital by loans in the United Kingdom. He thought that this could quite well be done by the High Commissioner for India as the Agent of the Government of India. The Chairman observed in this connection that the trend of the expert financial advice hitherto received by the Committee indicated that it would be necessary to borrow outside as well as in India. The witness saw no reason why, if all the companies were got rid of, it should not still be possible to raise money in England. He realised that it would be undesirable, in buying out the existing companies, to be in any way ungenerous and thus to prejudice the Government of India in the London money market. With reference to the figures reproduced in the written statement showing the extent to which the Secretary of State and the companies respectively had contributed to the railways, the Chairman observed that there was some doubt how the witness's figures were compiled and what precisely they included. The point however remained true that the great bulk of the money had been raised by the Secretary of State. He observed however that it was raised mostly in England and that the borrower must keep on good terms with subscribers there.

4972. The witness said that with regard to the blocking by the South Indian Railway of Railway development by any other Agency, the feeling of the public was that they were at the mercy of the companies. The Railway Board's protection, to which the Chairman referred, is really non-existent. The Chairman agreed that there might be cases in which no qustion of short circuiting arises and in which it should be to the interests of the company to promote the construction of the feeder lines. Even on such cases, however, the witness thought that the Railway Board might prefer not to let the lines be built until the main line itself was in a position to construct them.

4973. With regard to the difficulty over the supply of rolling stock by the main line companies, he mentioned that, in a recent case, the Madras and Southern Mahratta Railway Company had intimated that they would be willing to consider proposals for new District Board lines only if the District Boards were themselves willing to supply the stock. In this connection Sir Arthur Anderson mentioned that the charge levied by railway companies in Southern India for the supply of their rolling stock is, he understands, five per cent. of the gross receipts, which is the usual charge in India. Sir George Godfrey, however, laid stress on the fact that the difficulty in the supply of stock by the main lines is a real one, irrespective of the question of rental, and, so far as this point goes, affords some justification for the attitude of the main line companies.

4974. The Chairman drew attention to the table showing the progress of District Board Railway construction which had been extracted by the witness from a statement prepared by the Government of Madras for the use of the Committee on Financial Relations, and which was embodied in his written statement. He observed from this that district boards had already constructed in Madras 263 miles of railway and projected a further construction of 909 miles. He understood that Madras is leading the way in this matter though some attention is being devoted to it in Assam also. He observed that the accumulated railway cess at the end of 1918-19 amounted to Rs. 77½ lakhs to the credit of the Coimbatore, Guntur, Kistna, Salem and Tanjore District Boards. He ascertained from the witness that during the time when his cess had been accumulating, at the rate of 3 pies in the rupee on the settlement valuation, the railways had been earning as a whole high profits reaching as much as 11¼ per cent. in two cases. The witness mentioned that by a recent enactment, the accumulation of the railway cess had been prohibited. Authority was given to the accumulations already existing being spent on tramways and motor services.

4975. In reply to the enquiry by Sir George Godfrey why advantage has not been taken of the funds already in hand to construct more lines, the witness ascribed this partly to war conditions, and partly to delay in settlement of terms of construction and working with the main line companies. The witness agreed in the Chairman's summing up of his views as being that the objections existing to the construction of additional district boards lines might be reasonable, so far as they are due to the impossibility of main line companies supplying the rolling stock, but that they are entirely unreasonable so far as based on the objection that the existing companies might suffer loss, or might prefer to construct the feeder lines hereafter by their own agency.

4976. Recognising however that the provisions of the existing South Indian Railway contract must be accepted as a factor in the case, the witness considered that whatever is possible should be done to mitigate their ill effects. He thought that in some cases objections to the construction of new lines are raised which are untenable and he mentioned that in the case of Mannargudi-Tiruturaipundi Railway, the South Indian Railway Company had even refused to accept the decision of the Railway Board that no protection to the Company was necessary. He was uncertain, and the question was not pursued, what remedy is provided in the South Indian Railway contract in cases of differences of opinion on such points. He promised to furnish the Committee with further details of the Mannargudi Railway case, and with particulars of other cases in which unreasonable claims for compensation for short circuiting had been set up and had thus delayed the progress of railway development.

4977. In answer to Mr. Purshotamdas, the witness explained that negotiations with the Railway Board were conducted through the Local Government. He recognised that there might be good reasons why no progress could be made during the war, but even before the war cases had occurred in which the South Indian Railway Company had blocked the construction of District Board lines. Many of the cases mentioned by him in his list were of long standing, he promised to furnish the Committee with dates relating to them.

4978. He agreed with the Chairman that the upshot was that there are some 900 miles of railways which the District Boards have been anxious to build at their own cost or on their own responsibility but, for one reason or other, they were not allowed to spend their own money in this way to serve their own

requirements. The witness agreed that it is preferable that the main lines should make and work the extensions. It was only when they were unwilling to do so that the District Boards would care themselves to construct and work the lines. They should, however, be built for and on account of the District Boards and not preferably as part of the main lines. The District Boards naturally wished to secure the profits for themselves. The feeling of the District Boards with regard to the Railway Board is that neither party knows or cares very much about the other.

4979. In his written statement, the witness had anticipated that there would be no difficulty in financing development schemes, as he understood that the Local Government had been allowed to place the funds required by the Boards on the Provincial Loan Account. He explained that up to 1908 the District Boards could borrow through the Local Government, which raised the monies required and made advances at a slightly higher rate of interest to the District Boards. This, however, was stopped in 1908 and though the matter was discussed in the Imperial Council, the objection of the Government of India was upheld. The Local Government were prohibited from providing funds for railway extensions, it being held that the District Boards should either themselves borrow in the open market or else have the lines constructed through the ordinary railway programme procedure. Attempts had been made to float loans through the Bank of Madras but had not been very successful.

The further examination of the witness was postponed until 3 o'clock on Monday the 24th January, 1921.

P.S.—With reference to paragraphs 4976 and 4977 above, the witness subsequently referred the Committee to the official records which were obtained from Government (*not reproduced*).

The witness also furnished the Committee with an abstract of correspondence relating to the construction of certain proposed branch railways in Madras, of which he made the following summary:—

In the following cases compensation has been claimed by the South Indian Railway Company on the ground of short-circuiting where the branch lines do not actually short-circuit.

1. *Manamadura-Sivaganga Railway*—Length, 12·43 miles.

The question of compensation for short-circuiting was raised by the Company. It was held that no such question would arise until the projected line was extended to some point on the South Indian Railway. The insertion of a clause providing for compensation for short-circuiting in the agreement with the company for constructing and working the branch railway was, in the circumstances, held to be premature.

Construction of this line will be commenced in the near future. The lands required for the railway have been acquired.

2. *Salem-Suramangalam Railway*—Length, 3·88 miles.

This is a small bit of district board line belonging to the Salem District Board.

No question of cross traffic arises until the lines from Salem to Atur, Atur to Chinna-Salem, Chinna-Salem to Ulundurpet and Panrutti to Trichinopoly are built. The line was sanctioned for construction by the Government of India and working terms were also settled with the Company. The Company, however, refused to commence construction until the arrangements to be made for protecting them from loss by diversion of traffic in the event of the branch becoming hereafter part of a through line short-circuiting the Company's undertaking had been settled. The construction was commenced only when the Secretary of State called upon the Company to construct and work the line under Section 10 of the Principal Contract with the Company as amended by Section 6 of the 1910 contract, leaving the question of protection to be settled afterwards.

3. *Madura-Bodinayakanur Railway*—Length, 55·19 miles.

The question of short-circuiting was raised by the Railway Company. It was held that no short-circuiting could arise in regard to this railway, and that it was therefore unnecessary to insert a clause in the agreement providing for compensation. The project has since been abandoned in favour of the Kodaikanal road-Uttamapalayam alignment.

4. *Salem-Atur, Atur-Chinna-Salem and Ulundurpet-Chinna-Salem Railways—Length*, 36·60, 12·42 and 32·51 miles.

The above lines are proposed to be constructed jointly by the District Boards of South Arcot and Salem. The lines, if built, will be a feeder to the Panrutti-Trichinopoly Railway, meeting that proposed railway at Ulundurpet. These, together with the small bit (Salem-Suramangalam line) will form as it were a through connection from Salem to Ulundurpet. On the analogy of the Salem-Suramangalam line, sanction to the construction of these lines will be conditional on the district boards' acceptance of any arrangement that may be agreed upon by the Secretary of State and the Company for the protection of the latter's interests.

6. *Erode-Satyamangalam Project*—Length, 40·20 miles.

Question of short-circuiting raised by the Company has been postponed for consideration if and when the line is extended as a through line to Mettupaliyem causing short-circuit.

CASES OF ACTUAL SHORT-CIRCUITING.

7. *Dindigul-Palghat Railway.*

The effect of the construction of this railway as between Dindigul and Palghat and Dindigul and Podanur will be to short-circuit the company's line. Messrs. Binny & Co. agreed to give up all earnings from cross traffic to the South Indian Railway. Messrs. Binny & Co. have, however, since withdrawn from their proposal to construct the railway owing to the conditions in the money market.

8. *Mannargudi-Tiruturaipundi Railway*—Length, 16·05 miles. (A Tanjore District Board Railway.)

In this case the Company refused to agree to the decision of the Railway Board that no protection was needed to it on account of the short-circuiting branch. The matter was subsequently referred to the Secretary of State by the Railway Board. The former was of the opinion that if, leaving out of account the loss from diversion of traffic, a short-circuiting line produces an increase in the savings of the Company's undertaking, the Company should be considered to be protected to the extent of such increase against loss from diversion of traffic within the meaning and intention of the terms of the contract (*i.e.*, Clause 7 of the contract of 1910). The Company refused to accept even this decision of the Secretary of State.

TWENTY-EIGHTH DAY.

(Madras.)

Monday, 24th January, 1921.

PRESENT:—

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. Ryan, C.I.E. (*Secretary*).
Mr. E. R. Pole (*Assistant Secretary*).

Mr. H. H. G. MITCHELL, Chairman of the Madras Port Trust, was called and examined upon a written statement which had been furnished to the Committee.

See Written Statement No. 40, Vol. IV., p. 147.

4980. Mr. Mitchell explained that, in addition to being Chairman of the Port Trust, he is also the Chief Engineer. His whole time is devoted to the business of the Port Trust, of which he is the real manager. The Board of Trustees consists, in addition to the Chairman, of 14 members, of whom six are nominated by Government. Of the other eight members, four are elected by the Chamber of Commerce (Madras), two by the Southern Indian Chamber of Commerce (Madras), and two by the Madras Trades Association.

4981. Mr. Mitchell stated that, until the present time, the Port administration was directly responsible to the Government of Madras; but under the Reform scheme he understood it would come directly under the Government of India, who, however, would deal with the Board of Trustees through the Madras Government, so that there would in practice be little material change.

4982. Mr. Mitchell explained that the Port Trust owned its own railway, which is a railway for the purpose of the administration under the Indian Railways Act.

4983. With regard to the charges levied on the Port Trust Railway, he explained that only a terminal charge is made, and this is regulated in accordance with the Railway Conference Association schedule. Generally speaking, the Port Trustees work in harmony with the railway administrations, and are assisted in this by the existence of railway representatives on the Board. Mr. Mitchell agreed that there ought to be some authority which could correlate questions of mutual interest arising on railways and in the port administration. He thought that decided divergences of opinion are not very likely to occur, and he was inclined to think that, if they were to occur, a correlating authority might already be found in the person of the Member of Council in charge of the Commerce and Industry Department, Government of India. It seemed possible, however, that cases might arise in which the Government of Madras and the Port Trust on one side might be in opposition to the railway companies and the Railway Board on the other; and he agreed that there should be a court of appeal to obviate such occurrences.

4984. With regard to the recorded opinion of the Port Trustees that, except in the case of purely strategic railways, management should be by companies on a profit-sharing basis, Mr. Mitchell explained that this was the unanimous opinion of the Port Trustees who had considered the matter, including one of the Indian representatives. He thought, however, that this representative in acceding to that view, contrary to that expressed to the Railway Committee by the Southern India Chamber of Commerce by which he had been elected, must have been expressing only his personal opinion Though the Trustees were unanimous for company management there had been a difference of opinion amongst them on the question of domicile of the working companies. The Trustees' opinion is that company management is better than state management, but opinion as to whether the present companies are the most satisfactory form of company management was not by any means unanimous, and was therefore not expressed. His personal reason for believing that company management is better than management by the State is that he would expect to get better personnel under company management. Speaking on general grounds, he thought that the advancement of officials of private or company concerns was more intimately connected with the success of an undertaking than the advancement of Government officials was with the success of a departmentally managed undertaking, with the result that the team work in a company was better and an undertaking would be more efficiently and economically run by a company than by Government. Both on companies and State railways officers would, of course, be interested in their own advancement, but promotion is more likely to come by seniority irrespective of merit in the case of the latter than of the former.

4985. The Port Trustees were of opinion that companies should hold a larger proportion of the railway capital than they do at present. He thought they should increase their share capital. He recognised that, at present, this would necessitate capital being raised at a discount, or else on more attractive terms than those given to the existing shareholders regarding the participation in profits. The Chairman observed that this would apparently mean that there

would be two sets of ordinary shareholders, the old and the new, the latter with preferential terms. Evidently, the view of the Port Trustees was that whereas the complaint of Indian public opinion is that the companies holding a small share in the concern exercise too large powers, the Port Trustees would give companies, though not necessarily the present companies, a larger interest together with corresponding powers.

4986. Mr. Mitchell said that his own inclination would be to favour the establishment of railway companies independent of Government assistance, which would freely undertake the construction of competitive lines in the interests of the public. He agreed, however, that if there is only a limited amount of money available to meet the very large demands for railway capital, it was best that it should be devoted to the improvement of the existing railways and the construction of new lines where they are required to open out fresh country, rather than to building lines which would compete with existing ones.

4987. In expressing the opinion that the Railway Board requires strengthening and enlarging, the Port Trustees were looking at it mainly as the provider of finance for the railways. He agreed that, just as in the case of the Port Trust the Chairman is responsible for the executive work and the Trustees as a body are concerned mainly with questions of policy, so in the case of the Railway Board the executive work should not occupy the attention of a large number of individuals, but should be managed by a suitable body of experts. On the other hand, the policy side of the Board's work should be entrusted to a large body, representative of different interests and localities, which would keep the executive side in touch with public requirements.

4988. Mr. Mitchell emphasised the "utter inadequacy" of the supply of funds for railway purposes; of this, he said, there could be no possible question.

4989. With regard to the suggestion that rates should be raised to prevent the railways becoming a burden on the general taxpayer, Mr. Mitchell said that in the Trustees' opinion the railways should always be managed so as to pay their way. Rates and fares should be increased, if necessary, to enable them to do so. He agreed also that it is necessary to ensure that the earnings of railways should also be sufficient to meet the interest charges on new capital, having in mind the requirements both of existing and proposed new railways.

4990. Mr. Mitchell said that he knew nobody who differed from the Port of Trustees' opinion that the carrying capacity of the railways is not adequate. He cited figures showing that the railways have, at least at periods of pressure, been unable to cope satisfactorily with the whole of the traffic offering to them through the port, and he promised to furnish the Committee with a memorandum dealing specifically with this point and showing in particular for a period of maximum stress, namely, October, 1919, the total imports into Madras by sea, the total tonnage sent away by rail, and the total which it was desired to send if the railway had been able to carry the traffic. He said he would also furnish statistics showing the extent to which the docks have been able to deal with the traffic carried to them by rail.

4991. In Mr. Mitchell's opinion, the Madras port is capable of dealing with a considerably larger volume of traffic than normally reaches it. Broadly speaking, the docks are abreast of requirements. A comprehensive scheme exists, but has not yet been submitted to Government, for enlargement of the harbour facilities. It is estimated to cost about 1¼ crores of rupees, and would take some ten years to complete. In view of the probable growth of traffic Mr. Mitchell thought that difficulties would occur if the scheme is not promptly proceeded with.

4992. With reference to the suggestion in the Port Trustees' written statement that improvements should be made by duplicating congested portions of the line and by providing more rolling stock, the Chairman observed that there appeared to be no room for doubt as to the necessity of such measures being adopted. He asked, however, in what way it was thought that greater use might be made by railways of the existing rolling stock. Mr. Mitchell stated that there are cases in which the full use of the existing rolling stock is prevented by inadequacy of the line carrying capacity. He said that there are cases in which the largest bogie wagons used on the South Indian Railway Company cannot be fully loaded because of the light standard of certain bridges on the line. He promised to furnish the Committee with the details of such cases. He mentioned also that, during the exceptional pressure of rice traffic in 1919, a Director of Wagon Supply had been sent by the Railway Board to supervise wagon distribution in Madras, and his efforts undoubtedly led to a substantial improvement in the supply of wagons to the port. Mr. Mitchell could not, however, say whether this was due to more economical use being made of the wagons, or whether it was due to the port requirements being met only at the cost of others. After some discussion with regard to the nature of the improvement in the ratio of supply to demand, effected by the Director of Wagon Supply, Mr. Mitchell promised that he would send further details to the Committee for its information.

4993. In reply to Mr. Purshotamdas Thakurdas, Mr. Mitchell stated that the Port Trust was under the control of a Board of Trustees and the ultimate control by the State. It is not an institution where there is any proprietary interest. Mr. Purshotamdas drew attention to the fact that there is not much distinction except in point of size between the administration of a Port Trust and that of a State-managed railway. He suggested that the objections of the Port Trust to the State management of railways would seem to apply equally to the existing system of port management by themselves. Mr. Mitchell agreed that, if it is the case, as suggested by Mr. Purshotamdas, that serious complaints do not exist against the management of ports in Madras, Bombay and Calcutta under the existing system, but that on the contrary the management of these have given general satisfaction, it detracts greatly from the weight of the Port Trustees' objection to the State management of the railways, but pointed out that a port was the meeting place of so many different interests that it was not necessarily comparable with a railway. Mr. Mitchell was not aware of any complaints against Port Trust management. He further agreed that, if there are no serious complaints of the kind, there cannot be much force in the argument adduced by him regarding the lack of incentive in the case of the officers of non-company administrations.

4994. With regard to the possibility of finding money, he stated that the Madras Port Trust is precluded by law from working at a loss; if expenses exceed the income, the Trustees are bound to raise the charges to redress the balance. On the other hand, the Port Trustees do not aim at making a profit, but administer their business solely for the benefit of the public. With regard to the question of building competitive lines of railway, Mr. Mitchell explained that he would not advocate the construction of competing lines by companies which were dependent on Government for a guarantee.

4995. With regard to finance, he stated that the Madras Port Trust had never borrowed directly in the open market, but had been financed by the Government of Madras. The Trustees had been recently advised by their bankers that, with regard to further requirements, it would be unwise to go on the open market at present, and that it would be better to take a share in any loan issued by the Government. Prior to the war they had paid 4 per cent. on their borrowings.

4996. In reply to Mr. Hiley, Mr. Mitchell stated that, in order to ensure railways working up to a

better state of efficiency, representations had not been made to the Government of India, the practice being to take up with the local railways only in regard to defects when they attracted special attention.

4997. In reply to Sir Arthur Anderson, he said that when the Port Trust rates were revised this was done generally on the basis of percentage increase. The cases of certain commodities, however, were specially examined and dealt with.

4998. In reply to Sir Henry Ledgard, Mr. Mitchell stated that the capital expenditure of the port amounted to Rs. 3¼ crores. This had been provided in the shape of:—

Original grant by Government	...	Rs. 1 crore.
Loans	...	,, 1¾ ,,
Revenue contributions to capital	...	,, ¼ ,,
Total	...	,, 3¼ ,,

P.S.—Mr. Mitchell subsequently sent the following letter to the Committee:—

Letter No. G. 2070, *dated the* 26*th January*, 1921.

With reference to my oral evidence before the Committee on Monday the 24th January, 1921, I have the honour to furnish the following figures:—

I. PORT TRUST TRAFFIC.

October, 1919.

(*a*) By sea—	(i) Imports	86,921 tons.	
	(ii) Exports	11,694 ,,	
			98,615 tons.
(*b*) Railway traffic—	(i) Inwards	26,301 tons.	
	(ii) Outwards	48,830 ,,	
			75,131 tons.

Monthly statistics of deliveries by road are not maintained except in the case of grain.
The tonnage of grain removed otherwise than by railway wagons in October, 1919, was 11,604 tons.
Balance of grain in transit sheds at end of October, 1919, was 11,032 tons.

Demands and supply of wagons during October, 1919.

	Indented for.	*Supplied.*
Broad gauge	2,393 wagons.	1,867 wagons.
Meter gauge	1,729 ,, (units).	1,319 ,, (units).

During October there were railway restrictions in various directions on the movements of grain from the port, and the wagon supply was not up to our demands. It is certain that had there been an adequate wagon supply much of the grain that was removed otherwise than by rail, and that remained in the transit sheds at the close of the month, would have been despatched by rail during the month.

II.

Details of supply of wagons to demand for the year April, 1918 to March, 1919, are given in the accompanying statement. The percentages indicate an improvement in supply after control was instituted.

III.

With regard to restrictions on the amount of goods that can be loaded in certain types of wagons on the South Indian Railway, I would refer the Committee to pages 42 and 43 of Part I. of the South Indian Railway Goods Tariff, dated October, 1920, where full details are given. I have stated before the Committee that Coleroon Bridge appears to be the weak spot on the line.

If it is of any interest to the Committee, I forward the charts of grain movements during the pressure on the railway traffic owing to heavy imports of grain in the autumn of 1919. The charts are self-explanatory. I should be glad if the charts could be returned after perusal.

(*Enclosures*).

Statement showing the total number of broad and metre gauge wagons indented for and supplied from April, 1918 to March, 1919.

1918 and 1919.	Broad Gauge.		Metre Gauge.				
	Indented for.	Supplied.	Indented for.		Supplied.		
	C.G.	C.G.	C.G.	B.C.G.	C.G.	B.C.G.	
April	1,984	234	379	704	131	72	Before control.
May	2,573	379	679	955	170	79	
June	1,665	458	464	603	148	133	
July	3,585	706	1,113	1,258	180	149	
August	4,082	735	1,384	1,833	184	150	
September	4,535	504	198	276	130	91	
April to September, 1918 ...	18,424	3,016	4,217	5,629	943	674	
October	1,442	705	95	178	82	95	After control.
November	764	692	136	107	167	75	
December	577	525	377	388	200	199	
January, 1919	1,062	761	581	1,470	308	313	
February	2,216	1,229	223	116	240	108	
March	2,123	1,712	281	349	210	301	
October to March, 1919 ...	8,184	5,624	1,693	2,608	1,207	1,091	

Percentage of Supply to Demand.

Before control	... ...	Broad gauge...	16·4 per cent.
After control	... ...	" "	68·7 "
Before control	... ...	Metre Gauge C.G. ...	22·4 "
Before control	... ...	" " B.C.G. ...	11·9 "
After control	... ...	" " C.G.	71·2 "
After control	... ...	" " B.C.G. ...	41·8 "

C.G. = Covered goods wagon.
B.C.G. = Bogie covered goods wagon.

Mr. K. PARTHASARATHY IYENGAR was called and examined upon a statement which had been furnished to the Committee by the Railway Passengers' Association, Madras.

See Written Statement No. 41, Vol. IV., P. 147.

4999. Mr. Iyengar stated that he was a member of the Association, which has some 500 members, all of whom subscribe at the rate of one rupee for first and second class and annas 8 for third class passengers per annum paid in two instalments. There is a compounding fee of Rs. 25 for life members. The Association has a branch at Tanjore, and has recently received applications for extensions to other places. Being unable to undertake further responsibilities, however, the formation of separate associations at other stations had been recommended. The Association was an old one which had been reconstituted about a year ago. The managing body consists of a President, two Vice-Presidents, a Secretary, a Treasurer and 10 Executive members, and meets regularly once a month. It is a serious body and not merely a casual association.

5000. Mr. Iyengar agreed with the Chairman that really the Association's grievances might be classed under two heads: firstly, that passengers are uncomfortable and badly treated by the railways; and secondly, that Europeans are better treated, as such, than Indian passengers. He agreed with the Chairman that it was clearly not for the Railway Committee to go into details, but to suggest a machinery which would ensure that matters, if wrong, are put right. The Chairman said that, in view of this, he would not go at length into the details dealt with in the Association's representation. Mr. Iyengar desired, however, to urge that the inconveniences of which complaint was made, were not trifling but were on the contrary serious and numerous. The Chairman said that it appeared to him that the fact that an Association exists specially to enforce attention to these matters, and that applications for its extension have been made, appeared to be sufficient proof of this, as people would not devote their time and money to matters in which they are not seriously interested.

5001. Mr. Iyengar said that he was prepared to regard as largely sentimental the complaint of racial discrimination in favour of Europeans. This, however, led to substantial grievances in some cases, for instance, when Indians are excluded from retiring rooms, or when, notwithstanding the overcrowding of the ordinary carriages, space is wasted by reservation for Anglo-Indians and Europeans, as is done in suburban as well as in long distance trains. His Association would agree that, if people pay more for better accommodation, they should get it. But they consider that where the payment is the same, the services should be equal.

5002. The witness quoted the following letter which had recently appeared in the "Hindu" Newspaper of Saturday, 22nd January, 1921, as an instance of preferential treatment to Europeans on the South Indian Railway:—

> Sir,
>
> In train No. 226 that leaves Pallavaram at 7.25 A.M., seats for Anglo-Indians are reserved in a carriage near the engine, and two compartments are generally reserved for "Females only" in any of the last few carriages. I am used to travel in this carriage daily and as usual I got into the last open corridor carriage to-day. A few Anglo-Indian gentlemen also got into the same carriage and a gentleman informed me that the whole carriage was reserved for them. I referred the card attached to it and found on it written "2 compartments reserved for Europeans and Anglo-Indians." I drew the attention of this to the gentleman. He pulled the slip off and complained about me to the A. S. M. Sarangapani Iyengar on duty. The A. S. M. requested me to take another carriage. I informed him that self-respecting men should not be tossed out in this wise, and further 2 compartments are only reserved for Anglo-Indians. The A. S. M. then took the slip from the ground and changed the figure "2" into "6" and attached it to the carriage. The A. S. M. took the law into his hands and I left the carriage under protest. Wherefrom did he derive this sudden authority? The D. T. S. was travelling in the same train, but he was not to be seen from outside for making a personal complaint.
>
> C. NARASIMHACHARI.
>
> Pallavaram, January 21.

5003. He personally had recently had an unpleasant experience. Two compartments had been reserved for Anglo-Indians and Europeans and the witness got into a third, which was not so reserved. He was asked, but refused, to get down and was insulted by the Guard who brought a Sergeant who threatened him. The train was detained for 20 minutes. When complaint was made the Traffic Manager wrote to say that the Guard was an old servant of the Company, and that he was disposed to trust the Guard more than the complainant, even though the latter offered to produce respectable witnesses to bear testimony to the fact. This incident happened about four or five months ago at Egmore Station. The witness forgot the name of this Guard, but knew that he was still in the service of the South Indian Railway. The Chairman said that the Committee would ask the South Indian Railway what it has to say with reference to both the above complaints.

5004. Mr. Iyengar considered the discrimination made between Europeans and Indians is as great now as it used to be formerly, though in form some distinctions have been removed. He did not think that there was greater ground for complaint, but thought that the public are more alive to a sense of the impropriety of such differentiations.

5005. As a beginning in the direction of transfer of control to local Governments and local legislatures the Association recommended the appointment by Government of a Committee of officials and non-officials for each section of the railways, and that these committees should represent the different local interests. In brief they wanted to have direct access to the authority and considered that the Indian members whoever they are would better represent their feelings and their interests.

5006. With regafd to profits derived from railways, the Chairman observed that, compared with the sums involved in the railway business, the amount which goes as profits (as distinct from interest charges proper) to the companies is relatively small, probably about half a crore of rupees per annum. The witness observed that the comfort and convenience of the public was of greater importance than profits, and in urging the establishment of a consultative and independent Committee, the object was to be sure of getting a satisfactory reply to and settlement of

complaints. It would be a vigilance department without any powers of direct interference with the railway management except through the departmental heads or the agent.

5007. The witness expressed himself as unable to indicate the precise machinery which should be adopted to ensure that improvements determined on are carried out. He considered that it was rather a matter for the Committee to devise a suitable machinery for the purpose. At present the Government Inspector of Railways seems to be unable to do anything effective in this direction.

5008. With regard to the Association's statement that the usual excuse of the South Indian Railway for not effecting the improvements most urgently needed, is want of funds, the Chairman suggested that that might be in fact a genuine reason and not a mere excuse, since works of importance could not be carried out without funds which Government have not been able to grant. The witness thought, however, that there are many things which the railways might do with even the small sums at their disposal if they only cared for the convenience of the passengers. He said that he was not in a position to speak with regard to the conditions on the Madras and Southern Marhatta Railway. He could only speak of the grievances of the South Indian Railway passengers.

5009. The Association laid stress on the need for doubling the railway between Egmore and Chingleput to enable quicker, and a larger number of trains to be run to satisfy the demands of suburban passenger traffic. The Chairman remarked that this is essentially a matter of funds. The witness said that apart from this doubling which is urgently necessary a better and more convenient train service could be arranged. He mentioned that in one case the railway had been forced to make such improvements as the result of the obstructive action of some of the passengers who, when they failed to get their complaints attended to in any other way drew attention to their grievances by using the communication cord in the trains. In this connection he quoted the following statistics from statements compiled by the Railway Passengers Association and the Madras Social Service League of both of which he is a member:—

Figures instancing over-crowding.

I.—*For the outgoing trains.*

(*a*) No. 127 train Beach to Chingleput for the week ending July 10th—

Average number per day, of persons that actually travelled	865
Average accommodation provided...	553
Average excess	312

Distance to Saidapet, where the congestion is substantially relieved, about 10 miles. Time taken about half an hour.

(*b*) No. 129 train from Beach to Pallavaram.

Average number per day, of persons that actually travelled	842
Average excess for which accommodation was necessary	297

II.—*For the incoming trains.*

No. 118 train Pallavaram to Beach—

Average number of persons actually travelled, per day	835
Accommodation provided including the compartments reserved for the Anglo-Indians	564
Average excess	271

5010. The Chairman urged in this connection that the South Indian Railway could not double the line nor could they run more trains unless provided with funds for doubling or for an additional supply of rolling stock. It is impossible to increase the train load. He also suggested that possibly the reason why the Madras and Southern Marhatta carriages are found more convenient is that the latter is a broad-gauge line. The witness admitted that this makes some difference, but thought that the South Indian Railway could still improve their arrangements. He thought that by the introduction of the intermediate class congestion in trains could be relieved by limiting the space that is used now for accommodating the second class passengers. Personally he would have no objection to the substitution of intermediate for second class traffic, but did not go so far as a witness who urged before the Committee at Calcutta the abolition both of the second and intermediate classes. With regard to the Association's request for the provision of special accommodation for smokers and better accommodation for ladies, the Chairman observed that the experience of railway administrators was that the more divisions are made the more waste of space occurs. The witness said that he would not press for such separate accommodation for smokers if it meant more waste of space. He thought, however, that the railway carriages in general and those reserved for ladies in particular as a whole could be improved very much, without taking any or at least appreciably large extra space. The experience of his Association was that the South Indian Railway Company was most unsympathetic.

5011. Asked what action he would recommend to be taken having regard to the fact that the Government have made a definite contract with the South Indian Railway Company, he thought that the Government should in the first place negotiate with the management so as to effect improvements; failing success such pressure as is possible should be brought to bear upon the Company within the limits of the law. He considered that Government had considerable powers which they should use to the utmost. He would be prepared to consider the question of special legislation if necessary. Personally he would be disposed to give good terms to the South Indian Railway Company in order to get rid of them altogether. He laid stress upon the fact that some of the conveniences demanded might be provided at small cost. An additional platform for example only meant a little earth and brick work, and a water-man to supply water to passengers would cost only a few more rupees. He observed that the Railway appeared to be able to find money for improving station accommodation at such places as Guindy, and to be able to provide special trains to take people to the races at that place, although they complained that they had not enough money to provide for the requirements of the ordinary traffic. He said that railway authorities had refused to supply water for the lavatory at the Madras Park Station.

5012. He considered that the Committee should devise means for securing more money and more attention to public requirements. The witness said that he did not feel competent to advise on the question of financing the railways. The Chairman observed in this connection that it would be useless for the Committee to suggest a means for getting money if the public do not come forward to provide the funds. The witness laid stress upon the fact that the Company have not taken the public into confidence. It was possible that there might be greater difficulties than they appreciate. He was doubtful whether the arrangement of merely providing an opportunity of meeting the heads of the Railway Administration would be of much use. He had been present at meetings at which the public representatives got scant consideration and even were treated rudely. In this connection he mentioned that the Association had been told in some cases by the Traffic Manager of the South Indian Railway that it was useless to continue correspondence such as had passed. He promised to furnish copies of such communications as these together with the original letters which had led to them.

5013. The witness said that in the opinion of the Association the local Council should have greater powers of control. In the past they had been referred to the Imperial Council. He thought that there should be some machinery for ensuring action on the spot to

redress grievances. He stated that the Association had not directly addressed the Railway Board but some of the members had done so and he promised to endeavour to obtain copies of correspondence for the Committee's information.

5014. Mr. Iyengar mentioned that he had been working as a member of the Social Service League with a view to assisting the public at the Egmore Station; he wished to co-operate with the Station Master and he applied for the necessary authorisation. He had the Station Master's sympathy, but was referred by him to the Agent. Subsequently he approached the Agent the Honourable Mr. Muirhead, who said he would consult his Traffic Manager, but although reminders were sent in nothing was heard afterwards.

5015. The witness observed that there had been some show of improvement at Egmore Station in the last few weeks, since the Railway Committee had begun to sit, but even now there are serious complaints there. He mentioned in particular the absence of the booking clerk from the window where tickets are supposed to be issued to ladies. This led to ladies having great difficulty in obtaining tickets as they have to apply to others for assistance. The witness gave details of various inconveniences to which the public are put at Egmore Station and mentioned that in some cases tickets can be obtained only on extra payment to the booking clerks or to intermediaries.

5016. In answer to Sir Henry Ledgard he said he did not know whether it was the case that a good many passengers travel without tickets. He had seen them alight on the off-side of the trains, but knew that some of these were season ticket holders.

5017. In reply to the Honourable Mr. Sastri the witness stated that the public did not object so much to the reservation of special compartments for Anglo-Indians and Europeans on long distance trains. Their complaint is mainly with regard to suburban trains. He thought that there could be no reasonable objection to these passengers travelling with the people, generally of a respectable class, who travel most on the suburban trains. With regard to the use of reserved accommodation on long distance trains, he thought that those for whose use it was intended should use it and should not travel in the public accommodation. Mr. Sastri drew attention to a letter No. 552T-17, dated the 23rd January, 1918, from the Railway Board to the Agents of the principal railways detailing matters which in the Board's opinion called for the exercise of constant supervision on the part of both railway officers and subordinates. In this connection he asked the witness to go through the list and to say whether complaints still existed under any of these heads. The witness went through the list and observed that little or nothing had been done in any of the instances cited.

5018. The witness dealt at length with the arrangements for dealing with passengers at Egmore Station and criticised particularly the way in which passengers are forced to use the 3rd class waiting shed which is sub-divided into what resemble cages. He explained in detail the inconvenience and discomfort to which passengers are subjected in the use of these arrangements. He was not aware of any advantages which might be secured to the railway by their use.

5019. Asked by Mr. Purshotamdas to mention specifically any one Station where there was not proper provision for supplying water to passengers the witness mentioned Saidapet and pointed to the absence of a proper supply of water at Stations as an instance of lack of attention to the comfort of passengers.

5020. The Chairman said he was sure Mr. Iyengar would appreciate that the Committee could not deal at length with and go into the details of the inconveniences which had been represented, but subject to whatever the Railway Administrations might have to say on the other side, he felt that a strong *prima facie* case had been made out of the existence of specific matters of complaint which it was the business of the Committee to suggest a machinery for remedying.

5021. He thanked Mr. Iyengar for the moderate and temperate manner in which he had represented the Association's case for the Committee's consideration.

P.S.—Mr. Iyengar subsequently placed at the disposal of the Committee a considerable volume of correspondence bearing on the question of the dissatisfaction of the travelling public with the accommodation provided for them, particularly on the South Indian Railway; and their complaints of the unsympathetic or ineffective attitude of the railway authorities. Attention was drawn particularly to the overcrowding that prevails in the lower class carriages, a specially bad case being vouched for by a number of witnesses of standing; to the tone of replies received to complaints addressed to local railway officials; and to the practice of the Railway Board in forwarding complaints "for disposal" to the railway administrations concerned instead of themselves taking action.

DEWAN BAHADUR M. RAMACHANDRA RAO, B.A., B.L., M.L.C., President, District Board, Kistna, was recalled and further examined.

See Written Statement No. 39, Vol. IV., P. 143.

5022. The witness drew attention to the provision in the South Indian Railway Company's contract, providing that the Secretary of State would undertake such legislation as might be necessary to enable the company to carry into effect the provisions of the contract, as an instance of the difficulty which he anticipated in maintaining the existing company system under the new Indian Constitution, since it will no longer rest with the Secretary of State to decide whether any particular legislation can be carried into effect or not. There being now a non-official majority in the Legislative Assembly, it is possible that legislation proposed by the Secretary of State might not be carried out.

5023. Assuming that it is impracticable for Government to terminate the company's contract before its expiry by efflux of time, the witness said that he would be prepared to agree to liberal terms to induce the company voluntarily to surrender their connection with the railway. He laid so much stress on the importance of getting rid of the companies that he would be willing to slow down progress on railway improvements if necessary, in order that the funds might be provided.

5024. With reference to the possibility of getting the Nizam's Guaranteed State and the Mysore State Railways to work in a joint railway scheme for Southern India, the witness thought that probably it would be somewhat easier for those States to negotiate with Government than with the existing railway companies. He recognised that it would probably be necessary to buy out the Nizam's Guaranteed State Railway Company, just as in the case of the other two Southern Indian railway companies. He considered that it would be in the interests of India and of the States concerned if all the railways were worked under a unified control for the benefit of the country. In this connection, the witness mentioned that the Mysore State Railway is anxious to secure access to a port of its own, and that the Nizam's Guaranteed State Railway recently examined a proposal made to get running powers into Masulipatam, which was alleged to be a free port for the Nizam.

5025. Asked whether, if the main lines were worked by the State, he would be willing to have the District Board railways also worked by the State, or would prefer these still to remain District Board property, the witness said that he would prefer the latter. He

did not, however, think that it would matter so much whether the lines remained District Board property if the main lines were State-worked lines.

5026. In connection with the obstructive attitude adopted by the South Indian Railway Company towards the construction and working of District Board railways, the witness said that it would be seen from letter to the Secretary, Railway Board, No. 237-Ry., dated the 23rd June, 1908, from Mr. F. D. Fowler, Secretary to the Government of Madras in the Public Works Department (Railway Branch) that:—

> "It is not to the interest of the South Indian Railway Company to allow the District Boards to construct branches to the system. In other words, the avowed policy of the company is to stifle all private enterprise and to reign supreme in the territory allotted to it. In negotiating an agreement it is manifest that if the interest of one of the parties thereto lies in the indefinite postponement of such agreement, nothing is easier to accomplish. The one party has merely to hold out for impossible terms and remains master of the situation unless or until some higher authority comes to the rescue of the other party."

5027. In reply to the Chairman, the witness said that from what had transpired in Southern India it would appear that the Railway Board never interfered. The last line that was constructed by the Tanjore District Board was the Needamangalam-Mannargudi line. The Tirutaraipundi-Vedaranyam line was also constructed, but part of it was subsequently removed on account of the war and only recently restored.

5028. The witness alluded to an attempt made by Mr. Neville Priestley, Managing Director of the South Indian Railway Company, to float a company in 1911 to purchase all the District Board lines in Southern India. That proposal was referred to all the District Boards. They rejected the policy and Mr. Priestley's proposal fell through.

5029. The witness said that he was not aware how the case ended in which the South Indian Railway Company had refused to accept the decision of the Railway Board that special protection to the main line was not necessary in connection with the construction of the Mannargudi-Tirutaraipundi line.

5030. With regard to the grievances of passengers, the witness agreed with the Chairman that it was unnecessary for him to go further into it as he would only be repeating what had already been stated to the Committee by more than one witness. He was confident that in such matters things would be much better under State management. He urged that in many cases at present the local Government is not in a position to afford any redress, and that the Railway Board, which is the controlling authority, has done very little to assert itself and to remove long-standing complaints. He drew attention to detailed statements of suggestions made for removing the grievances of pilgrim traffic, embodied in reports furnished by Committees appointed in each Province to deal with this matter. He handed to the Committee the report of the Madras Pilgrim Committee.

5031. In this connection the Chairman referred to the recognition by Government of the use, on occasions of exceptional pressure, of goods vehicles for the carriage of pilgrims. He observed that it would be very expensive for the railways to provide rolling stock on a sufficiently liberal scale to carry the heavy pilgrim traffic which occurs only at intervals. In this connection the witness mentioned that he wished to correct his written evidence about complaints of passengers being carried in open trucks. He believed that there had been cases of their carriage in open trucks, but what he had more in mind was their carriage in goods stock. Sir Arthur Anderson drew attention to the fact that the railways, recognising that it may be necessary to use goods stock on occasion for carriage of pilgrim traffic, have made arrangements to fit some of the goods wagons, to a certain extent, for use by passengers by providing lighting and special ventilation arrangements.

5032. Referring to the Chairman's observation that carriage of pilgrims in goods vehicles cannot be a serious complaint, as soldiers all through the war were removed in goods vehicles, the witness said that pilgrimage could not be compared to a state of war seeing that this is an annual function. It is quite recognised that pilgrimages come at particular seasons of the year. It is a seasonal traffic and ought to be provided for. Next February, Mahamaham comes at Kumbakonam, which is one of the largest congregations. In his own district there is the Pushkaram, which comes once in twelve years. The annual moving of people is heavy only in February, March, August and September, as this is the marriage season. It must be recognised that this is a thing which occurs regularly throughout India. People go to Benares and Allahabad and other places at stated periods of the year. The Pilgrims Committee report laid considerable stress upon this fact.

5033. Referring to the witness's written complaint that local Governments are now deprived of their legitimate influence and control in the interests of the well-being of their own provinces, the Chairman observed that there is a considerable difference between influence and control. He understood that prior to the appointment of the Railway Board the local Governments were in a position to exercise considerable influence, at least, on the railway management through the consulting engineers whose appointments were abolished by the Railway Board. The witness agreed with the Chairman that there must be a central authority, which must evidently be at the headquarters of the Government of India, but he urged that it is possible for that authority to delegate certain powers to the local authorities.

5034. In his written evidence the witness furnished some statistics, which he explained had been compiled from the Railway Establishment list, published annually by the Railway Board, showing the relative numbers of Indians and of Europeans in the superior service of the principal railway systems, the figures being as follows:—

Names of Railways	In June 1918.		Percentage of Indians to the total number.
	No. of Europeans in superior service.	No. of Indians in superior service.	
	State Railways worked by the State.		
North Western Railway	209	45	17·7
Eastern Bengal Railway	130	31	19·2
Oudh and Rohilkhand Railway.	45	15	24·6
	State Railways worked by Companies.		
Bengal Nagpur Railway	135	17	11·2
Bombay, Baroda and Central India Railway.	129	7	5·2
East Indian Railway ...	188	23	10·9
Great Indian Peninsula Railway.	210	13	5 8
Madras and Southern Mahratta Railway.	113	9	7·4
South Indian Railway...	83	3	6·4

5035. The Chairman observed that the State railways were decidedly better than the companies, the Oudh and Rohilkhand leading the way by having nearly one quarter of its officer staff Indians. He suggested, however, that it being, as he understood, a comparatively recent policy for companies to employ Indian officers, following the example set them by the State Railways, it is only natural that the companies' figures should in any case be lower than those

of the State-managed lines, even if they were now carrying out the policy of employing Indians on the same scale as the State. The witness said that he would not trust companies to carry out any such policy unless they are forced to do so. He had never heard of any announcement of their adopting the policy. The Chairman referred to the fact that the East Indian Railway witnesses had assured the Committee that this was their policy, and that there was a special understanding in regard to it when the contract was extended until the end of 1924.

5036. The witness had mentioned that the Indians employed are generally in the lowest grades of the appointments. The Chairman observed that this seemed only natural, as they must begin at the bottom of the list. The witness agreed that, with regard to the selection for appointments, while he would certainly employ an Indian if the choice lies between an Indian and a European possessing equal qualifications, he would not put in the Indian if the European were decidedly the better fitted for the post. He emphasised, however, that there is a tendency to assume that the European has better qualifications.

5037. Regarding the suggestion that Indians do not take kindly to employment as mechanical engineers, the witness observed that they are employed largely in Indian mills. He believed that they would be quite as good mechanical engineers as civil engineers, if given proper opportunities for training. There is at present little or no opportunity of training in Madras. Students going to the engineering colleges should be given facilities for practical training in the railway workshops.

5038. The Chairman observed that he thought the witness's written statement quite reasonable, that he would urge State management in preference to company management on the identical ground which has been urged by Colonel Magniac against it, namely, that under State management the Government is committed to the employment of Indians in superior posts, whereas the company-managed lines are not so committed. The witness emphasised that if Colonel Magniac had, as he had said, to send to Northern India for Indian officers, it was because that there were not adequate training facilities in Southern India. It was only a slight extension of the same principle to bring the officers from the United Kingdom. It all emphasised the necessity for providing adequate opportunities for local training. He wished, firstly, that educational facilities should exist, and, secondly, that opportunities of securing employment should be given to candidates who have been properly trained. He was satisfied that companies would not give these facilities and opportunities, his case for State management being, therefore, all the stronger.

5039. He admitted that even on State railways for some time to come there may be a tendency on the part of the superior officers, being Europeans, to be prejudiced in favour of men of their own nationality. He was anxious, however, that the thin end of the wedge should be got in and that pressure should continue to be applied in favour of the wider employment of Indians.

5040. The Chairman cited the example of the United States, South Africa and Canada, in which central control of railway administration had been found necessary. The witness readily agreed that this would also be necessary in India, but repeated his recommendation for delegation of powers in matters of local interest. He agreed that the appointment of an influential Advisory Committee might be useful even if it was impossible to get rid of the existing railway companies at once.

5041. The Chairman observed that, having already dealt with all the points except the last mentioned in the witness's summary of his written evidence, he would not discuss these further. He observed, however, that a new point was raised in paragraph 9 of the summary, in which it was suggested that there should be a more equitable distribution of funds and that South India should get its legitimate share. He observed that a central authority is necessary to decide on the distribution of funds, and that there are other parts of India whose demands are even more insistent than those of Madras. He mentioned that evidence had been given indicating that the traffic on parts of the Bengal-Nagpur Railway system is likely to be multiplied by five within the next five years. The witness observed in this connection that nobody at present knows on what principle the available funds are divided by the Railway Board.

5042. In answer to Sir Henry Ledgard, the witness stated that the value of land has increased greatly in those parts of the country where District Board railways have been constructed since the last revenue settlement was made in 1896 or 1897.

5043. Regarding the levy of railway cess, the witness did not think that Government would object to the continuance of this method of raising funds if they were satisfied that the railway projects for which it was designed could be proceeded with. He was inclined, however, to think that money might be raised on the security of the railway themselves.

5044. In reply to the Honourable Mr. Sastri, the witness said that he was unable to estimate how much money could be obtained for railway development in India, but that a substantial amount should be available.

5045. Considering that in future funds could be devoted to railway purposes only with the assent of the Legislative Assembly, it was all the more important that the railway policy should in future be made thoroughly acceptable to the people, which has not been the case in the past. It was necessary to make the educated classes in India take a lively interest in the welfare of the railways. It was evident that Indians would take an increasingly larger share in the administration, and the witness had no doubt that if the matter were discussed ten years hence there would be an overwhelming demand for management by the State. In view of this the political view of the railway question can by no means be regarded as of minor importance.

5046. With regard to the absence in the railway contract of any simple provision for the revocation, on reasonable compensation, of the contract at any time when this might be desirable, the witness thought that the Secretary of State had been badly advised, and the home Board in England well advised in the making of the last contract made with the South Indian Railway.

5047. In connection with the difficulty experienced by Indians in obtaining access to railway retiring rooms, the witness mentioned that he had himself had difficulty in this respect. A friend of his had written to the railway administration and had ascertained that the criterion was the wearing by him of Indian costume. He was apparently not a "railway gentleman." He did not believe that the railways were acting within their rights in withholding the use of the retiring rooms from Indian passengers. The railways claimed that they had met the case by arranging that where special accommodation was provided for one class of the community special accommodation should also be provided for the use of other classes. It was useless for the public to complain to the Railway Board, and direct management by the State is the only complete remedy.

5048. Having regard to the difficulty, emphasised by the Honourable Mr. Sastri, as to the lack of sufficient funds and the difficulty of securing the company shareholders' assent to the termination of their contract, the witness thought that something might be done to induce the companies to transfer their domicile to India, though he did not regard this halfway measure as very satisfactory. Mr. Sastri suggested that the Secretary of State, being the dominant owner of the undertaking, ought to be in a position to bring influence to bear upon the companies to agree to transfer of domicile. The witness was decidedly of the opinion that the railways should be treated not as profit-making investments but as an

instrument to be used for the benefit of the public. They should be self-supporting, but should not be worked to make a larger profit than is necessary to enable them to meet working expenses and interest on additional capital. He believed that it would be very desirable to separate railway finance from the ordinary finances of the country. He did not think that the ordinary citizen would look upon this in the sense of a "State within a State." The policy for the present as well as for the future should be that the railways should be treated as public utility services intended to serve the public without profit. It would not be the correct view to hold that, as the taxpayers have given the guarantee and have borne the loss when the railways were working at a deficit, they have a claim to make profits when they can.

5049. In answer to Mr. Purshotamdas, the witness thought that if all the railways were under one control, it would facilitate the pooling of stock to meet complaints such as shortage of stock to deal with pilgrim traffic. At times of pressure in one place, stock could be transferred from other lines to meet it.

5050. Asked why, when the South Indian Railway Company obstructed the construction of District Board lines, the District Boards did not undertake the work themselves, the witness assigned this partly to financial difficulties and partly to the desire of the main lines themselves to undertake the line of their own account. Moreover, the District Boards have not got the necessary staff to undertake the construction of the lines. He agreed with Mr. Purshotamdas that it was the duty of the trunk line to help the District Boards and other feeder-line companies. As they are company-managed, they disregard the general well-being of the people of the province. There would be no difficulty in the construction of branch lines if the main lines were under State control. The Government of Madras had, in fact, been anxious that the District Board lines should be built.

5051. With reference to the competition of the railways with canals, the witness stated that there is a large canal system more or less parallel with the railway. Even during the war when there was a complaint of shortage of wagons, the railways were still competing to obtain traffic from the canals. The question came up in council, but so far as the witness could remember, the only answer was that the matter had been referred to the railway company.

5052. Mr. Purshotamdas drew attention to a reference made by the witness, speaking in council, regarding canal rates having been substantially raised at the instance of the railway company and in opposition to public opinion, Sir Arthur Anderson suggesting the case dealt with was that of the East Coast Railway when it was under State management, Mr. Purshotamdas cited another instance in which, as recently as 1917, the General Traffic Manager of the South Indian Railway Company wrote to the Collector of Tanjore suggesting that certain ports should be closed in the interests of the railway.

5053. The Chairman reading from a copy of the South Indian Railway current contract which had been placed at his disposal by the witness said that it was clear that the company was an ordinary guaranteed company under the English Companies Act. There was certainly a provision in the contract that it might be broken in the event of breach by the company of the terms of contract, or in the case of gross mismanagement of the railway. The witness agreed with the Chairman that it would be very difficult in practice to bring that clause into operation. He complained strongly of the absence in the contract of any simple provision by which the contract could be terminated on the payment of a reasonable compensation to the shareholders; and he observed that in the case of the contracts made by the French Government in similar cases there was a provision of this kind.

5054. In answer to Sir Arthur Anderson, who asked what the present position is of the projected District Board Railway extensions in the Kistna district, the witness stated that he had just seen a letter from the Madras and Southern Mahratta Railway Board of Directors in which emphasis was laid on the high price of machinery and the difficulty of obtaining the necessary funds for rolling stock, and which suggested that the matter be postponed. There was a movement also by the main line companies for a revision of the terms on which the existing District Board lines are worked by the main lines. Sir Arthur Anderson suggested in this connection that the contention of the main line companies that they are working the line on too favourable terms might not be unfounded.

5055. In reply to Sir Henry Burt, the witness said that he believed that in pressing for the construction of overbridges in substitution for the existing level crossings at which traffic is congested both because of increased number of trains and heavier road traffic, the Madras Corporation had offered to bear a portion of the cost, but he was not sure whether they had done so.

5056. Sir Henry Burt read that portion of the South Indian Railway contract which gives power to the Secretary of State to require the companies to carry out works necessary for the safety of the public or the effectual working of the undertaking, and asked whether the witness thought that Government might have done more in this respect. The witness agreed with the Chairman that it was very doubtful whether under this clause the company could have been called upon to carry out works necessary merely for the convenience of the public. The witness agreed that if control over the companies could be decidedly tightened up, matters might be improved, but he thought that the control must be exercised in India and not through the Secretary of State in London.

5057. Mr. Hiley drew the attention to that part of his written statement where he had referred to the difficulty with which the Pilgrim Traffic Committee had pursued their investigations, and asked for information regarding this point. The witness mentioned that he had required certain information for the use of the Committee from the agent of the South Indian Railway Company and his letter was at first not answered. When he complained to the agent that he could not get a reply, he was ultimately advised that the information required by this Committee (which had been appointed under the orders of the Government of India), could not be furnished unless demanded by the local Government.

TWENTY-NINTH DAY.

(Madras.)

Tuesday, 25th January, 1921.

PRESENT:

SIR WILLIAM ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The following representatives of the Rice, Grain and Sugar Merchants' Association, Madras, were called and examined upon a statement which they furnished, shortly before the meeting, to the Committee:—

Mr. Janoo Hassan,
,, Hajee Habib Peer Muhamed,
,, Tar Muhamed Ayoob,
,, Haji Jamal Noor Muhamed,
,, Tar Muhamed Janoo,
,, Pooran Lall, and
Mr. Abul Karim Noor Mahamed, the Vice-President of the Association, who acted as spokesman.
Mr. Mangalvedkar acted as interpreter.

See Written Statement No. 42, Vol. IV., P. 150.

5058. The witnesses explained that the Rice, Grain and Sugar Merchants' Association is a body founded some 1½ years ago. It comprises 62 members, all at present being residents of Madras, but membership is open to merchants in other localities also.

5059. The Chairman said that he observed that the Association were in entire agreement with the views expressed by the Government of Madras in their memorandum to the Committee in regard to railway policy. They emphasised the need for abolishing company management, the separation of railway and Government finances, the organisation of the railways in suitable groups and the establishment of local Committees on which the traders and public should be represented.

5060. The Chairman asked to what control the Association referred in laying special stress on "the rigidity and wooden character of the present system of control by Government" regarding rates and fares. He was informed in reply that the Board have not shown themselves able to effect proper control in the popular interests. The Association wished that there should be a body on the spot to whom they could refer their grievances and who could deal adequately with them. They laid stress on the need for having representatives of the people on this Board.

5061. The Chairman observed that the Agents of the railways in Calcutta had agreed that there ought to be a body of that kind. The witnesses stated that there should be a full popular representation on such bodies so that they may have some control over rates and fares. The Chairman observed that he thought that the Committee as a whole sympathised with the desire of the Association for the appointment of some body to perform the functions specified above.

5062. In the opinion of the Association the Railway Board has not done all it might have to keep the railway managements in order. In observing, in their written statement that the present system of administration in the traffic department is highly undesirable, unjust and supremely corrupt, the Association were speaking with reference both to the Madras and Southern Mahratta and the South Indian Railway systems. They were speaking with a knowledge of the comparative position in other parts of India, as they have trade connections throughout India. Asked what had been done by the merchants to help the companies to prevent malpractices on the part of their subordinates, the witnesses stated that attention had repeatedly been drawn to the matter in public meetings and otherwise. They had failed, however, to induce the administrations to introduce any effective remedy. At one of the meetings referred to, His Excellency the Governor, Lord Willingdon, had been present. They had complained on several occasions to officers of the railways in writing, but had ultimately become despondent owing to their failure to secure any redress.

5063. With regard to the bribing of station staff in connection with the distribution of wagons, it was stated that this is not done on the sly, but it is an open secret and the practice is widespread. The witnesses said that they would put in copies of correspondence in which the names of stations and dates were mentioned, though not the names of the individuals. The individuals responsible are the station masters and other subordinate station staff.

5064. Referring to the complaints in the written statement that the "*mamool*" or customary payment, for wagon supplies ranges from Rs. 10 to Rs. 50 per wagon, the witnesses said that the practice is for the European merchants to be first supplied with their requirements and for the remaining wagons to be auctioned. There are records in the accounts of all merchants of payments which they had to make to railway subordinates to secure wagons. The Association offered to produce as many of the merchants' accounts books in proof of this as the Committee might desire to see. It was stated that many hundreds of cases could readily be produced. The witnesses were told that half-a-dozen would suffice, and they promised to furnish these for the Committee's perusal later in the day.

(*P.S.*—In the afternoon six different merchants' vernacular account books were accordingly placed before the Secretary to the Committee with numerous entries marked. It was affirmed in the presence of a large number of witnesses that these items recorded the payment of sums, varying from Rs. 10 to Rs. 70, to station staff for wagons supplied. Certain accounts in English rendered by carting agents showing payments made under head of "Wagon Expenses" or simply "wagon" were also submitted. The respective amounts ranged from Rs. 6-8 to Rs. 15.)

5065. The Chairman asked how far the Association held the companies responsible for defects in railway facilities having regard to the fact that these imply the expenditure of money which Government has not made available. The witnesses said that companies should raise the money. They knew it was the fault of Government for not supplying funds, but the merchants had been doing their best to ensure attention to their requirements, and they thought that, as the railway companies are in better touch with them, they should have brought more pressure to bear upon Government.

5066. The Chairman observed that the Madras and Southern Mahratta Railway Company had over a recent period of years asked for more than 500 lakhs of rupees for expenditure, but had only been able to secure about one-half of this sum. The Association considered that the blame should still be divided between Government and the companies. They thought that the companies as a last resort should have been content to take smaller profits, and to devote the balance to improvements. Asked whether, in their own businesses, the merchants would pay greater attention to the requirements of their customers than to themselves, it was emphasized that the neglect of the customers would mean a loss to the merchants. They thought it was right that more attention should be paid to the adequacy of the source of income.

5067. With regard to the complaints in the written statement regarding the unreasonableness of the owners' risk and railway risk system, the Chairman explained that the Committee recognises that this is a matter which requires attention, but it was not within its own province to deal with it in detail. In deference to the wishes of the witnesses, attention was devoted to a particular case in which a consignment of 248 bags had been booked from Arrah on the East Indian Railway to Madras. The consignment had arrived, but, because of some defect in the information received regarding it from the forwarding railway, the railway company would not deliver the goods. The goods being booked at owner's risk, the railway could not be made responsible. The witnesses had other grievances regarding rates; they considered that companies which had been making a profit before the war had raised the rates generally to an unreasonable extent; they were frequently 100 per cent., 70 per cent. and 50 per cent. above the pre-war level. There were very few cases in which substantial increases had not been made.

Mr. M. ROSS LOGAN, Acting Agent, and Mr. C. S. ROWBOTHAM, Deputy Traffic Manager, South Indian Railway Company, appeared to give evidence on questions of fact, on behalf of the South Indian Railway administration.

5068. Mr. Ross Logan explained to the Committee that he was acting as Agent in the absence of the permanent incumbent on leave. Mr. Rowbotham appeared in place of Mr. Acres, the General Traffic Manager, who was unwell.

5069. Mr. Ross Logan said that he had received instructions from his Board of Directors in view of which he, as acting Agent, was not in a position to submit replies to the questionnaire or to offer evidence on matters of policy or opinion; he attended only in order to give answer with reference to matters of fact. He understood that the late Agent, Mr. Muirhead, now Managing Director of the South Indian Railway Company, would be available to give further evidence in London and might again be referred to by the Committee on its return to that country. The Chairman said, and Mr. Ross Logan confirmed, that in the circumstances the Committee were apparently not to have the benefit of the witnesses' personal familiarity with the subjects under enquiry.

5070. The witness evinced some reluctance to admit that, as suggested by the Chairman, the whole company's machine (that is, the South Indian Railway) is inadequate to deal with the demands made upon it. He admitted, however, that it is the case that overcrowding is serious on certain sections of the railway and that the line has access to Madras only by a single line carrying the whole of the long distance as well as the suburban traffic, and that the line runs over a number of level crossings within the city boundaries. He had no doubt that the line ought to be doubled near Madras and the level crossings should be obviated. It is the case that owing to the low standard of the new Coleroon bridge and certain other bridges, it is impossible to use some of the goods stock to its full capacity. He admitted that there is a deficiency of goods and rolling stock as well as of engines. Recognising these facts, Mr. Ross Logan agreed that it must be admitted, without necessarily implying any imputation of blame to the company, that the railway facilities are inadequate. The witness admitted that, in fact, he could point to no important direction in which the facilities of the railway for dealing with its increasing traffic are at the present time sufficient.

5071. Regarding the responsibility for this state of affairs, some attention was devoted to a comparison of demands made by the Administration upon the Railway Board for capital funds. Mr. Ross Logan mentioned that, in the forecast prepared in July, 1918 (that is under war conditions and naturally based on a very restricted scale) the Railway had asked for only Rs. 15·06 lakhs; subsequently the grant was actually fixed at Rs. 121·45 lakhs for the year 1919-20, war conditions having ceased in the interval. Only Rs. 12·09 lakhs had been spent, the large lapse being ascribed, however, to the inability of contractors in England to give deliveries. The Chairman asked that Mr. Ross Logan should subsequently furnish particulars showing the extent which orders had been placed against the budget grant of Rs. 110 lakhs, with a view to establishing the facts with reference to the efforts of the company to expend the money or alternatively, their disinclination to do so.

5072. With regard to the demand prepared in July, 1920, relating to the capital requirements for the year 1921-22, Mr. Ross Logan stated that 108 lakhs of rupees had been asked for. The Railway Board promised only Rs. 28 lakhs, but, on receipt of a protest from the Railway Administration had promised to grant a further 15 lakhs, making a total provision of Rs. 43 lakhs for all capital purposes including the Loco workshop scheme at Trichinopoly. Mr. Ross Logan had not brought with him details of the figures relating to other years, but promised that he would supply the Committee subsequently with a full statement, in a form provided to him, with a view to enable the Committee to judge whether it was a fact, as had been represented by some witnesses, that the South Indian Railway Company does not apply for sufficient funds for its requirements, with a view to maintaining a high dividend.

5073. Questioned with regard to the present position of the case connected with the proposed conversion of the Erode-Trichinopoly branch from the metre to broad gauge, Mr. Ross Logan explained that this is bound up with the question of the location of the South Indian Railway broad gauge workshops. The matter had been under discussion for many years. The Board of Directors were in favour of having joint broad and metre gauge workshops at Trichinopoly and, as a corollary of this, of the conversion of the Erode-Trichinopoly line to broad gauge. The only reason why this work had not been started was that the Railway Board had not yet agreed on the location of the broad gauge shops. They had agreed to work proceeding at Trichinopoly on the construction of the shops for metre gauge stock only, leaving the inclusion of broad gauge facilities to be settled subsequently. The Railway Board had sent down two officers, Messrs. Hanson

and Chase, specially to investigate the question some two years ago. Mf. Ross Logan understood that these had been in favour of locating the workshops for both gauges at Madras. The only definite advance so far made was in the decision that the metre gauge shops might be located at Trichinopoly. The company had repeatedly pressed the Railway Board for a decision.

5074. Mr. Ross Logan disputed the accusation that the Railway Board have not sanctioned adequate provision of funds, because the London Board do not wish capital money to be spent. He cited as cases in which the Board wished to spend money but was not able to do it, in addition to that just mentioned of the broad gauge workshops and conversion of the Erode-Trichinopoly line, the lapsing of funds for additional engines, underframes for new rolling stock, etc. He mentioned that that, in the event of the conversion of the Erode-Trichinopoly line to broad gauge, it would cost some 15¼ lakhs of rupees more than if renewed on the existing metre gauge.

5075. The Chairman observed that many charges had recently been made against the South Indian Railway administration by the witnesses examined in Madras. They are generally charges of passengers being badly treated, of inadequate facilities, and complaints not being attended to: indeed most of the charges that could possibly be made against a railway had been brought forward. He asked Mr. Ross Logan whether he wished to make any general statement in connection with these matters.

5076. Mr. Ross Logan admitted with regard to passenger traffic that there is a good deal of overcrowding in certain parts of the line. The fact was that the railway had not yet recovered from the ill-effects of the war. He admitted, however, that there had been overcrowding even before the war though, only he believed, on certain office trains. It had not been thought possible to put on more of these, but within the last couple of months the railway had succeeded in working one more train during the rush period. He could not say why this had not been done before the recent agitation which led to this action being taken.

5077. The railway was doing all it could to mitigate the ill-effects of the shortage of engines. On certain sections of the line they had pooled the locomotives resulting in an improvement of 50 per cent. in the mileage per engine. In this case also he could not say why the step had not been adopted some time before, unless it was that the previous head of the administration had accepted the objections of the locomotive department who are usually opposed to the pooling of locomotives.

5078. He said that he knew of no specific instance of a complaint of lack of stand pipes for supply of water to passengers. He was aware that there were certain general complaints, but he could not deal with any except specific instances. At Saidapet, which was specially mentioned to the Committee, there are water carriers to supply water to the passengers.

5079. In answer to Mr. Hiley he stated that the new Coleroon bridge was built about 40 years ago. It is now proposed to replace it to the 1908 standard.

5080. The railway had been suffering from the shortage of coal. Its consumption is about 20,000 tons a month. There is considerable difficulty in getting the rail-borne supply and this has to be supplemented by sea-borne coal. In order to facilitate the supply of coal the South Indian Railway has lent 400 broad-gauge wagons to the general pool for coal transport and 10 broad-gauge engines to the Madras and Southern Mahratta Railway. They have about 15 days stock of coal in hand, but used before the war to have two months' stock. The rail-borne supply is very irregular. He could not say whether or not water carriage is cheaper, though the freights ruling are high.

5081. The pooling of engines results in these being too often in the sheds for repairs, but it was admitted that it results in greater efficiency—an increase of efficiency from 65 miles to 100 miles run per day.

5082. With regard to the complaints of passengers at Egmore Station with reference to their being imprisoned in "cages," Mr. Rowbotham explained that the reasons for the arrangements were that formerly passengers used to take tickets near the entrance to the platform shortly before the arrival of trains and there was excessive crowding at the entrance. Now passengers take tickets at leisure at the entrance to the "cage" in the waiting hall and when the time comes for admission to the platform, the "cage" is opened widely the tickets having already been checked. It has the advantage of preventing an inconvenient rush of passengers after the train has come to the platform, and also facilitates the separation of persons holding tickets available for particular trains from others who have not such tickets.

5083. Mr. Ross Logan said that it was within the Agent's power to spend money to an unlimited extent on ordinary maintenance, and up to Rs. 25,000 on individual works chargeable to "special revenue" or to capital. In reply to the Chairman he explained that this is always subject to the provision of sufficient funds in the budget allotment made by Government.

5084. In answer to Mr. Purshotamdas, Mr. Rowbotham said that he had been the representative of the South Indian Railway on the Southern India Chamber of Commerce for some two years in Madras. He did not think that during that period he had missed more than one or two meetings of the Chamber. He had been on the Committee of the Chamber. He was not aware as to the truth of the report that the South Indian Railway's representative no longer was regular in attendance at the Chamber's meetings, and that it was for this reason that he had not been made a member of the Committee.

5085. With regard to the reservation of special accommodation for Europeans and Anglo-Indians, Mr. Ross Logan stated that he was not in a position to say precisely why the practice of reserving compartments had not been abolished. It was a practice which had continued for a considerable time. He was not aware that it led to waste of space or that the reserved compartments were not fully occupied. He was aware that Indian opinion demands the abolition of the special accommodation, but European and Anglo-Indians consider that it should be retained. Mr. Rowbotham said that in his experience this reserved accommodation used to be taken full advantage of a few years ago. He could not speak as to the present position.

5086. Mr. Ross Logan said that he was not in a position to give any information with regard to the application of certain members of the Social Service League who had offered to work under the orders of the station master at Egmore, to be of service to the lower class passengers. Mr. Ross Logan said he was not aware why they had not been able to obtain any reply from the Railway Administration. He could not say off-hand what definite action had been taken on the specific recommendations made by the Pilgrim Committee some time ago. He was under the impression that the railway had attended to the more important recommendations.

5087. In view of the instructions he had received from his Board of Directors at home he expressed himself as unwilling to express any opinion on the question of the attitude of the South Indian Railway Administration towards the District Board Railway enterprise; he thought questions on the subject should be addressed to the Company's representatives in London.

5088. With regard to complaints regarding the closing of ports with the object of retaining traffic to the railway route, the witness read certain provisions of an agreement which had been entered into between the South Indian Railway and the Agents of the British India Steam Navigation Company, the effect of which was to establish certain territorial divisions and to obviate competition for traffic. Mr.

Ross Logan observed that the agreement had been formally approved by the Government of India on the 17th December, 1902, *vide* Madras Government Order No. 446 of 4th March, 1903. This agreement was still in force. In reply to the Chairman, Mr. Ross Logan said that the complaints regarding the ports being "closed" really meant that they were for all practical purposes closed in so far as they offer no inducement to the steamers of the companies concerned in the agreement to go to them, as they would not obtain traffic even if they were to do so unless there was a surplus which the railway was unable to deal with; physically, no doubt, the ports remained open. In this connection Mr. Purshotamdas Thakurdas observed that his information was that in some cases the use of the ports even for country craft had actually been prohibited by orders of the Collector. Mr. Ross Logan furnished a copy of certain correspondence bearing on this in the shape of a demi-official letter from the then agent of the railway to the Collector of the Tanjore District (and the latter's reply thereto expressing his inability to comply with the request), expressing a desire that a particular port should be closed in the interests of the railway. The Committee expressed the view that as this correspondence was dated 1897 it could not be the particular correspondence which they had in mind, whereupon Mr. Ross Logan promised to ascertain if there was any subsequent correspondence of a date more nearly concerned to that of the agreement itself, and if so to furnish copies thereof.

5089. Mr. Purshotamdas Thakurdas drew attention to the case of Rameswaram Station, where pilgrim traffic is exceptionally heavy. Mr. Ross Logan said that the waiting accommodation at that station is adequate. He did not attach great significance to the provision of a shed at the cost of a private benefactor as he thought that such benefactors frequently like to provide such works for the sake of associating their names with them. He admitted that no private philanthropist had yet come forward with an offer to double the line in the vicinity of Madras.

5090. With regard to the use of corridor carriages, about which complaints had been made to the Committee, Mr. Ross Logan said he believed some passengers liked them and others did not. He admitted that he was not aware of any Indian expressing approval of them. On the contrary he had heard that they preferred the old style carriage. He was not personally aware of complaints of inconvenience to *Ghosha* ladies caused by the use of these conveyances.

5091. With regard to the auctioning of wagons and bribery of railway servants in connection with their distribution, he was aware that such irregularities occurred, but the difficulty was that nobody came forward to give evidence in specific cases. He had no doubt the practice existed, but he doubted whether it is widespread on the South Indian Railway. The Traffic Authorities are vigilant and do their best to prevent irregularities, but no special staff had been appointed in connection with complaints of this kind. Mr. Rowbotham mentioned that there had been at least three cases within his own knowledge, and probably there were more, in which railway servants who were reasonably suspected, although not actually convicted, of being guilty of irregularities, were punished. In another case the station master was ordered to prosecute for defamation, and the prosecution case succeeded. He suggested that if the irregularity has been so frequent and so open a secret as alleged by other witnesses it should be easy for the merchants to agree not to pay for wagon supplies. He agreed that it is the duty in any case of the Railway Administration to take precautionary measures against irregularities where there are so frequent complaints of their occurrence. The South Indian Railway has no special machinery such as the employment of detectives for doing so in the present case.

P.S.—Mr. Ross Logan subsequently furnished to the Committee the following:—

(*a*) A statement (not reproduced) of amounts totalling £1,045,387 outstanding in the United Kingdom on contracts placed against the Budget Grant for 1919-20.

(*b*) the following statement relating to the capital allotments of the South Indian Railway for ten ten years:—

CAPITAL ALLOTMENT (OPEN LINE).

FOR 10 YEARS UP TO 1921-22.

Rupees in Lakhs.

——	1910-11	1911-12	1912-13	1913-14	1914-15	1915-16	1916-17	1917-18	1918-19	1919-20	1920-21
SOUTH INDIAN RAILWAY. *Particulars.*											
1. Amount asked for in July Forecast of previous year.	105·00	77·25	70·00	118·75	106·84	110·63	25·50	8·00	62·00	15·00	131·92
2. Amount agreed to in discussion of August of previous year between Agent and Railway Board.	60·00	...	60·20	118·75	83·45	...	29·39	8·00	No discussion.	No discussion.	...
3. Amount promised provisionally (about December of previous year).	90·00	48·00	60·20	116·47	75·28 8·17*	31·40	15·28	11·68	21·56	115·33	117·75
4. Amount actually allotted in Budget Orders	90·00	48·00	60·20	109·90	75·28	31·40	15·28	12·28	21·56	109·07	73·69†
5. Amount at which grant stood at end of year.	38·96	40·70	79·49	90·14	45·10	28·21	—8·15	5·07	6·44	56·72	73·69
6. Amount actually spent by Railway in the year.	28·11	33·16	77·79	91·82	46·08	21·09	—17·83	—·31	—2·79	12·06	—

* Over-certification. † Rate of Exchange adopted is 2*s.* 6*d.* per rupee.

(*c*) Similar statements to the last relating to the Travancore, Coonoor-Ootacamund and Dharampuri Hosur Railways (not reproduced).

(*d*) A statement of the main causes for the lapses occurring in each year, from which the following is quoted as typical:—

(1) A portion of English stores not having been received in time as anticipated to be charged off to works.

(2) Owing to delay on the part of the Revenue authorities in handing over land to the railway for the construction of certain quarters.

(3) Certain stores having been purchased but not paid for before the close of the year.

(4) Late receipt of sanction on estimates for important works.

Messrs. M. ROSS LOGAN and C. S. ROWBOTHAM, Acting Agent and Deputy Traffic Manager, respectively, of the South Indian Railway, were recalled and further examined.

5092. Mr. Ross Logan explained with reference to observations made during the morning's evidence that, owing to breaches on the South Indian Railway, he had not been able to keep in touch with the tenor of the evidence offered to the Committee by other witnesses recently in Madras, having seen only the newspaper report of Colonel Barnardiston's and the Madras Government's views. It was for this reason that he was not in a position to deal with some of the complaints which had been made by others against the South Indian Railway.

5093. In answer to Mr. Purshotamdas, he read the following demi-official letters which had passed in 1897 between the then Agent of the South Indian Railway and the Board of Revenue, Madras.

From the Agent to the Board of Revenue.—"For some time past, I have been endeavouring to divert the rice exported to Colombo from the small ports in the Tanjore District, to Tuticorin. In order to do this it will be necessary to quote rates which are barely remunerative, and I write therefore to ask you whether you think there is any chance of Government helping us by, either reducing the export duty on the rice, or by allowing us a percentage on the duty we pay.

"The rice which is shipped by country craft from obscure ports must frequently evade duty, and by diverting it to Tuticorin we ought to increase the Government revenue and also render the collection of duty less costly. There may be objections to reducing the duty of 3 as. per maund on rice exported by us at Tuticorin, and I have therefore suggested the percentage alternative.

"We are allowed a concession of this nature in connection with the collection of income-tax from railway employees, and this might form a precedent to the help I ask for being granted. It is directly to Government advantage for the freight on this rice to go mostly into its coffers, than for the shipping community to annex the whole."

From the Board of Revenue to the Agent.—"I am afraid that Government could not listen to either of the courses which you suggest.

"There is a legal difficulty with regard to the first as the export duty is fixed by law and could not be altered without legislation. It would also necessitate the abandonment of the principle of levying the same duty everywhere which would be a fatal objection.

"The second expedient would be objectionable, amongst other things, in connection with the Provincial Contract. If I am not mistaken the Madras Government would have to pay all the cost and India would get the advantage.

"I also think that India would not allow any money to be spent for customs revenue in favouring one port. It would tell us to make our small customs port honest if the matter came before it."

5094. Mr. Purshotamdas observed that the expedient in question in the above correspondence related to the export duty. He quoted, as bearing more directly on the question of the attempts of the South Indian Railway to secure the closing of ports in the interests of its traffic, observations made at a meeting of the Honourable Mr. W. Clark, then Member of the Viceroy's Council in charge of the Departments of Commerce and Industries and Railways, with the Southern India Chamber of Commerce in August, 1915. It was specifically mentioned on that occasion that the General Traffic Manager of the South Indian Railway Company had written to the Collector of Tanjore District saying that it would be better to have some of the minor ports closed and to see that people send more of their rice by rail rather than by steamers.

5095. Mr. Ross Logan agreed with the Chairman that some motion of the Agent, South Indian Railway, more recent than that of 1897 to which he had referred, must have occurred to account for the correspondence to which Mr. Purshotamdas alluded. He promised that he would look up and send to the Committee copies of any correspondence that might have passed between the Agent, South Indian Railway and the District Officer of Tanjore, since 1897.

5096. With further reference to the morning's evidence, Mr. Purshotamdas ascertained from Mr. Ross Logan that there are some half a dozen pilgrim centres on the South Indian Railway, and that the volume of pilgrim traffic varies from 5,000 to 300,000—the last named figure being the number expected during the ensuing Mahamagham festival which takes place once in twelve years—on occasions of pilgrimages to these. In no other case than that of Rameswaram had anybody offered to put up sheds for the use of railway passengers as a private benefaction. There had been cases, however, of offers to supply arrangements for the provision of drinking water.

5097. On the South Indian Railway, there are water carriers practically at every fifth station. The average distance between stations is less than four miles. During the hot weather extra men are engaged.

5098. Mr. Rowbotham had never heard of any complaint that wagons were auctioned amongst Indian merchants after European requirements were fulfilled. He did not believe this. At any rate, it was never represented to him officially that Europeans were dealt with first and Indians afterwards.

5099. In connection with the rush at third-class booking offices at the railway stations, Mr. Ross Logan did not consider that there was any extraordinary rush. On special occasions, such as pilgrimages, as many additional temporary booking offices are opened as required.

5100. Mr. Purshotamdas drew attention to a letter dated the 23rd January, 1918, from the Railway Board to the agent, South Indian Railway, among others, in which particular attention was drawn to the need for introducing various specified improvements with a view to increasing the comfort and safety of the travelling public, and mentioned that the witness from the Passengers' Association had stated that very little had been done by the South Indian Railway Company in connection with these matters. Mr. Rowbotham admitted that in the case of certain suburban stations, owing to congestion, it is necessary for trains to be drawn up and for passengers to entrain and detrain on the line away from the passenger platforms. This happens when the

platform is already occupied by one train and another has to be accommodated.

5101. Asked whether the railway has employed any special man to supervise the passengers' refreshment arrangements, he stated that there is one such man. He said that the books maintained by contractors contain numerous entries which show that the public are generally satisfied. He had no reason to believe that these entries were made by friends of the contractors.

5102. With regard to the employment of special men to look after the interests of the lower class travelling public Mr. Rowbotham said that there is a Coaching Inspector who goes about and puts up recommendations for conveniences, etc. There are also the Traffic Inspectors, numbering about 20, of whom at least 12 are Indians, who look after the comfort and convenience of passengers as well as the working of the trains.

5103. In reply to Mr. Hiley, the witness said that in a suburban station, when a train is drawn up at the platform, a second train is allowed to stand on another line for want of time, to get to which passengers go round the platform. There are men posted on the platform to direct them. At present there is no scheme for improving the suburban line, except the doubling, nor is the witness pressing for this at the moment. The Government Inspector of Railways had not, he believed, condemned the practice of allowing passengers to entrain and detrain at suburban stations otherwise than at the platforms.

5104. In reply to the Hon. Mr. Sastri, Mr. Ross Logan said that he was not prepared to admit that the policy of employing Indian officers was introduced on the South Indian Railway only in 1916. He said that there are at present 8 of these officers, namely, 3 in the Audit, 3 in the Traffic, 1 in the Engineering and 1 in the Agent's Department. He stated that the instructions of the Board of Directors were that ordinarily not more than 2 Indian officers should be appointed in each department. It followed that, if there were already two Indian officers in any department, all further vacancies, until one of these had gone, would be filled by Europeans unless exceptional circumstances were shown to justify the appointment of another Indian.

5105. In this connection the Chairman referred to information given by Diwan Bahadur M. Ramachandra Rao which shows that in June, 1918, there were only three Indian officers employed on the railway. He asked if Mr. Ross Logan would check this and would give the names of the Indian officers now in the service, and the date of appointment in each case.

5106. With reference to the statement that it is only at suburban stations that passengers are sometimes required to alight and entrain otherwise than at platforms, Mr. Sastri mentioned that in his own experience this was also done at Kumbakonum. Mr. Rowbotham said that if this was so, it was a breach of the regulations and contrary to the intention of the company. Mr. Sastri observed that other railways employ Passenger Superintendents, whose sole function it is to look after the interests of lower class passengers, and observed that the Railway Board had recommended this specially in its letter to the agent, quoted above. Mr. Ross Logan said that there are no men of that class appointed on the South Indian Railway. There would not be much difficulty in appointing men of that class. It was within the competence of the agent to sanction such appointments.

5107. In reply to the Hon. Mr. Sastri, Mr. Ross Logan said that he had some recollection of the complaint made by the Passengers' Association that much difficulty was felt for want of a water tap in the lavatory at the Park Town Station, as well as of the reply sent by the Administration saying that this improvement must await until the station was remodelled. There was no special reason why a tap could not be provided irrespective of the remodelling of the station. The Hon. Mr. Sastri observed in this connection that it was certainly not consulting the convenience of passengers seriously to suggest that a station should be remodelled before a tap could be provided in the lavatory.

5108. In connection with a complaint which had recently attracted the special attention of the Railway Committee regarding overcrowding at Mayavaram on No. 26 down train, Mr. Ross Logan read the annexed report which had been submitted by an Indian Assistant Traffic Superintendent on the South Indian Railway. The Chairman observed that the report, which it appeared the superior officers of the railway had accepted as satisfactory, contradicted the evidence of two gentlemen of position who had put their names to the accusations against the railway administration, and asked whether Mr. Ross Logan was satisfied to leave the matter at this. Mr. Ross Logan said that he was quite prepared to believe that the main facts were substantially as reported by the gentlemen referred to, although the Assistant Traffic Officer's Report suggested that the case had somewhat been exaggerated.

5109. Pressed with regard to the point that it appeared to be clear that the Station Master, though appealed to, had washed his hands of the case, Mr. Ross Logan admitted that nothing had been done by the railway after the report had reached it in the matter of communicating direct with the complainants. Mr. Purshotamdas asked if this was the way in which complaints by the public are dealt with, merely by a departmental enquiry and without taking the trouble to obtain the independent evidence of reliable witnesses. Mr. Ross Logan did not admit that this could be asserted as representing the regular practice of the administration.

5110. In reply to Mr. Hiley, he agreed that the point of view of the administration is that it really cannot stop overcrowding in existing conditions, and felt therefore that it would be useless, in the circumstances, to hope for any material advantage by making further enquiries. He agreed that the Chairman summed up his contention correctly as being that the public have no serious grievances except such as due to lack of facilities, and that this is purely the fault of the Railway Board owing to their failure to supply the necessary money. Mr. Ross Logan stated that the company had done all that it could reasonably do to induce Government to provide the necessary funds.

Annexure.—(The Report mentioned in paragraph 5108 *above.)*

1. Briefly stated, the complaint made in the cutting from "New India" is—

   (*a*) that BTV 31 on No. 26, which had accommodation for 32 passengers, was occupied by 39 passengers when leaving Tanjore;

   (*b*) that on arrival of the train at Mayavaram over 100 passengers rushed into the compartment;

   (*c*) that the staff at Mayavaram had allowed passengers on to the platform without control and any sense of proportion; and

   (*d*) that the staff were inattentive to the calls of the complainants until pressure was brought to bear on them.

2. As regards (*a*), No. 26, being the only through train in the down direction for which ordinary third-class fares are charged, is generally full. Further, this day was the eve of the Arudra-Darsanam festival at

Chidambaram, falling immediately after the Vaikunta-Ekadesi festival at Srirangam, and heavy traffic was passing owing to Christmas and New Year holidays.

So far as the train in question is concerned, there were nine bogie carriages on it, the maximum load on this particular train for the class of engine which works it from Mayavaram to Villipuram, and there was accommodation in them for 14 first, 24 second, and 440 third-class passengers, as detailed below:—

No. of carriages.	Seating accommodation.		
	1st.	2nd.	3rd.
BTV 31	—	—	32
VFS 25	14	15	—
VT 389	—	—	64
VT 388	—	—	64
VT 113	—	—	72
VT 386	—	—	64
VT 387	—	—	64
VTB 31	—	—	48
VFT 6	—	9	32
	14	24	440

As the number of passengers who travelled by the train on the date in question cannot be easily found without obtaining figures in regard to passengers booked from and alighted at each of the stations on the main and branch lines south of Mayavaram, any way, at this period, it is very probable that there were passengers in the train in excess of its capacity. This overcrowding cannot, however, be wholly prevented for various reasons, of which the following are worthy of mention:—

(i) various branch line trains connecting with the main line trains at the several junctions;

(ii) pilgrim parties, especially during festivals, travelling in large numbers without regard to any inconvenience they might suffer;

(iii) women and children not wishing to be separated from their male relations whilst journeying; and

(iv) passengers rushing at the carriages in front of them, in their anxiety to secure accommodation, without seeing for themselves if accommodation is available in other parts of the train.

As regards (*b*), the statement that over 100 passengers rushed into one compartment all in a body is, on the face of it, impossible.

As regards (*c*), No. 56 from Arantangi connects with No. 26 at Mayavaram, and the former train is received on B platform at the station, and the passengers arriving by it are thus on the platform when the latter train arrives. In the circumstances, the complainants' statement that passengers had been allowed on to the platform without control and any sense of proportion is a gross misrepresentation, as passengers actually booked at Mayavaram had not been allowed to enter the platform for No. 26.

As regards (*d*), it is also incorrect that the station staff refused to attend to the complainants' call.

The station staff, as soon as their attention was drawn to the crowded state of the compartment by the complainants, detrained some passengers from it and despatched the train. The complainants, not being satisfied with what was done, stopped the train by pulling the intercommunication chain, and when the train came to a halt, some additional passengers were detrained from the same compartment, and the train re-started. This is supported by the paid telegram which was received from detrained passengers on the morning of the next day, viz., 26th December, 1920, reading as follows:—

"4,000 passengers starving: two specials wanted from Mayavaram to Chidambaram. Early reply."

The original of the telegram is attached.

The telegram, so far as the number of passengers detrained, was found on enquiry to be grossly exaggerated. There were actually about 150 passengers left behind, and these were cleared by No. 244 leaving at 6.15 hours (next shuttle train), on 26th December, 1920.

P.S. (1).—In connection with the case referred to in paragraphs 5093–5095 above, Mr. Ross Logan subsequently furnished the Committee with the following further correspondence:—

A.

Copy of letter dated 27th July, 1906, from Mr. Priestley, Agent S.I. Railway Company, to Mr. Davidson, Collector, of Tanjore.

I send for your information a note by McCloughin. You, may, perhaps, think it worth while to look into the question of cost of keeping up the port with a view to deciding whether it is worth while keeping it open any longer.

(*Enclosure—Note by Mr. McCloughin, G.T.M., S.I. Railway Company.*)

RICE FROM TIRUMALAVASAL TO COLOMBO.

For years the Tirumalavasal Port successfully competed with the S.I. Railway for rice traffic from the country in and around Shiyali and Tirumalavasal for export by sea to Colombo until 1905, when, owing to reductions in rates and the enforcement of the agreement between the S.I. Railway and B.I.S.N. Company, under which their steamers and those of the Asiatic Company, which are in combination with the B.I.S.N., should not call at this port, we were able to pull down the exports by sea, as shown in the accompanying statement. But recently, again owing to the exertions of some mirasdars in the vicinity of the port, the Asiatic line have again been induced to call, thus preventing what inevitably must have happened in the eventual closing of the port.

Government have more money invested in railways than in sea carriage along the coast, and the proper thing to do would be to close this small port and divert the whole of the traffic to the railway unless there are objections which do not appear on the surface.

Perhaps the Local Government authorities might be moved to investigate the reasons why the port should not be closed, at all events for Colombo traffic, and, if they are not sound, to close the port except for small craft.

TIRUMALAVASAL PORT TO COLOMBO.

	Bags.
(*a*) From 1st January, 1903 to 31st December, 1903	91,629
,, ,, 1904 ,, ,, 1904	58,418
,, ,, 1905 ,, ,, 1905	7,115
,, ,, 1906 to 30th April, 1906	3,107
,, 1st May, 1906 to 23rd May, 1906	5,848

(*b*) Port Income:

	Rs. a. p.	Rs. a. p.
1903	39,533 4 0	
1904	21,991 8 0	
1905	3,001 10 3	
(*c*) Prior to 25th September, 1905	2 2 7	0 7 1
From 25th September, 1905	2 1 3	0 5 9
,, 18th December, 1905	1 2 6	0 5 7
,, 15th June, 1906	1 0 1	0 5 7

(*d*) B.I.S.N. increased Rs.0 1a. 0p. per bag from Tirumalavasal to Colombo in December, 1904

B.

Copy of letter dated 26th October, 1906, *from the Collector of Tanjore to the Agent, S.I. Railway Company, in reply to A.*

With advertence to the Traffic Manager's Note dated 12th July, 1906, suggesting the closure of the Port of Tirumalavasal, in the Shiyali Taluq, I enclose a copy of report on the subject submitted by the Divisional Officer, Mayavaram. I have given careful consideration to the question, and while not endorsing all the statements of the Divisional Officer, I do not feel that I should be justified in supporting the proposed closure of the port. I may add that I have also consulted the Collector of Customs orally on the subject.

(*Enclosure—Report dated 30th September*, 1906, *from the Sub-collector, Mayavaram, to the Collector of Tanjore.*)

1. * * * * * *

2. The Tirumalavasal Port is at a distance of 7 miles from Shiyali, which is the nearest railway station, and the two places are connected by a metalled road constructed by the District Board at a cost of about Rs.50,000. There is a toll gate on this road. The Tranquebar Port is about 18 miles distant from Tirumalavasal, and the Karikal Port about 26 miles.

3. A statement showing details of the export and import trade at the port from 1901–1902 up to 31st August, 1906, prepared by the Superintendent of Sea Customs is enclosed.

4. It will be seen from the statement that paddy and rice are the chief commodities of export from the port, and the trade has fluctuated. The figures furnished by the Traffic Manager are for the calendar year, and could not therefore be reconciled, though the figures for 1905 seem to be incorrect.

Year.	No. of bags of of paddy and rice.	Customs duty, Rs.
1901–02	88,904	37,506
1902–03	90,710	36,965
1903–04	99,503	41,811
1904–05	54,502	19,598
1905–06	26,528	9,780
1906–07 up to 31/6/06	28,567	11,383

5. The Traffic Manager attributes the fall in the export trade at the port in 1904–5 and 1905–6, to the successful competition of the S.I. Railway, the reduction in the rate of railway freight, and the enforcement of certain agreements effected between the Railway Company and the British Indian Steam Navigation Company. It is also stated that Asiatic Line has again been induced to call at the port owing to the exertions of some mirasdars in the vicinity.

6. There is no information as to what the terms of the agreement enforced are, but the railway company seems to have allowed some concession by way of reducing the rate of charge on bags booked from Shiyali Station. In their notification dated 14th December, 1904, the B.I.S.N. and the A.S.N. Companies, having increased the freight on rice bags exported from Tirumalavasal Port alone by one anna per bag, the merchants appealed to the proprietors of the companies against such increase, and meantime, there was temporary combination among the leading merchants not to ship their cargo at the port owing to the agreement entered into with the railway company, the B.I.S.N. Company also ceased to call at the port, while the A.S. Navigation Company alone touched at the port; and the Tahsildar and the sea Customs Superintendent report that these special disadvantages brought to bear upon the merchants at the port tended to the temporary decline of the sea-borne traffic with Colombo, while the figures for five months from April to August, 1906, show marked improvement. The local adverse seasons and scarcity rates prevailing calling for increased local consumption are also advanced as reasons for the diminution in the export by sea.

7. The leading merchants of the place were consulted, and they loudly protest against the closing of the port *vide* their memorials dated 16th and 23rd September, 1906, and the petition dated 24th September, 1906, of M.R. Railway, Vijaya Raghavalu Naidu of Edamanal, who is the commission agent of the port for the

Asiastic Steam Navigation Company. The merchants state that there are great facilities in getting the paddy husked by the mass of professional labourers readily available in and near Tirumalavasal, and that there are special advantages in the export by sea at the port in question, *e.g.*, the proximity of the port to many villages in the Shiyali Taluq, the facility in carrying paddy by boats plying on the Uppanar which traverses the taluq, the existence of a sufficient number of go-downs at the port to secure the rice bags till exportation and the absence of such warehouses at the railway station, the certainty of the steamers touching the ports on fixed days as against the difficulty of securing a sufficient number of trucks at the railway station, especially during festival occasions, the safety of the cargo in steamers against the several transhipments occasioned in transit from Shiyali Station to Colombo, the direct conveyance of the rice bags from the port to the several outlying ports, Colombo, Jaffna Galle, &c., against the circuitous, risky and costly course by train to Tuticorin, then by steamer to Colombo, and by train again from Colombo to Jaffna Galle and other places, and lastly, the gain of about Rs. 7/ per garce in shipment over the railway consignment charges. The merchants add that they have no confidence that the railway company will continue to charge the same reduced rates, should the port be closed. The Tahsildar, on local enquiry, is satisfied that these representations carry weight. The Tahsildar also reports that some of the merchants requisitioned the agents of the navigation companies at Calcutta in August, 1906, to ply their vessels through the port, and though they informed them that Mr. Chidambaranada Mudaliar also intended to arrange for a Swadesi steamer service, their requisitions had not the desired effect, in the face of the agreement effected by the S.I. Railway Company.

8. The question of closure of the port is one affecting not merely the Government Customs revenue and the convenience of the trading comunity, but one vitally affecting the well being of the labouring classes. The population of Tirumalavasal is 4,644, and a good proportion of this population, as well as that of many of the adjoining villages, Vettangudi, Edamanal, Palayapalayam, Achalpuram, Arappallam, Tirunagiri Perunthottam, Tennampatnam Nangur, Neppathur, Karimodu, Tiruvengadu, Kodavasal Varisaipathu Vadagal Madanam, Kattor and Sattanadapuram depend entirely on their profession of rice pounding and on their coolie work in the go-downs and the port.

9. Above all, the port has been open to traffic with Colombo for a long time past. The superintendent reports that the date of its opening is not known. The port has a very good harbour, and the vessels arrive very near the shore, the sea being deep. The sea-borne trade carried on at the port has not been inconsiderable during the past, and there seems no good reason why it should be closed for the sole benefit of the S.I. Railway Company, while the disadvantages of the public, the mercantile community and the labouring classes are many. A metalled road has been formed at immense cost. If the port is closed the tolls will fall and the Customs revenue disappear.

10. In conclusion, I venture to state that the Traffic Manager's argument about Government interests being antagonistic to the export trade at Tirumalavasal on the ground of the loss of the trade traffic to the railway is not sound. I doubt very much if the proportionate gain expected from the closure of the port will materially affect the dividends of the company. On the other hand the measure, if enforced, will amount to an arbitrary interference with the natural trade of the whole of this tract of country, the population of which has adapted itself to the occupations and means of livelihood rendered available for them from generations under proper arrangements, the Customs revenue at the port may well be expected to go beyond half a lakh, and I do not see that any case has been made out for allowing the sea-borne export trade to be carried by the railway to the great inconvenience of merchants and the bulk of the population. I further consider that the Government attitude in cases of this nature can only be one of *laissez faire*.

P.S. (2).—Mr. Ross Logan also supplied the Committee with the following particulars regarding the appointment of Indian Officers on the S.I. Railway, in connection with the observations in paragraphs 5104 and 5105 above.

Names.	Age in 1921.	Designation.	Date of appointment to Officers' grade.	Age on Date of appointment to Officers' grade.	Present pay.	Total number of Officers in department.	Percentage of Indian Officers.	Remarks.
	Years.	*Agent's Department.*			Rs. a. p.			
1. Mr. T. N. Subrahmania Pillay.	42	Assistant Secretary.	23-8-1918	39½	550 0 0	3	33·3	
		Engineering Department.						
2. Mr. B. S. Chetti ...	30	Assistant Engineer.	1-12-1918	27	550 0 0	29	3·44	
		Locomotive Department.						
		Nil.	—	—	—	14	Nil.	
		Traffic Department.						
3. Rao Sahib S. Krishnamachari.	43½	Assistant Traffic Superintendent.	1-10-1918	40½	550 0 0	23	8·6	In addition, one Indian is now acting as an A.T.S. with a view to future absorption permanently in the Officers' grade.
4. Mr. S. Purnaiya ...	26	Do.	8-3-1918	23	450 0 0			

Names.	Age in 1921.	Designation.	Date of appointment to Officers' grade.	Age on Date of appointment to Officers' grade.	Present pay.	Total number of Officers in department.	Percentage of Indian Officers.	Remarks.
		Audit Department.			Rs. a. p.			
5. Mr. G. Krishnaswami Iyengar.	41½	Assistant Auditor.	6-11-1916	37	550 0 0	9	33·3	One Anglo-Indian Assistant Auditor employed.
6. Mr. V. Rajah Iyer ...	43½	Do.	1-2-1918	41	550 0 0			
7. Mr. R. Sreenivasa Iyengar	25½	Do.	13-11-1918	23½	400 0 0			
		Stores Department.						
		Nil.	—	—	—	4	Nil.	Two are Anglo-Indians.
		Medical Department.						
		Nil.	—	—	—	4	Nil.	
		Marine Department.						
		Nil.	—	—	—	1	Nil.	
Total number of Officers for all departments			—	—	—	87	8·04	

NOTE.—In addition to the foregoing officers:—

(1) Rao Sahib T. V. Annasawmi Mudaliar was appointed as Assistant Auditor on 1st August, 1893, and died, while in the service, on 1st August, 1904.

(2) Rao Bahadur Y. Narayana Row was promoted to Chief Cashier on 1st January, 1909, and retired on 9th August, 1916.

P.S. (3)—In connection with the evidence given to the Committee in India regarding the South Indian Railway Company, the following note was subsequently furnished to the Committee in London by the Company:—

The Committee appointed by the Secretary of State for India to enquire into the administration of Railways in India met in Madras in January, 1921. The Indian newspapers report that a memorandum was placed before the Committee by the Government of Madras in which the railway policy advocated by that Government was defined. Colonel Barnardiston, Secretary for Railways to the Government of Madras, as well as members of the European and Indian Commercial and Industrial Communities, and others, also appeared before the Committee, and stated their views. The following notes are in reply to, and in refutation of certain criticisms adverse to the South Indian Railway and its administration.

Reference at the outset of the Proceedings, in recording the evidence of the Acting Agent of the South Indian Railway was made as to the evidence of the latter being confined to matters of fact.

The permanent Agent having been obliged to take leave suddenly because of a serious breakdown in health, the Board felt that as the Acting Agent had not long been connected with the administrative side of the Company's work, having served the Company for years as an Engineer, and had only recently been appointed Acting Agent, it would not be fair to him, or helpful to the Committee to throw upon him the responsibility of declaring the policy of his Board in matters of great importance with which he had not had sufficient time to make himself acquainted.

The following cable was therefore despatched to him:—

"With reference to your paragraph 8163; 23rd December, advise Committee, Agent unfortunately breakdown in health obliged to take leave, you acting, do not propose to submit replies to questions or offer evidence, understand further Chairman and late Agent given evidence London and may be again referred to on return Committee London, perhaps not now necessary for you give evidence."

It was understood that it was the intention of the Committee to take further evidence on return from India. The suggestion contained in the cable to the Acting Agent was made on this understanding.

DISCOURAGEMENT OF DISTRICT BOARD RAILWAYS.

Mr. C. Duraiswamy Ayyangar, giving evidence for "the Liberal League," is reported to have said:—

"The opposition to District Board Railways on the part of the South Indian Railway Company "showed how little the railway company cared for the industrial advancement of the people of India.

And Dewan Bahadur, M. Ramachandra Rao stated:—

"There were at present schemes for the construction of 909·4 miles of railway in the various districts "of the Presidency, most of them under consideration very many years; progress on many of them "held up on account of objections raised by the South Indian Railway, which had consistently opposed "construction of some of the lines on the ground that they would affect the Company's traffic.

"It was impossible to carry out the present programme of District Board Railway projects, or "any other development schemes, until the difficulties created by the existing rights of the railway "companies were removed. The District Boards were obliged to accept whatever terms were offered "by the railway companies both for construction and working."

The recorded facts relating to the South Indian Railway Company's attitude towards District Board lines entirely contradict the alleged statements made by these gentlemen. The Company have not shown any

opposition to District Board Railways, nor has progress on any of them been held up on account of objections raised by the Company.

On the contrary, the company have done everything possible to encourage the construction of such lines, having in every case offered to make the lines for actual cost without remuneration of any kind for its services.

The company have further quoted most favourable terms for the working of such lines; in the case of additions to existing District Board Lines, offering to work and maintain them on the same conditions as are embodied in the agreements for working the existing lines to which they were to be added; and in the case of lines for District Boards who had not previously owned any railways, offering terms for working and maintenance never less favourable than those embodied in the Railway Board's branch line terms.

The only reservation made has been in respect of traffic already served by existing railways. The company maintain that the justification for a branch railway should rest upon the traffic to be developed in the territory served by the branch line, and that the owner of the branch line should not look for, nor be entitled to, benefit from traffic that, by reason of the branch forming a shorter through route, it might be in a position to divert from an existing route. Justification for a branch line should be established on its own merits, *i.e.*, the local and interchanged traffic it would create, and not on traffic it would filch from existing lines.

There is nothing new in this principle of conserving the rights of owners of existing property, and in its relation to railways it is a principle that has been applied by the Government of India to branch lines short-circuiting existing State lines. That principle was embodied in the contract with Government, under which, since the year 1911, the Company have worked the South Indian Railway system. It was inserted in that contract, not only in the interests of the company, but also of Government, who, as the predominant partner, stand to lose most by any diverted traffic from its railways.

This reservation by the company of cross-traffic has therefore not been made obstructively, nor has it in practice actually been an obstruction to the construction of any branch line. There have certainly been discussions, but in no case within the Company's knowledge has there been delay from this cause to the work of building any District Board Railway.

The main cause of delay, that the company are aware of, to the construction of District Board Lines, has been the inability of District Boards to finance the cost, and this notwithstanding that many of the District Boards have for a considerable number of years been accumulating funds by imposing a railway cess on their districts. So long ago as the year 1911 the company sought for means to help District Boards out of their difficulties, and, in consultation with the Authorities of the India Office, evolved a scheme for the formation of a Branch Lines Railway Company, in which the District Boards might have become shareholders, for the purpose of obtaining funds from the public to finance the branch line requirements of Southern India. Particulars of the scheme are given in the company's letters addressed to the Secretary of State for India, Nos. 102 and 103, of 8th November, 1911. (Attached.)

The idea was at first received favourably by several District Boards, but it failed to obtain the support of either the Government of India or of Madras, and therefore was shelved. This was unfortunate, as at the time the proposals were put forward it would have been possible to raise all the funds on such favourable terms as are not likely to recur for many years, if ever, and Madras would, by this time, have been provided with all the branch railways that had from time to time been projected.

Madras Government.—*Several additional lines are required to open up new country and to form direct routes, e.g., Panruti-Trichinopoly-Ramnad Railway; Bangalore-Salem-Trichinopoly-Railway.*

As regards the Panruti-Trichinopoly-Ramnad lines, surveys and estimates were made by the company many years ago, both for a high-grade and for a low-grade railway; but Government have not seen their way to provide funds for construction. With a view to overcoming this difficulty of funds the company included these lines in the scheme they put forward in the year 1911 (attached) to promote a company on an unguaranteed basis for the purpose of financing the construction of branch lines in Southern India; but that scheme did not commend itself to Government.

There have been some differences of views between the Government and the Company as to the class of railway that should be built; the company holding that the traffic prospects were not more than sufficient to justify, in the first instance, the construction of a low-grade line. There was also correspondence between Government and the company as to the operation of the clause in the company's contract securing them from loss arising out of their being required to construct lines that are non-paying propositions. The views of Government and the company have since been brought into agreement, but even had that not been the case the contract provides means for the settlement of differences of any kind; and those differences need not, and would not, have given rise to a moment's delay in the construction of the railway in question had Government at any time been in a position to provide the necessary funds, and to issue their sanction for the work to be undertaken.

Regarding the suggested line for linking up Bangalore, Salem and Trichinopoly, the company, as far back as the year 1911, put forward a proposal for the survey of a line that would effect this connection so far as it rested with the company, and a reconnaisance survey was duly carried out and submitted for the approval of Government in the year 1914. In September, 1916, the Railway Board sanctioned the detailed survey of that portion of the proposed line which would lie between Salem and Samayapuram. But owing to the scarcity of engineers, and the improbability of funds being available for the construction of the line within any reasonable period, the survey was postponed until after the war. If funds are made available the company are ready to complete the survey, and construct this railway.

Madras Government.—*The Railway Board has also failed to obtain satisfactory terms from the South Indian Railway regarding the construction and working of the Karaikudi-Arantangi Railway, among other instances.*

Colonel Barnardiston.—"*Whenever Local Boards wanted to make new lines the question of a short circuit also came up.*"

The company have offered to construct and work this line on the same favourable terms as they have extended to other District Board Railways. The above remark of the Madras Government can refer only to the reservation by the company of cross traffic.

Colonel Barnardiston.—

1. *The South Indian Railway had been given all the money they could spend.*
2. *They did not want to spend all the money they ought to spend.*
3. *The company did not want to spend on capital work if they could help it.*

These are new grounds of complaint to be brought against a railway company. Hitherto, from the days of Sir Charles Wood's Despatch, which defined the principles of allocation to be applied to railway expenditure, the view held has been that companies encouraged capital outlay with a view to conserving revenue expenditure.

The complaints now made by the Secretary for Railways to the Government of Madras are without foundation in fact, if they refer to capital expenditure on the open line. It is true, and the Board have much satisfaction in admitting it, that in regard to new construction it has been their constant endeavour to keep *first outlay* within such limits as the traffic prospects justified the expectation of producing reasonable interest on the capital expended. This policy was adopted in what the Board have considered to be the true interests of the State as well as of the District Boards, and others who were finding the money.

In regard to the open line, however, it can be stated that the Grants sanctioned by Government have invariably been less, and generally considerably less, than the company budgeted to spend on capital requirements.

Then, as to expenditure, notwithstanding that delays occurred in materialising the new programmes following on the renewal of the company's contract, the open line capital outlay between January, 1911, and September, 1914—a period of 3¾ years—amounted to Rs. 231.78 lakhs, and but for the War this rate of expenditure would not only have been maintained but exceeded if Government had agreed to the money being provided. As regards post-war expenditure, up to the end of the year 1919–20 it had not been found possible to obtain delivery of any but a trivial portion of the large quantity of materials and rolling stock that had been ordered. But in the year ending 31st March, 1921, it is expected that it will be found that the capital expenditure will have been very little short of 100 lakhs of rupees.

For the year 1921–22 the company asked for an allotment of Rs. 95.26 lakhs, but a provisional grant was first sanctioned for only Rs. 28.35 lakhs, subsequently increased by Rs. 15.00 lakhs, and again, on the company's urgent representations of the requirements of the railway, a further increase of Rs. 17.50 lakhs has been given, making a total grant of Rs. 60.85 lakhs for capital outlay in 1921–22.

Madras Government.—*Complaints from the public regarding the incapacity of the two companies to deal with interchanged traffic at Arkonam, Jalarpet and Katpadi Junctions have been received, and the South Indian Railway Administration have even suggested that certain traffic should be diverted by an all-South Indian Railway route, which might mean* 100 *miles or more of extra lead to be paid for.*

The Madras and Southern Mahratta Railway work all three junctions.

As to the suggested diversion of traffic referred to, it is difficult to see what other course could be proposed for moving traffic that would otherwise be held up by reason of a block at junctions.

But the diversion of traffic in such circumstances does not always involve the public in extra charges for the longer lead, and in the absence of further particulars it would seem probable that the assumption of the Government of Madras in this respect is incorrect.

STATIONS AND YARDS INADEQUATE AT ERODE AND PODANUR.

It is recognised that the station yards at these two junctions are inadequate and inconvenient.

The re-modelling of Erode has been under the consideration of this administration for some time past, and plans and estimates for the work have been prepared and are in readiness

Unfortunately the delay by the Government, for which the South Indian Railway administration is in no way responsible, in deciding the final location of the broad-gauge shops (on which is dependent the conversion of the Erode branch) has rendered it impossible for this urgent work to be proceeded with.

In regard to the re-modelling of the Podanur Yard, this is a question also dependent on the Railway Board's decision as to the location of the workshops, and the scheme is, to the regret of the administration, more or less in abeyance.

The reason for this is that, due to the awkward location of the temporary workshops as well as other locomotive buildings, it is quite impossible to prepare a satisfactory scheme for re-modelling until it is definitely known whether the buildings in question may be removed or not. The question, so far as it is possible, is receiving the attention due to its importance, but, as pointed out, further active measures are dependent on the Railway Board.

THIRD LINE STATIONS.

A number of the roadside stations on the company's system are furnished with two running lines only, and with the largely increased traffic now worked, difficulties are experienced in regard to the crossing of trains at these stations.

To minimise the trouble, a programme to furnish the whole of the stations with a third running line is being worked to, and the Board have ruled that this urgent work is to be completed within three years.

SOUTH INDIAN RAILWAY JUNCTION STATIONS INSUFFICIENT.

It is admitted that certain of the junction stations on the South Indian Railway system are now inadequate for the heavier traffic to be dealt with, and the arrangements to be made to remedy matters are now under preparation.

The position of the more important stations is as indicated below:—

Mayaveram.

The entire re-modelling of the yard has been completed.

Villupuram.

The entire re-modelling of the yard has been completed.

Madura.

The general plan for the re-modelling of the yard and buildings has been approved. The detailed working drawings and estimates are under preparation. The work will be commenced as soon as funds become available.

Trichinopoly.

The general plans governing the re-modelling of this place have been received and approved. Detailed drawings and estimates will be prepared. It is anticipated the work will be commenced and completed during 1922–23.

Tiruvallur.

The general plans, estimates and detailed drawings have been completed. The purchase of the land necessary has been effected. The commencement and completion of the scheme is dependent on the allotment of funds.

It is the wish of the Board that the above several works should be considered as urgent, and that every endeavour be made to hasten their progress. In these cases also, as with others, progress has undoubtedly been retarded during the war period when all expenditure was necessarily curtailed.

SOUTH INDIAN TRACK TOO LIGHT.

The following are the rail sections throughout the South Indian Railway system:—

Metre Gauge Section.

Madras—Pambam Viaduct	50 lbs. B.H.
Pamban Viaduct	55 lbs. F.F.
Viaduct—Dhaneshkodi	50 lbs. B.H.
Madura—Tuticorin	50 lbs. B.H.
Manayachi—Quilon	50 lbs. B.H.
Quilon—Trivandrum	35 lbs. B.H.
Tanjore District Board	41¼ lbs. F.F.
Peralam—Karaikkal	41¼ lbs. F.F.
Nagore Branch—	
Tanjore to Nega	50 lbs. B.H.
Nega to Nagore	68 lbs. D.H.
Trichy—Erode	52 lbs. B.H. steel—68 lbs. D.H.
Villupuram—Katpadi	41¼ lbs. F.F.
Villupuram—Pondicheri	41¼ lbs. F.F.
Arkonam Branch	50 lbs. B.H.

Broad Gauge Section.

Jalarpet—Podanur	5 ft. 6 in.	80 lbs. B.H.—75 lbs. D.H.
Podanur—Calicut	,,	80 lbs. B.H.—76 lbs. B.H.
Calicut-Azhikkal		60 lbs. F.F.
Azhikkal-Mangalore		75 lbs. F.F.
Podanur—Mettupalaiyam	,,	75 lbs. D.H.
Olavakkot—Palghat	,,	75 lbs. D.H.
Salem District Board	,,	75 lbs. D.H.
Nilgiri Railway	3 ft. 3⅜ in.	50 lbs. F.F.
Podanur—Pollachi	,,	41¼ lbs. F.F.
Shoranur—Cochin	,,	41¼ lbs. F.F.
Narrow Gauge	2 ft. 6 in.	30 lbs. F.F.

So far as requirements up to the present period are concerned the rail sections on the metre gauge main line, and throughout the broad gauge have been adequate.

In this respect the Company's Consulting Engineer reports as follows, under date of 24th January, 1921:—

MAIN LINE—METRE GAUGE—PERMANENT WAY.

"I duly received your letter of the 17th instant referring me to paras. 25 and 30 of the Government Inspector's Report for the year ending 31st March, 1920, in which allusions are made by the Inspection Officer to the desirability of adopting 60-lb. rails as standard for the metre gauge main line of your railway. Having perused the paras. referred to I now have pleasure in offering the following remarks:—

"Your metre gauge main line has permanent way consisting of 50-lb. bull-headed rails, 30 ft. or 36 ft. long, with angle fishplates, and laid with 12 or 15 cast iron pot sleepers respectively, according to the length of rail employed. The engines in use for these sections of the line are of the standard 'B' and 'M' superheated classes.

"The Inspection Officer, in proposing the use of 60-lb. rails on the main line, states in para. 25 of his Report that the 50-lb. rail makes a good metre gauge road for moderate traffic, but that it is insufficient to meet the requirements of the public, who require a very much better service on the main line, it is not, however, made clear whether the improvement is to be effected by the employment of heavier trains and higher speeds or by better running conditions.

"I understand that the Madras and Southern Mahratta Railway and the Bombay, Baroda and Central India Railway intend to relay their metre gauge systems with 60-lb. flat bottom rails and steel transverse sleepers, the provision of heavier section of rail being in anticipation of large increases of traffic, but that it is not the present intention to employ on the main line section with ruling grades similar to those on your railway heavier engines than the 'B' and 'M' classes.

"I am of the opinion that the existing permanent way on the main line sections of your railway which has already been improved or renewed is suitable for the engines of the 'B' and 'M' classes now in use, and it would appear from the remarks of the Agent in his note against paragraph 146 of the Government Inspector's Report that heavier and more powerful engines are not called for.

"The desirability of relaying the main line section of the railway with 60-lb. rails would therefore appear to depend upon whether the traffic development is likely to be such that longer trains and higher speeds requiring the employment of heavier and more powerful locomotives will, in the near future, become a necessity. I need hardly remind you that with the present high cost of materials, a programme of renewals for 60-lb. rails and new pot sleepers throughout your main line sections would involve very considerable expenditure."

Erode Branch (relaying).

The delay in dealing with the relaying of the Erode Branch arises from the inability of the Railway Board to arrive at a definite decision in respect to the concentration at Trichinopoly of workshops to serve both gauges—a measure that involves the conversion of the Erode Branch to either broad or mixed gauge.

This branch was originally laid between the years 1866 and 1868 as a broad-gauge line with 68-lbs. D.H. iron rails, and on its conversion to metre gauge in 1879, the same rails were used.

During 1899–1900 it was recognised that the rails were failing, and some 21 miles, beginning from Trichinopoly Junction, were relaid.

The bridge girders are also weak, and the need to arrange for their replacement had arisen.

These two factors—

weak bridges,
weak permanent way—

entered largely into the question of conversion of the branch, and it was decided to defer action in regard to renewals until such time as the Railway Board had definitely dealt with the question.

Unfortunately, the Railway Board are still in doubt as to the wisdom of locating the broad-gauge portion of the workshops at Trichinopoly, and hence the conversion of the branch is undecided.

But it is no longer possible to defer the question of renewals, and arrangements have been made for the first instalment of the work to be taken in hand during 1921–22.

OUT OF DATE STANDARDS FOR RAILS AND BRIDGES.

This is a revival of the old controversy in relation to the standard of efficiency of the lines projected for construction within the influence of the South Indian Railway system.

The Traffic Surveys of the lines to which the comments apply indicated that the probable earnings would only justify capital expenditure on a basis of lines of low grade, and the Board in the true interests of the owners accordingly advocated in each case construction on a scale of outlay that was considered to be adequate to deal with the traffic to be moved.

So as to conveniently illustrate the position as it now stands, the undernoted statement, recording the rail sections and girder standards of mere gauge lines that have been recently constructed or are in course of construction, as well as of lines still in the " project " stage, has been prepared:—

Lines Completed.

	Rail section.	Girder standard.
Podanur—Pollachi	41½ lbs. F.F.	1903
Quilon—Trivandrum	35 lbs. F.F.	1903
Nidamangalam—Mannargudi	41½ lbs. F.F.	1903
Tiruturaipundi—Vedaraniyam	41½ lbs. F.F.	1903

Line in Course of Completion.

Tinnevelly—Tiruchender	40 lbs. F.F.	1903

Lines Contemplated.

Trichinopoly—Ramnad	36 lbs. F.F.	1908
Trichinopoly—Panruti	50 lbs. B.H.	1908
Devakotta—Arantangi	41½ lbs. F.F.	1908
Virudpatti—Ramnad	36 lbs. F.F.	1908
Erode—Nanjangud and Mettupalaiyam	41½ lbs. F.F.	1908
Virudupatti—Tenkasi	36 lbs. F.F.	1908
Dindigul—Palghat	41½ lbs. F.F.	1903
Kodaikanal Road—Uttamapalaiyam	36 lbs. F.F.	1903
Cuddalore—Vridachallam	50 lbs. F.F.	1903

In so far as the constructed lines are concerned, the standards adopted are based on the clear and explicitly expressed views of the Board, presumably accepted by the Railway Board, and it rests with the Government of Madras to substantiate by verified facts the manner in which these lines have proved incapable of meeting the demands that have so far been made on them.

Whatever the policy has been in regard to the standard both in construction and maintenance for rails, bridges and structures, and the facilities offered, it has been adopted with the knowledge of the Local Government and the concurrence of the Government of India, who through their Consulting Engineers and Government Inspectors maintain so close and full control over the matters of this nature as to ensure their wishes being observed.

In any case the policy has resulted in the railway being worked on commercial lines with fair results financially to Government, and not as a burden to the taxpayers.

ENGINE, CARRIAGE AND WAGON SHORTAGE.

The administration is misjudged in this matter, as the deficiencies by no means justify the adverse criticism of the company put forward by the Madras Government, or by their representative, Colonel Barnardiston, at the enquiry. Here, again, no consideration has been given to the fact that war of gigantic magnitude has been in progress for several years.

As an example of the callousness of the Southern lines to the interests of the public, a definite statement is made to the effect that during the period 1908–1918 (five years of war included) the gross wagon stock of the two lines concerned has been augmented to the extent of 13 per cent. only. It is far from clear

why the performances of the two lines during the period in question are lumped together, or why the percentages of increase are averaged. Whatever the reason, the statement is misleading.

How matters stand with the M. & S.M. Railway in regard to stock problems, or the extent to which augmentation of stock has taken place on that line is unknown to the South Indian Railway Administration. The case as it concerns the South Indian Railway shows clearly the extent to which whole-hearted efforts during a period of unusual stress and difficulty have successfully achieved a general augmentation of locomotives, carriages and wagons, and that the strictures passed by the Madras Government are, in respect to stock matters, undeserved.

The difficulties that beset the South Indian Railway during the years 1908–1918, including as they did the period of the war, were considerable.

During that period not only were the metre gauge facilities for the construction of stock inadequate and obsolete, but the Administration was further hampered by the acquisition from the late Madras Railway of approximately 400 miles of broad-gauge line with weak bridges and a complement of worn-out engines, carriages and wagons (40 per cent. of which required renewal); within these years also came the war period, during which little or nothing could be done.

To meet the difficulties unusual measures were taken.

In the first place it was realised that the real and permanent solution for overcoming the difficulties in regard to stock shortages lay in the provision of up-to-date workshops for both gauges at Trichinopoly; a scheme entailing the conversion of the Erode Branch to a mixed or broad-gauge line.

The preparation of this scheme was steadily proceeded with, and the plans and project estimate were submitted to the Railway Board in September, 1911.

The estimated expenditure amounted to Rs. 80,15,902, and the completed estimates and detailed shop drawings were finally forwarded to the Railway Board in September, 1913. The war then intervened, but in spite of this Administration's earnest and constant representations as to the urgency of an immediate authority to proceed with the work, the Railway Board adopted a policy of hesitation, and it was not till October, 1920, after a further urgent representation made by the Board in a communication which reads as follows:—

" Under Agent's letter No. 444/10, dated 18th June, 1919, the Board were advised of the appointment " of a Committee of Heads of Departments to investigate the relative advantages and disadvantages of " Madras as compared with Trichinopoly as a site for the workshops. This Committee was appointed on " receipt of the Railway Board's letter dated 7th June, 1919.

" The Committee's Report on the results of their investigations is now to hand, and has been duly " considered by the Board. It has also received the consideration of the Company's Consulting Engineer, " whose remarks thereon are enclosed in the packet.

" The Board are also indebted to the Locomotive Superintendent for a note on this question received " under Agent's latter dated 23rd July, 1919.

" The Report is unfavourable to Madras as a site for the workshops, and the reasons advanced by the " Committee in support are concisely and convincingly expressed, and receive the entire approval of the " Consulting Engineer. Its conclusions are similar to the views expressed by the Locomotive Superintendent " in his note of the 12th July, 1919.

" The Board concur in the conclusions of the Committee, and desire submission to the Railway Board " of the documents enumerated below:—

" Committee's Report, with its enclosures.
" Consulting Engineer's Report.
" Locomotive Superintendent's Note.

" With the submission of these documents the Agent is requested once again to represent to the Rail- " way Board the need there is for a decision of a question so seriously affecting the South Indian Railway. " In making this representation, the Agent is requested to emphasise the following points:—

" A centralised workshop at Trichinopoly (to deal with the metre gauge stock) was decided on by this " Administration during the year 1907. During 1908, the partition of the Madras Railway took place, and " under the altered conditions it became necessary for the Board to re-open the question and study it anew.

" Ultimately it was decided to adhere to the Trichinopoly site for combined shops for all gauges as the " only one that gave wholly satisfactory results, and this conclusion was supported at the time by the " Railway Board. This adherence by the Board to the original site was decided on after every aspect of the " scheme had been closely studied, and every conceivable possible site, Madras included, had been investigated. " Finally, after a preparatory period exceeding five years, the detailed scheme, with estimates, was submitted " to the Railway Board during September, 1913.

" The difficulties that beset this Administration in respect to the inadequacy and inefficiency of workshop " space and working facilities have been repeatedly represented to, and are well known to, the Railway " Board. With the submission of a scheme so thoroughly prepared, it was hoped a speedy decision by the " Railway Board would enable the Board to commence operations on workshops suitable to its needs. To " the disappointment of the Board, a period of six years has been allowed to elapse without a final decision " being arrived at.

" The position in regard to the maintenance of the Company's locomotives and rolling stock is grave— " the responsible officers are unable to cope with the steadily increasing demands now made on the workshops " at Negapatam and Podanur, and the standard of excellence maintained in past years is on the wane.

" It is hoped the gravity of conditions now prevailing in respect to workshop inadequacy may be fully " realised, and that the Trichinopoly workshop scheme may be sanctioned without the need for further " delay, also that the Board may be authorised to commence constructional operations on a scale consistent " with the great urgency the position now demands.

" Unless emergent measures on the lines indicated are taken, the Board fear they cannot expect from " their responsible officers the standard of maintenance necessary for the efficient and economical working " of the locomotives and rolling stock of the line."

that their sanction to proceed with the metre gauge portion of the scheme only was received, the question of the broad gauge portion being left over for further consideration.

At the time this large shop scheme at Trichinopoly was decided on, it was realised that a work of such magnitude and cost would necessarily entail a good deal of time on its preparation and construction, and that

in the meanwhile it was necessary to adopt measures to enable the Administration to tide over the intervening difficult period.

The measures adopted were on a liberal scale, and comprised the following costly works:—

Negapatam Workshops.—Carriage construction shop provided; saw-mill and plant provided electric power house and plant provided; electric drive extended throughout the workshops.

Podanur.—Large temporary workshops complete with plant, machine tools, &c.

Coonoor.—Permanent workshops and plant provided.

These were the most prominent measures adopted, and indicate the extreme desire of the Administration to act as far as possible up to its obligations to the public.

Further aid was, however, found to be necessary, and a contract with Messrs. Burn & Co., Calcutta, for the construction of coaching stock was entered into with that firm. A special officer to supervise the work was posted at Calcutta, and, although the prices charged were high, the contract remained in force for several years.

As a result of these efforts, a large quantity of stock of all descriptions was provided during the periods in question, as will be seen from the following figures:—

ENGINES AND ROLLING STOCK ACTUALLY ON LINE.

Engines.

			Percentage of rise.
Metre Gauge.			
31–12–1907	238		
31– 3–1918	278	1907–18	16·80
31– 3–1920	286	1907–20	20·16
Broad Gauge.			
30–6–1908	88		
31–3–1918	142	1908–18	61·36
31–3–1920	142	1908–20	61·36

Goods Stock.

(In terms of 4 wheelers.)

Metre Gauge.			
31–12–1907	3965		
31– 3–1918	5141	1907–18	29·65
31– 3–1920	5228	1907–20	31·85
Broad Gauge.			
30–6–1908	1384		
31–3–1918	1778	1908–18	28·46
31–3–1920	1752	1908–20	26·58

Passenger Stock.

(In terms of 4 wheelers.)

Metre Gauge.			
31–12–1907	1350		
31– 3–1918	2260	1907–18	67·40
31– 3–1920	2289	1907–20	69·55
Broad Gauge.			
30–6–1908	286		
31–3–1918	528	1908–18	83·91 per cent.
31–3–1920	531	1908–20	84·96 per cent.

The above figures it is contended indicate considerable percentages of increases, and refute the adverse criticisms made against the administration of the South Indian Railway.

It is further recorded for information that since the Armistice of 11th November, 1918, orders have been placed in this country for stock of the following values:—

Locomotive	£1,286,220
Coaching Stock	136,558
Goods Stock	413,000
	£1,835,778

NOT ENOUGH LINES NOR ENOUGH ROLLING STOCK. CONSEQUENT OVERCROWDING.

The allusion to the insufficiency of line relates to the proposal to double the line between the Beach and Pallavaram, and eventually to extend the doubling as far out as Chingleput.

This question was raised as far back as 1897, and in October, 1912, a project estimate for doubling the line between the Beach Station and Pallavaram was prepared.

Subsequently, the scheme was deferred pending the results of enquiries in relation to an alternative scheme for electrifying the single line between the Beach and Chingleput.

The results of these enquiries were submitted to the Board in October, 1912, but in view of more urgent matters, the matter was not proceeded with. The war came on shortly after, when action could not be taken.

Recently the question has again been under consideration, and the Consulting Engineer asked to report on it generally. His Report favours the doubling and condemns the electrification of the single line as inadequate.

Matters are being re-investigated, and a revision of the project estimate, which is now out of date, is under preparation.

This is how the question stands at the present time. There can be no doubt as to its need, and the project is one that will be proceeded with as soon as circumstances allow.

As for overcrowding, it is unavoidable in present conditions between Madras and Trichinopoly and Tanjore and Negapatam.

The cause is an insufficiency of trains to deal satisfactorily with the enormous third-class passengor traffic offering, and the insufficiency is due to the inadequacy of the engine-power and coaching stock available. It was not possible, however, during the period of the war to secure increases in engine-power or coaching stock; on the other hand, the engine-power and rolling stock was further depleted by the call made on the Administration during the national emergency—a call which was responded to very fully by the Administration.

The effectual remedy will be steadfastly to continue the policy of adding to the power and coaching strength of the line, as also improving facilities.

In this particular connection, and generally in the matter of facilities to deal with the traffic on the South Indian Railway system, the criticisms which have been made have not given full and sufficient consideration to the causes which have so rapidly led to the present condition..

In the period prior to 1911, when the Company's present contract commenced to operate, the traffic on the South Indian Railway was of smaller volume than what it is to-day. The following figures will support this statement—

Number of passengers carried over the Company's system

In the year	1908	31,290,000
Do.	1910	34,059,300
Do.	1919–20	51,681,700

the earnings also having considerably increased.

The quantity of goods traffic carried for the public also increased from 2,312,000 tons carried in the year 1910 to 2,502,000 tons carried in the year 1919–20.

The traffic has grown rapidly and enormously, and from small dimensions has risen to such importance that on certain portions of the system it is equal in density to that of any other metre gauge section on other lines in India, creating large demands for increased trains, engines, and rolling stock. Unfortunately these demands arose during a period of war, when it was not possible, for financial reasons, and also because materials, engines, rolling stock were not obtainable anywhere, at any price, to meet the demands. It must also be remembered that the railway had been depleted to meet the calls caused by the war, and were not in a position to maintain the standard of renewals of all kinds necessary.

During the war period endeavour was made, by increasing the fares, to discourage travel, which however, it failed to do.

In these circumstances it is hardly an opportune time to criticise the deficiencies of the system in respect of these points.

ENGINES.

Colonel Barnardiston, in his Inspection Report for the year ending 31st March, 1920, records his views on the Company's engines in the following terms:—

> *"The provision of engines and rolling stock generally is inadequate to meet the requirements of the traffic, and heavier and faster engines are required. The trains are at present too slow and too light."*

The engine supply on the metre gauge is inadequate, and this in a measure is due to the war. In a previous paragraph it has been pointed out that between the years 1908 and 1918 the engine strength was raised as follows:—

Metre Gauge (Engines).

			Percentage of rise.
31-12-07	238		
31- 3-18	278	1907–18 ...	16·80
31- 3-20	286	1907–20 ...	20·16

Broad Gauge.

30–6–08	88		
31–3–18	142	1908–18 ...	61·36
31–3–20	142	1908–20 ...	61·36

and that since the Armistice the Company has either sent out or placed orders for 74 engines. (This latter figure would have been exceeded had money been forthcoming.)

It is not considered that heavier and faster engines on the metre gauge than the "B" and "M" classes are immediately necessary. The limit of speed permissible under the rules has also been reached, and consequently, in so far as speed is concerned, no object would be gained by the adoption of a new mail passenger engine on the metre gauge.

With regard to the loads fixed for the standard engines in vogue on the South Indian Railway, they are:—

	Mail and Passenger. ("M" and "B.")	*Goods.* ("B.")
Between	Madras-Villupuram, 12 bogies	500 tons.
,,	Tanjore-Manaparai, 12 bogies	500 ,,
,,	Manaparai-Ayalur, 12 bogies	420 ,,
,,	Ayalur-Tuticorin or Dhaneshkodi, 12 bogies	500 ,,

These loads will more than compare with the performance of engines of similar types on other metre-gauge lines in India. Also these two types are the work of the standardisation Committee appointed to design locomotives of suitable types for India (Sir Douglas Fox, Chairman). They are, therefore, the most modern and up-to-date achievements of the locomotive designer.

Broad Gauge.

On the broad gauge the "T" class engine, used for the mail and passenger service, is not now up to requirements, but this is being rectified by the acquirement of a modern and up-to-date 4–6–0 type of mail engine, 11 of which are now on order. This type was also designed by the Standardisation Committee.

The standard goods engine adopted for the broad-gauge service is the superheated "K" type, equal at 20 miles an hour to a load of 700 tons, a load more than equal to the needs of the line.

Nilgiri Mountain Railway.

This line was taken over in 1908, and the engines acquired with it were obsolete in design, worn out and of extreme age (four dated back to 1879). The Company have adopted as a standard a rack engine of Swiss design, and this is giving satisfactory results. The following additions up to 31st March, 1920, were made:—

"P" class	3
"X" class	3
	6
Renewed ("X" class)	3

It will thus be noted that the engines the Company are now acquiring are of the most modern and up-to-date types. They are well up to the work required of them.

BRIDGES UNDER STRENGTH BETWEEN TANJORE AND MADRAS.

The bridge question on the Company's main line Madras-Tuticorin has been the cause of perplexity and difficulty to the South Indian Railway Administration.

As an indication of the seriousness of the position, as well as a record of the Company's efforts to rectify matters, the under-mentioned statement shows the position on 1st January, 1905, and the measures taken by the Company:—

Statement of Weak Girders on Main Line Tuticorin-Madras.

Section.	*No. of Spans to be renewed.*	*Action taken.*
Madras-Villupuram	212	All renewed.
Villupuram-Trichinopoly	204	185 renewed.
Trichinopoly-Madura	145	All renewed.
Madura-Tuticorin	171	All renewed.
Maniyachi-Tinnevelly	10	All renewed.

The end of a perplexing difficulty is well in sight, as only three bridges now remain to be operated upon. These are:—

(1) The Cochrane Canal Bridge, 2 spans, 50 feet.
(2) The New Vellar Bridge, 3 spans, 150 feet.
(3) The New Coleroon Bridge, 14 spans, 150 feet.

The girders for the Cochrane Canal Bridge are under construction in England, and will be completed within three months' time. The programme is to deal with this bridge, and complete it during 1921-22.

The new girders for the Vellar Bridge are now in India, their erection, and the completion of the bridge will take place during 1921-22.

The girders for the New Coleroon Bridge are under construction in this country, and will be completed within three months' time. The present programme is to deal with this bridge and complete it during 1922-23.

But with a view to the speeding up of bridge work the Administration has recently arranged for the appointment of a special Bridge Engineer for its system, and in view of this appointment, and subject to funds becoming available, it is hoped the erection of the New Coleroon Bridge will be commenced during 1921-22.

ENGINE POOLING.

This is by no means a new idea, and it is a method of working peculiar to America. In India it has been talked about and tried here and there in a spasmodic sort of way, but until the last year or two it has not made much progress. On the South Indian Railway, due to the after-effects of the war and the enormous prices demanded for locomotives, the system has been introduced on a fairly large scale, and, so far, it must be admitted results are favourable, and it undoubtedly leads to a saving of power.

On the South Indian Railway its working has been facilitated by an almost simultaneous installation of a hot-water plant for washing out locomotive boilers almost immediately after the engines arrive in shed. This new method of dealing with boilers has undoubtedly overcome many of the difficulties of pooling, as it enables an engine, a very few hours after arrival, to leave again with an absolutely clean boiler.

Whether after a time, with the limited workshops' capacity available, the Company's officers will be in a position to deal with the increased repair work the system necessitates, is a point yet to be settled.

As stated, so far it has worked satisfactorily, and proves beyond doubt that a few engines can deal with a considerable volume of traffic.

WANT OF STAND PIPES FOR SUPPLY OF WATER TO PASSENGERS.

The water supply at stations receives careful attention from the Company's Executive Officers, and in this respect it is satisfactory to note that in the Report of the Pilgrim Committee it is described as reasonably adequate in quantity and satisfactory in quality. (As station supplies of water are dependent on wells, occasional inadequacy in a tropical climate is unavoidable.) The Committee's recommendation as to the abolishment of filters, the systematic analysis of the water supplies, and the extension of the system of hydrants or stand pipes, from which the water can be drawn direct, are points that have always had and are receiving the attention of the Administration.

With regard to the extension of the hydrant system, considered by this Administration to be the more important of the recommendations made, it is sufficient to state that its extension, as well as the fitting of "T"-shaped taps, has been decided on.

COMPLAINTS ABOUT CAGING OF PASSENGERS AT EGMORE STATION.

The system of regulating the admission of third class passengers on to the down departure platform at Egmore is simple and convenient, and is made entirely in the interests and the safety of the passengers concerned.

The large waiting shed contains an enclosure.

A passenger intending to leave Madras by one of the several through trains, after the purchase of his ticket, enters the enclosure, and, on entering, his ticket is checked. On arrival of the train at the platform the gates giving access to the platform from the enclosure are opened and passengers to a controllable number allowed to pass on to the platform and then entrained.

This system is applicable to all the services, and the outcry against it appears to the Administration to be an unusually childish one.

A somewhat similar system is carried out at Underground stations in London, when and where traffic requires it. The traffic in London is governed by the opening and shutting of a gate leading to the platform, and the passengers outside a gate must stand in queues extending along passages and up staircases, and patiently await their turn for admission.

RESERVATION OF ACCOMMODATION FOR EUROPEANS AND ANGLO-INDIANS.

Limited accommodation (it rarely exceeds one compartment per train) is reserved for the use of third class European and Anglo-Indian passengers on the Company's long distance and, in a few cases, local trains.

This custom is of far-back origin, and was at one time favoured by Indians. It is understood that it is in force on certain Indian railways.

It cannot be gainsaid that the privilege, more especially in regard to women and children, is of inestimable value—it inflicts hardship or inconvenience on no one.

The reservation of compartments for Europeans has also received the approval of the Railway Conference, *vide* their Resolution No. 42, page 5, of the Proceedings held at Lucknow on the 1st, 2nd and 3rd, December, 1903.

Of late years, however, the custom is viewed unfavourably by a certain class of person whose cry is "equality for all." The efforts of these people eventually resulted in a fracas at the Fort Station, Madras, accompanied with some show of violence. Lengthy police proceedings followed, and a number of those implicated were punished by fines. The grievance was in relation to accommodation being reserved for Europeans and Anglo-Indians on the local services.

Spasmodic objections to the practice have also occurred from time to time on other parts of the line.

MADRAS SOCIAL LEAGUE OFFER.

It is understood that the League was kind enough to offer to depute certain of its members to attend at Egmore Station and lend their aid in connection with the entraining and general needs of third-class passengers.

The offer is appreciated, but, fortunately, the Company possess the staff and the means for attending to such matters, and there was, therefore, no occasion then for accepting the Society's offer, which it is thought would lead to friction by the introduction of another authority.

PILGRIM COMMITTEE'S REPORT.

The Report of the Committee appointed by the Government of India to enquire into the question of improving the sanitary arrangements at centres where pilgrims congregate was received by the Company's Agent in India in April, 1916.

The Report can be generally accepted as a fair criticism so far as the South Indian Railway is concerned, as well as a satisfactory record of arrangements for dealing with pilgrims on the South Indian Railway system. The scope of the enquiry was extended, and goes beyond the objects defined in Government of India's letter No. 1578, dated 24th August, 1912.

The Report has been carefully considered by the Company's executive officers concerned, and the recommendations recorded therein have received the closest attention.

The points concerning the South Indian Railway have been duly investigated, and wherever possible have either received or will receive the attention necessary.

Certain of these recommendations have been found on examination to be either impracticable, unnecessary, or after trial unsuitable, in which case the why and wherefore for their non-acceptance has been stated to the Madras Government.

Altogether the Report is favourable to the South Indian Railway, and especially so is the forwarding letter under which the Report was submitted to the Government of India.

CLOSING OF MINOR PORTS.

The working agreement dated 1st August, 1902, and sanctioned by the Government of India on the 17th December, 1902—*vide* Madras Government Order No. 446 of 4th March, 1903—between the South Indian Railway and the British India Steam Navigation Co., Ltd., and Asiatic Steam Navigation Co., Ltd., for through booking of passengers and goods traffic *via* Tuticorin was devised to avoid the competition for the rice traffic which had existed for years between the all-sea route to Colombo and the combined rail and sea route *via* Tuticorin to the same port, and to increase the earnings of the South Indian Railway by securing this traffic, thus benefiting the Imperial revenue.

The arrangement has now been in force for a lengthy period, and has resulted to the advantage of merchants of the localities concerned, who for equal or fairly even rates secure facilities for regular despatch, rapid transit, and are no longer dependent on the inconveniences of the former fortnightly services offered by the steamship companies.

The agreement has therefore been in the best interests of the parties concerned—the public, the railway company, the steamship company—and was introduced with the full concurrence of the Governments of India and Madras.

From the first, persistent agitation arose from landowners who had constructed go-downs for storage, from which they derived rent—this was lost by the diversion of the traffic.

It is well known and recognised that no matter how greatly improvements may benefit the interests of a locality and its inhabitants, there must always be losers, and in the case in point these landowners are the people who have suffered, and for their own ends are prepared to see the locality and its inhabitants revert back to the inconvenient arrangements of the past.

The Administration cannot admit that Tirumalavasal Port was closed by the civil authorities in order that the South Indian Railway might carry the rice traffic. The sea traffic from this port having fallen off

considerably, due to merchants preferring the all-rail route, the place no longer comes under the category of "major" ports, but is now, it is understood, open for Indian craft plying between coast stations and ports in Ceylon, and also for steamers when previous notice is given to the Customs people to enable them to make the necessary arrangements.

CORRIDOR STOCK.

Corridor coaching stock was introduced on the South Indian Railway as far back as 1907. Its introduction was the result of a sincere desire on the part of the Administration to alleviate as far as possible the inconveniences and discomforts of travelling in India, and in adopting this type of stock the Company undoubtedly made considerable sacrifices.

But somehow or other this type of stock from the very commencement met with some opposition, and do what the Administration would to improve designs and rectify faults, this opposition never abated.

At the present time, the system has its detractors and supporters, but of the two the former perhaps predominate.

It is stated that in adopting this type of stock the Company sacrificed a good deal, and the following are the reasons for this statement:—

As compared with the non-corridor stock,

It is heavier.
More difficult to construct.
Takes longer to construct.
Is more expensive.
Requires more coal to haul.
Its capacity is less.

These are its disadvantages. They are all serious, and more especially the last one mentioned in regard to capacity, and particularly the capacity of the third class stock.

In this respect the ratio—capacity to tare—is as follows:—

Corridor Stock—1 passenger to 4 cwt. 3 qrs. 9 lbs.
Non-corridor Stock—1 passenger to 3 cwt. 3 qrs. 20 lbs.

The problem of a suitable metre gauge third class latrine carriage to meet modern conditions remains unsolved.

Up to the time of the insistence by Government of a latrine coach, third class carriages were constructed on the cross compartment principle with corresponding seating arrangements, liberal overhead racks for stowage of kit, and doors on either side (allowing easy in and out movement). This was a popular carriage—complaints were non-existent, and in spite of the absence of latrine accommodation, the third class passenger was a tolerably contented individual.

With the introduction of the latrine coach the cross-compartment ceased to be constructed. The latrine coach, with its large open compartment (with no privacy), wasteful passages, undesirable latrines, awkward doorways, and cramped seating arrangements (not allowing a reclining position), soon became unpopular, and with its advent there commenced a persistent and continuous grumble in regard to the discomfort and inconvenience of the type of carriages supplied for the use of the third class passenger.

The corridor coach introduced by the South Indian Railway administration was an attempt to evolve something better, and although it is as convenient a coach as will be found on a metre-gauge line, the disabilities peculiar to the system were not, and could not, be overcome, and it failed in a measure to secure the approval of the third class travelling public.

The reasons why the construction of a latrine third is attended by so many disadvantages are easily explained.

The provision of a latrine in a coach necessarily adds to its dead weight as well as diminishes its seating accommodation. To bring down the loss occasioned by these two disadvantages to the lowest measure, a minimum of lavatory accommodation is arranged for, and so the size of a compartment is necessarily governed by the number of latrines to be provided—hence, the fewer the latrines, the larger the compartments.

To enable a passenger to secure access to the convenience provided, it is necessary for the compartment to be intersected by passages; these passages not only entail further diminished seating accommodation, but are also responsible for the cramped seats and awkward doorways.

In the light of these remarks, it is contended that the outcry against Indian railway administrations in general, and against the South Indian Railway in particular, in respect to discomfort and inconvenience of third class stock is the outcome of orders that can neither be disregarded nor disobeyed, and that so long as these orders are in force (unless the seating capacity of a coach is cut down to such an extent as to render it no longer a paying proposition) it is unlikely that a latrine coach universally pleasing to the Indian travelling public will be forthcoming.

CORRUPTION OF STAFF.

It is possible that the practice of illegal gratification obtains to some extent on the South Indian Railway, as on other Indian railways and generally in India. The Administration is ever on the alert to take action against employees offending in this respect, but unfortunately, due to the almost impossibility of obtaining incriminating evidence, such cases are few in number. The South Indian Railway adopted measure to defeat the evil—as, for instance, the removal of the power to allot wagons from stationmasters, and placing it in the hands of district officers and special inspectors appointed for this purpose; and continue to give the matter attention, but its entire eradication is dependent not alone on the efforts of the administration, but also on the general determination of the Indians themselves to disapprove of and stamp it out.

At present it is feared that it is viewed by the lower classes as a custom of the country, defensible, and one to be shielded.

EMPLOYMENT OF INDIANS IN THE SUPERIOR GRADES.

As far back as 1911 the South Indian Railway administration, acting on the principle that Indian affairs should be administered to be as beneficial to the Indian British subjects as ourselves, raised the question of employment of Indians as officers in the several departments of the railway.

A subject of such importance and complexity necessarily involved a considerable amount of correspondence and references, but eventually the Board decided that, while they did not at the time consider it desirable to fix any definite percentage of appointments which should be filled by Indians, they considered that a beginning should be made with the recruitment of Indians for the superior grades.

It was also ruled that as war exigencies disappeared and recruiting began again two Indian gentlemen should be taken on as probationers and trained for the superior grades of the Audit and Traffic Departments. In regard to the Engineering Department, it was considered there were Indians in India who had been trained either in England or in India, and from whom it should be possible to obtain suitable men, and it was resolved that the next two appointments should be filled by Indians on the same conditions of service as applied to the officers of the railway generally.

In the Locomotive Department it was realised that, due to the prejudice which existed (and still exists) in India among the upper classes of Indians against the training which is required for qualification as a mechanical engineer, the field for selection would be limited.

As indicated, the Board not only announced the policy they desired to inaugurate in relation to the employment of Indians, but also adopted measures by which the policy immediately assumed active proportions. This policy has been steadfastly persevered with, and the recruitment of Indians as opportunity and circumstances allow is now an established custom on the South Indian Railway.

The extent to which the efforts of the Company have succeeded is enumerated below:

Department.	*Indian Officers.*
Agency	1 Assistant Secretary.
Egineering	1 Assistant Engineer.
Locomotive	Nil.
Traffic	2 Assistant Traffic Superintendents.
	2 Probationers (eligible for promotion).
Audit	3 Assistant Auditors.
Total	9

Madras Government.—*The Boards which sit in London are composed largely of gentlemen who are not as a rule in touch with modern conditions in India, which necessitates prolonged correspondence between London and India, causing much delay.*

This observation of the Madras Government has but little or no application to the Board of the South Indian Railway Company, as the following will show:—

The Chairman, Sir Henry Kimber, Bart., Banker and Lawyer of many years experience in London; 28 years M.P., during which he presided over many Committees on Railway and other Bills in the House of Commons; has large commercial and property interests in India and Ceylon and many of the Colonies—South Africa, New Zealand, Queensland, &c.—and also of some foreign railways in Europe (Italy and Sweden), 40 years at the head of the South Indian Railway and its predecessors. Chairman of, and large Shareholder in Calcutta Tramways, and the largest proprietor of the Karachi Tramways, both successful undertakings.

He promoted and founded the connection of Indian Railways with the French at Pondichéri. He is well informed as to modern conditions in India. He has visited India on several occasions in his various capacities and is an all-world traveller.

Sir Douglas Fox is the senior partner of an eminent firm of consulting engineers, late President of the Institution of Civil Engineers, Chairman of the Standardisation Committee in charge of Locomotives for India, and interested in large railway, dock and other undertakings in other parts of the world.

Sir John Rees, Bart., K.C.I.E., C.V.O., M.P., who retired from India after a long period of service in the Indian Civil Service, chiefly in the Madras Presidency, in which the whole of the South Indian system works, is also a Director on the Boards of large planting, gold mining and other railway companies in India.

Mr. A. J. Yorke has large commercial interests in the Madras Presidency; was for many years in India; a partner in Messrs. Parry & Co., merchants, of Madras, and is on the Board of the East India Distilleries and Sugar Company.

Mr. A. Brereton, C.S.I., was for many years in India on railways, was Secretary to the Government of India for Railways, and later as Government Director representing the Secretary of State in London on Boards of Indian Railways.

The late Mr. Neville Priestley came straight from the Agency of the Company in India to take up the Managing Directorship in the year 1910, and he paid several official visits to India subsequent to that date on the business of the Company.

Mr. Alexander Muirhead, C.I.E., the present Managing Director, served for many years on Indian railways, was recently the Agent in India of the Company, and was on leave in England when he was called upon to succeed the late Mr. Priestley.

OFFICERS AND SUBORDINATES ON WAR SERVICE. LOCOMOTIVES AND ROLLING STOCK REQUISITIONED BY GOVERNMENT.

The demands made by the Government of India on the resources of the Company in respect of its executive officers, subordinate staff, locomotives, carriages and wagons were large, and in no single instance did the administration decline or demur, even though the efficiency of the railway was at stake. With a view to illustrating the sacrifices made by the Company to enable it to accede to the Government's demands, the undernoted statement has been prepared:—

		Percentage of strength.
Members of executive staff permitted to accept commissions in the Army or volunteer for war work in Mesopotamia, East Africa, &c.	34	40 per cent.
Subordinates joining Army or volunteering for war work	576	
Locomotives lent to Government (23 not yet returned)	33	11·53 per cent.
Carriages lent to Government (47 not returned)	81	3·51 per cent.
Wagons lent to Government (318 not returned)	488	9·33 per cent.

In regard to these efforts to aid the country in time of adversity and stress, the administration desire to take no credit. They are merely recorded to illustrate the strain and stress brought about in working conditions and the difficulties under which the work of the line has been carried on, and they are relevant to criticisms of the working conditions of the South Indian system at a time when, due to war efforts, its working efficiency had unavoidably deteriorated.

[Enclosures not reprinted.]

THIRTIETH DAY.

(Madras.)

Wednesday, 26th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Colonel MAGNIAC, Agent, and Mr. WATHEN, General Traffic Manager, Madras and Southern Mahratta Railway, were recalled and further examined.

See Written Statement No. 35, Vol. IV., P. 180.

5111. Colonel Magniac explained that, in appearing again before the Committee, he desired to be afforded an opportunity of giving information with regard to some of the matters relating to the Madras and Southern Mahratta Railway, which had been mentioned to the Committee by other witnesses in Madras since he was examined on the 19th January.

5112. Referring to Dewan Bahadur Ramachandra Rao's evidence before the Committee, in connection with the accusation that district board enterprise is blocked by the railway company, he stated that, on the Madras and Southern Mahratta Railway, he could trace no cases in which district board railways had been opposed either on the ground that the main line preferred itself to construct the lines as part of its own system at a later date, or that his company objected to their construction because of short-circuiting their main line. There were two cases in the Kistna district with which the Madras and Southern Mahratta Railway had been unwilling to proceed. In the first instance there was delay, which had been correctly assigned by Dewan Bahadur Ramachandra Rao to war conditions. Owing to the general rise in prices for labour and materials, it had been necessary to revise the estimates of the two railways in question, and it was found that they did not now present promising features as remunerative investments. In the circumstances he thought that the criticisms by the district board's representative were hardly fair.

5113. One of these cases was the Gudivada-Bhimavaram line, 41 miles long. The estimate for the construction of this line on the broad gauge now amounts to Rs.79 lakhs, including the charge for rolling stock. The gross earnings are estimated at slightly over Rs. 3 lakhs and the actual cost of working would be about 58 per cent. of the earnings. On this there will be a return of only about 1·51 on the capital. The district board had asked that the line should be worked at 50 per cent. and the rolling stock should be provided free of charge by the main line. In a letter dated the 25th August, 1920, the Madras and Southern Mahratta Railway Company's board of directors had advised that the project should be postponed, but expressed readiness to agree to its proceeding if the district board were willing that the line should be worked for actual cost, or alternatively for actual cost under the engineering head and for the same percentage of gross earnings under other heads as obtains on the main line. He said he merely instanced this to show that this was not a line which could be called a remunerative investment, and, therefore, the district board was not quite fair in saying that the company refused to give them reasonable terms.

5114. Colonel Magniac cited the Tenali-Repalli project as a case which disproved the assertion that the railway company never receded from its original position. In this case, the company's board originally proposed that the line should be worked for 60 per cent. of its gross earnings and offered a rebate, from the main line's earnings from interchanged traffic, to bring up the return to 4 per cent. Alternatively, they offered to work at 55 per cent., but limiting the rebate to what is necessary to ensure a 3½ per cent. return. The case was referred to the Government of India, and by them to the Secretary of State, who placed the Railway Board's proposals before the board of directors, in consequence of which the railway company agreed to work the line at 50 per cent. and to give a rebate to make up 3½ per cent. dividend. This was some time about 1911. The result of the action taken had been that this railway had been worked at a dead loss to the company ever since. Colonel Magniac admitted that, to some extent, war conditions had contributed towards the unfavourable outcome in this instance.

5115. In reply to the Chairman, Colonel Magniac said that he did not think that the earnings from interchanged traffic would produce a rebate sufficient to bring the district board lines' earnings up to 5 per cent. on their capital.

5116. Colonel Magniac agreed that, in the event of the railway increasing rates and fares to an extent corresponding with the increased cost of working, then the working percentage might remain unaltered,

and there would be no justification on the ground of increased working costs for claiming a higher working percentage rate from feeder lines worked by the main line. Colonel Magniac said he wished to emphasise that, even if all the main lines were worked by the State, he did not believe that there would be so little delay in getting sanction and settling working terms on the part of the district board lines as Dewan Bahadur Ramachandra Rao believed. He doubted if a State administration would agree to construct and work an unpromising line on terms favourable to the district boards.

5117. In reply to the Chairman's enquiry whether branch lines generally showed a tendency to develop well, Colonel Magniac admitted that this was so in many cases. He cited the case of the Bezwada-Masulipatam railway, constructed in 1908, which was worked by the main line for 45 per cent. of its gross earnings with no charge for rolling stock. The 11 per cent. return earned by this line was largely obtained at the cost of the Madras and Southern Mahratta Railway, owing to the working terms being too favourable to the branch.

5118. In connection with the allegations of wholesale corruption made by various witnesses against the Southern Indian Railways (including the Madras and Southern Mahratta Railway), Colonel Magniac stated emphatically that the railway is always willing to assist the public, but cannot succeed in the absence of help from the public in pursuing specific cases. He thought it unfair that such general allegations should be made without proof being brought forward in support of them. Such investigations as the railway tried to make had proved abortive through the failure of witnesses to come forward. He had failed to discover the letters from the Director of Civil Supplies which had been referred to in Mr. Moir's evidence before the Committee. As promised to the Committee on a previous occasion, Colonel Magniac placed before it a list of men punished for bribery, corruption, and disregard of orders about movements of traffic. The list included cases from 1917 to 1920 and contained 29 instances of station masters, guards and others who had been punished in various ways for irregularities of the kind indicated.

5119. Colonel Magniac observed that the evil complained of was equally existent on State-worked lines. He mentioned, in support of this, information obtained by him with reference to irregularities on the North-Western Railway. He mentioned that he had received reliable information that, at one station on that line, wagons were always loaded in accordance with the priority list, but merchants would place money, unasked, upon the stationmasters' table when they secured their allotment of wagons. It was admitted privately that the money was accepted in such circumstances, the station staff being satisfied that they had distributed the wagons fairly uninfluenced by the gift. Colonel Magniac also cited a case in which he had been informed that when a European stationmaster was replaced by an Indian stationmaster there was an outburst of complaints against the station staff, which he had good reason to believe to be due to the fact that formerly payments for the wagon had been made only to the chief goods clerk, whereas subsequently a new stationmaster had claimed his share, with the result that higher charges were demanded.

5120. The Chairman observed that the witnesses who had complained of the irregularities in question had not cited them as specifically bearing on the question of State management as against company management, but rather as general grievances against the Railway Administration. He observed that Colonel Magniac's position was that the Railway Administration had done all that it could, and would do more if the public would help.

5121. In further illustration of what had been said, Colonel Magniac mentioned a case in which the Director of Civil Supplies had reported the occurrence of certain irregularities at Cocanada. The District Traffic Superintendent wrote to the four prominent traders at that station, who certainly would have been amongst those who had grounds for dissatisfaction if such existed. He personally went to Cocanada and invited those four persons to interview him on the subject. Two replied in writing that they had no complaints against the station staff. A third appeared and said that he also had no complaint. The fourth promised to appear but failed to do so. In another case in which a stationmaster had prosecuted the complainant, the latter apologised in court and withdrew his charge.

5122. In answer to the Chairman, Colonel Magniac said he had no doubt that cases of bribery do occur, but that the railway are taking whatever steps are possible in the matter. He observed that the charge of corruption can equally be made against other departments; for instance, he understood that the abolition of octroi in the Punjab and the substitution of terminal taxes collected by the railways was due at least in part to irregularities connected with the collection of octroi.

5123. Colonel Magniac urged that the failure of the companies to provide facilities for public requirements was due to difficulties connected with the war and to want of funds, and not to any desire on the part of the company to avoid expenses and thereby maintain dividends. He expressed surprise that the representative of the Government of Madras should have been so much out of touch with the railway administration as to ascribe the circumstances to the latter cause in his evidence before the Committee.

5124. The Chairman observed that there are many things of a petty character involving little or no expense in which complaints have also been made. Such things, for instance, as the provision of water-taps in convenient places, the opening of booking-offices at suitable times, and so forth, could hardly be said to be grievances which could not be remedied for want of funds. Colonel Magniac observed that the Senior Government Inspector mentions such matters in his reports, but the railway officers are frequently in better touch with the relative urgency of requirements. The railway could not be expected always to see eye to eye with the Government Inspector. In some cases, more particularly minor matters, the Senior Government Inspector does not always discuss the points before he includes them in his report. He asked the Committee to believe that the Government Inspector may not invariably be right and that the company's view may sometimes be the correct one. The Railway Board sees both the Senior Government Inspector's complaints and the railway administrations' detailed replies.

5125. With reference to the observation, in the evidence of the Government of Madras, that the Railway Board failed to compel the Madras and Southern Mahratta Railway administration to supply sufficient rolling stock to meet public requirements, the Chairman agreed with Colonel Magniac that the expression used was somewhat misleading, as, in fact, Government had refused to allow the companies to raise additional share capital as desired by them, and had failed to supply funds for expenditure on rolling stock and other improvements. Colonel Magniac stated that the company had asked for sufficient funds but had not been able to obtain them.

5126. With reference to the suggestion in the evidence of the Madras Government that the companies have too great powers and are not sufficiently under control, Colonel Magniac urged that the powers of the companies are precisely the same as those of the State Railway Agents. The Chairman remarked that in certain directions the companies exercised wider powers. He mentioned, for instance, the instructions given by the South Indian Railway Board of Directors to the acting Agent that he should not express any opinions before the Committee, but should confine his evidence to matters of fact. He thought this was a decided exercise of power by the company. Colonel Magniac admitted this, but said that he was speaking more particularly of powers of sanction to expenditure.

5127. Regarding the wish of the Southern India Chamber of Commerce to be consulted before changes are made in the classification of goods, Colonel Magniac said that an assumption seemed to have been made that the Chamber is not in fact consulted. He mentioned that in 1918 a letter had been sent to the Chamber in which they were consulted with regard to the proposed changes of classification of ten commodities. The Chamber had agreed in nine cases and not in the tenth. It was explained that the present system is for the changes to be proposed to the Railway Board by the Railway Conference Association after they had been considered by the Traffic Committee of the Association on the representation of the railway originating the matter.

5128. Sir Henry Burt said that he understood the Railway Board does not take special steps to ascertain public opinion before dealing with an application for change of classification. It was explained, however, by the witness that the Chambers of Commerce are usually consulted before such cases are submitted to the Railway Board. It transpired further that the complaint of the Southern India Chamber of Commerce referred rather to cases in which special rates for goods have been withdrawn, thereby automatically rendering these subject to the ordinary rates. Mr. Wathen observed that in many cases this had been done because there was no traffic in the articles concerned, but in many other cases it had admittedly been done to increase the charges and improve railway earnings. The public get two to three months' notice before such changes become operative. In case of important commodities, such as, for example, cotton, they had meetings with the Chamber of Commerce before deciding on alterations. Mr. Wathen admitted in such cases the European Chambers are more likely to be consulted than the smaller merchants, who might well be Indians, and that the latter might consequently have some ground for complaint. He said that the railways are always careful to consider public opinion in such matters, but agreed that it would be desirable to give them an opportunity of considering changes proposed while they are still in the state of proposals.

5129. Colonel Magniac referred to the evidence of the Chairman of the Port Trust, who had referred to the improvement of wagon supply brought about through the appointment of the Director of Wagon Supplies in Madras. In this connection he explained that it was really due to the fact that the harbour were then dealing with large consignments of goods for which Government gave priority. Therefore the railway had to move wagons to the harbour to meet the priority orders which they had no right to do before. There was no other reason than that. And the gain to the Port Trust meant a corresponding reduction in the wagon supply elsewhere.

5130. The Chairman referred to representations which had been made to the Committee regarding the irresponsibility of railways in carrying traffic at owners' risk rates. In this connection, Mr. Wathen explained that in a particular case which had been placed before the Committee, of certain goods booked from Arrah to Madras, the reason why there had been a difficulty in agreeing to deliver the goods was due to the fact that the bags arrived with an unusual marking, in a different wagon from that in which the Railway had reason to expect the consignment, and the labelling of the wagon was also not in order. The Railway was doubtful whether the consignment which had reached it was that intended for the claimant in the particular case. A reference had been made to the East Indian Railway for instructions, and delivery had just been made to the merchant claiming the goods on an indemnity bond although in fact the Madras and Southern Mahratta railway are by no means satisfied that the goods are those sent to the merchant and they have thus undertaken a certain liability in the matter. Mr. Wathen explained that the fact of these goods being booked at owners' risk made no difference in this case. They would not be at liberty to make away with the consignments since the owners' risk conditions would not absolve them from responsibility for gross negligence.

5131. On the general question the Chairman mentioned that an agreement had been reached in England between the representatives of the railways and of the public, through the mediation of the Rates Advisory Committee, and that it was therefore likely that steps would soon be taken, to introduce a rule that in relation to all traffic where there is a possibility of serious risk, the consignor should have the choice of booking at owners' or railway company's risk; the conditions of the respective methods and the percentage difference between the charges in the two cases to be decided on by an independent tribunal. Col. Magniac thought the suggestion attractive but was unable to offer a considered opinion on the matter at short notice.

5132. In reply to Sir Henry Burt, Col. Magniac admitted that there are congested level crossings inside the Madras City area, on the Madras and Southern Mahratta Railway, for which it is desirable to substitute over-bridges. The railway authorities had a meeting on the subject with the Municipal authorities and certain general principles as to division of the cost of the charge had been agreed upon. Co. Magniac believed, however, that when the time came, the Municipality did not put down the money to meet its share of the expense in particular cases.* Substitution of over-bridges for level crossings was not blocked by the railway company.

5133. Some discussion followed on the question of providing covering for passenger foot-bridges across the railway lines. Col. Magniac thought that it was the general practice not to provide such covering and that there was no great hardship involved in the case of passengers who have to walk considerable distances by road. He thought that it was only asked for to make the bridges convenient resting places. Mr. Purshotamdas suggested that in India protection from the sun is necessary because of the extreme heat to the barefooted passenger of the iron slats with which the edges of the over-bridge steps are usually protected. Col. Magniac was doubtful whether this protection was really necessary and thought that passengers could easily avoid stepping on the iron work. He promised, however, that the matter should be investigated on his railway.

5134. The Hon'ble Mr. Sastri emphasised the necessity for providing covering on the bridges. He observed that it is optional for people to use the roads during the hottest time of the day whereas they have no option but to use the over-bridges when it is necessary to cross the line at particular train timings. Mr. Wathen mentioned that some of the over-bridges in respect of which complaints have been received were bridges which have been put up to provide an alternative passage to the pedestrians on roadways to save them from the inconvenience of waiting till level crossings are opened. The Chairman said that it appeared to him that the need for the protection of over-bridges could hardly be a very pressing one. The Honourable Mr. Sastri, however, laid great stress on its necessity in Indian climatic conditions.

5135. Sir Arthur Anderson mentioned that Colonel Magniac had handed to him for the use of the Committee, and had promised to supply further copies, of a letter from the Company's Board of Directors to the Secretary of State dealing with the affiliated Indian Companies scheme which had been placed before the Companies in London at the instance of the Government of India. The Madras and Southern Mahratta Railway Company did not think that the affiliated companies scheme would be a satisfactory one, but had but forward a proposal on quite different lines. It was agreed that this should receive the separate attention of the Committee.

* NOTE—On looking up correspondence it is found that delay has been due to the Municipality pressing for a 66 ft. width of bridge to carry a double line of Tramway which the Railway Company did not agree to. The case has been referred to the Madras Government.

5136. In answer to Mr. Purshotamdas Thakurdas, Colonel Magniac observed that there were several pilgrim centres on the Madras and Southern Mahratta Railway. It had not been his experience that benevolent Hindus provided sheds for the protection of passengers at any stations.

5137. Colonel Magniac said that the Madras and Southern Mahratta Railway Company are treating seriously the recommendations of the Pilgrim Committee and were doing their best to carry out the recommendations, some of which had been complied with. He explained that the report had been issued in 1916, since when the Railway had always been in difficulty for want of funds, but that it is doing its best to deal with the recommendations.

5138. The Honourable Mr. Sastri asked whether it is the case that there is discrimination between caterers for the supply of refreshments on the railway to European and to Indian passengers, in respect of such matters as passes, accommodation, water-supply, etc. Colonel Magniac said in reply that the Company have now in hand an entirely new scheme for taking over the whole of the Indian Refreshment rooms so as to provide better refreshments at a moderate cost. The new scheme will be given effect to when funds are made available. He said that it was the policy of the Railway to get rid of the small contractors. He had just received sanction from his Home Board to the appointment of an Indian officer to supervise the refreshment arrangements on the line.

P.S. (1)—The following note by the Agent M. & S.M. Railway Company on the evidence given by Mr. Moir before the Indian Railway Committee on the 18th January, 1921, was subsequently sent to the Committee with the request that it should be treated as an addendum to Colonel Magniac's evidence.

Mr. Moir mentions that he did not use the word "frequently" in regard to the bringing of cases of irregularity to the notice of the M. & S.M. Railway Administration, but that he stated that the matter was brought to the Railway's notice.

He cites certain instances, viz.:—

(*a*) The matter being brought to the notice of Sir Arthur Anderson, President of the Railway Board.

This has already been referred to in my verbal evidence. Sir Arthur Anderson promised that a full enquiry would be made if sufficient concrete cases of corruption were put forward.

(*b*) A confidential D.O. to Mr. Biggs, Acting Agent.

This cannot be traced, and Mr. Biggs cannot recollect any correspondence with the Director of Civil Supplies beyond some relating to the purchase of rice from the Kistna District for railway employees.

(*c*) Correspondence between Mr. Armitage and Mr. Crichton (Acting General Traffic Manager).

One case only has been traced which refers to a request of the station master, Nayudupet, to book 80 bags of rice to Madras. This was investigated and found to be due to the station master understanding that such booking was prohibited, and necessary orders were issued to regulate the matter.

(*d*) Irregularities brought to Mr. Crichton's (Acting General Traffic Manager) notice by Mr. Gray.

Mr. Gray has been approached and authorises the statement that he frequently saw Mr. Crichton and discussed matters with him, and was perfectly satisfied with the way in which matters relating to the control of foodstuffs were dealt with by the Traffic Department of this Railway.

(*e*) A letter addressed to the District Traffic Superintendent, Bezwada. Unfortunately this office has been abolished, owing to a re-organisation of the Traffic Department, and this cannot be traced.

(*f*) Two letters No. 7108/19-2 dated 16th February, 1920, and No. 1028-20 dated 4th March, 1920, addressed to the General Traffic Manager.

The first of these refers to irregularities connected with—

(1) Masulipatam booking rice to Jaggayapet Out Agency; and

(2) Guntur booking broken rice to Hyderabad and Warangal.

(1) Was due to a misunderstanding of instructions on the part of the District Traffic Superintendent, and as regards (2) broken rice was not controlled, and its booking was approved by the Director of Civil Supplies.

The second letter refers to a case of smuggling brought to notice by the Collector of Kistna. There was considerable confusion at the time in interpreting the various notices issued by the various officials. In a letter No. 272 C.T. 20 dated 14th May, 1919, from the Controller of Traffic, Railway Board, to all Directors of Supplies, it was brought to their notice that priority certificates were being issued irregularly by Controllers.

Smuggling was carried on across the Kistna Bridge by road and also by boats. Every endeavour was made by this Administration to stop smuggling by rail.

As mentioned in the evidence given by Mr. Wathen, priority certificates were issued for many consignments which failed to materialise, which resulted in waste of transport. It is not suggested that irregularities did not occur, but it is contended that this Railway Administration took steps to investigate all cases that were brought to notice and punished all staff who were found to blame. Supervision was difficult owing to officers being overworked during the war.

The following punishments were awarded, among others:—

Station and Assistant Station Masters:—

One prosecuted and dismissed.

Fourteen reduced in pay.

Guards:—

Two dismissed.

Three reduced in pay.

P.S. (2)—The following letter dated 28th January, 1921, with its enclosures, was subsequently received from Colonel Magniac.

With reference to my written statement forwarded to the Indian Railway Committee, I enclose certain addenda embodying certain further explanatory details asked for by the Chairman after my cross-examination on the 20th January.

Addenda to Agent's replies to Questionnaire.

With reference to my reply to question 12 of the questionnaire, the directions in which I consider some correspondence might be saved by an extension of the powers granted to Boards of Companies are as follows:—

Schedule of Powers:—

Items 1 and 2 restrict powers of sanction to creation of appointments and increases in pay of existing posts to a maximum salary of Rs. 250 per mensem.

Items 5 and 5A—Power to sanction a bonus to foremen and others for training subordinates is limited to Rs. 10, plus monthly allowance of Rs. 2.

Item 8—Power to sanction a charge allowance for officers limited to Rs. 100, and for subordinates to Rs. 50.

Item 26—Power to sanction fees offered to employees for private work is limited to Rs. 500 under certain prescribed conditions.

Item 28—Power to sanction fees for arbitration limited to Rs. 500.

Item 45—Sanction to Imprests limited to Rs. 1,000.

It is not contended that any large amount of correspondence is caused by such limitations and with the exception of items 1 and 2 the cases which require to be referred to the Railway Board are probably few in number, but instances of refusal of sanction by the Railway Board must be very exceptional, and the Company's powers might reasonably be increased.

M. & S. M. RAILWAY.

ADDENDA TO AGENT'S REPLIES TO QUESTIONNAIRE—QUESTION 19.

Actual value in Rupees of Renewal Arrears.

Renewals deferred at end of 1920–21.

——	Miles.	Total Cost. Rs. in lakhs.	Capital. Rs. in lakhs.	Revenue Rs. in lakhs.
RAIL RENEWALS.				
Broad Gauge	118	70·92	20·61	50·31
Metre Gauge	211	44·31	10·55	33·76
	—	115·23	31·16	84·07
GIRDER RENEWALS.				
Broad Gauge	—	27·78	5·00	22·78
Metre Gauge	—	13·82	2·48	11·34
	—	41·60	7·48	34·12
	No.			
ROLLING STOCK RENEWALS.				
Broad Gauge.				
1. Locomotives	24	31·36	10·40	20·96
2. Boilers	25	5·62	—	5·62
3. Coaching Stock	47	9·90	2·25	7·65
4. Goods Stock	448	44·28	21·15	23·13
5. Machinery	—	*1·14	—	1·14
	—	92·30	33·80	58·50
Metre Gauge.				
1. Locomotives	—	—	—	—
2. Boilers	27	4·59	—	4·59
3. Coaching Stock	147	21·84	5·46	16·38
4. Goods Stock	212	12·76	2·88	9·88
5. Machinery	—	*0·57	—	0·57
	—	39·76	8·34	31·42

* According to Consulting Engineers latest advice, cost of machinery has been enhanced by 250 per cent. in the case of large machines and by 200 per cent. in the case of small machines. So 200 per cent. increase has been provided for roughly.

N.B.—In a supplementary communication Colonel Magniac made the following observations, referring to the above details:—

"I beg to inform you that the amounts given in the statement of '*Renewals deferred at end of 1920-21*' have been calculated after taking into consideration the increases in the cost of materials over the pre-war level as last furnished by the Consulting Engineers, and which are as below:—

	Per cent.	
Permanent Way Materials.		
Rails	300	
Fish plates	275	
Fish bolts	300	
Bearing plates	400	
Screw spikes	650	
Dog spikes	450	
Tie bars	400	
Gibs.	300	
Cotters	300	
Steel sleepers	350	
Girders for Bridges	250	
Rolling Stock.		
Locomotives	240	
Carriages and wagons (underframes, bogies, iron and steel work only)	200	
Carriages (metallic and lavatory fittings for bodies)?	350	
Wheels and axles for carriages and wagons	250	
Machine Tools, such as lathes, planers, shapers, &c.	250	} Average of 200
Small Tools, such as files, twist drills, &c.	200	} per cent. taken.

Addenda to Agent's replies to Questionnaire. Time required to make up Renewal Arrears.

It is impracticable to give a definite forecast of the number of years likely to be required to make up the present arrears on the Renewal Programme.

The practice of this Company is to review the general position from time to time and make out a fresh programme on a three or five-year basis, accelerating renewals as considered necessary to the extent found practicable. The Agent makes his recommendations to the Home Board after consulting his Heads of Departments concerned, and after receipt of his Board's orders, obtains the approval of the Railway Board.

In deciding such programmes due consideration must be given to the economic factor which is necessarily dependent on the growth of traffic and the consequent gross earnings, and other important factors are the resources of the available markets in India and rate of delivery of material.

Dealing first with permanent way, apart from the special delay in receipt of material occasioned by the war, it is explained that it has not always been possible in the past to work up fully to an accepted programme, and that had this desirable result been achieved under the present programme, it is possible that some reduction might have been made in the programme for the next period of years.

As regards the supply of material, the number of miles that can be be relaid annually is governed to a large extent by the available supply of rails in India and also sleepers, since the price is very favourable as compared with that of the home market. In order to deal with the present situation an accelerated programme will be considered and forwarded to the Home Board for their orders.

In the case of rolling stock, an added factor has to be taken into consideration, namely, the capacity of the Company's workshops, which limit the rate of renewals, and before a programme can be made out it is necessary to take into account the programme for additions as well as that for renewals. Proposals for enlarging both the Company's broad and metre gauge workshops are under consideration, and provided the necessary capital funds are forthcoming, it is hoped that the existing capacity will be considerably improved in some five years' time.

Assuming that traffic conditions are favourable we shall then be in a position to accelerate the existing programme and make up arrears.

The Madras and Southern Mahratta Railway Company Limited.
Incorporated in England.

Statement showing total Expenditure under Renewals against Capital and Revenue for the following abstracts for the eight years ending March, 1920.

Abstract.	1912–13	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.	1918–19.	1919–20.	Grand Total.
A. II. Maintenance and Renewal of Permanent Way :—	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(1) Wages. Renewals	31854	48286	66622	50003	57072	16855	12547	93147	376386
(2) Materials. Do.	710743	763916	988716	657321	895908	1017630	915330	2302857	8252421
Capital portion of outlay on Renewals	310667	314583	382425	228612	465121	61426	3885	133615	1900334
A. III. Repairs of Bridges, etc. :—									
(1) Bridges and Tunnels. Renewals ...	198890	356580	52721	33199	23587	—101	2904	7536	675316
(2) Miscellaneous. Do. ...	45177	96268	15524	8933	2973	6707	412	10573	187567
Capital portion of outlay on Renewals	15810	19777	21157	24967	2839	9334	106	3116	97106
A. IV. Repairs of Stations and Buildings :—									
(1) Buildings except Staff Quarters. Special Charges.	81120	64318	20724	65814	54601	26412	20631	102436	436056
(2) Staff Quarters. Special Charges ...	14018	1060	3093	1137	—745	1405	3537	11527	35032
B. VI. Maintenance and Renewals of Loco Engines :—									
(1) & (2) Wages and Overtime. Renewals	4713	4899	203	11623	420	121	179	580	22738
(3) Materials. Do.	362415	291508	—107910	514733	154360	156798	50197	31583	1453684
Capital portion of outlay on Renewals	94792	359269	2127	—	—	—	—	—	456188
B. VIB. Maintenance and Renewals of Machinery :—									
(1) & (2) Wages and Overtime. Renewals	—	—	—	—	—	802	1923	658	3383
(3) Materials. Do.	—	—	—	—	—	44800	46487	32509	123796
Capital portion of outlay on Renewals	—	—	—	—	—	—	—	—	—
C. II. Repairs and Renewals of Vehicles :—									
(*a*) Coaching—									
(1) & (2) Wages and Overtime. Renewals	82879	142651	130102	81664	93095	120130	43562	109907	803990
(3) Materials. Do.	372806	398927	394149	312460	213935	260352	270689	305367	2528685
Capital portion of outlay on Renewals	87819	159661	123941	113791	143826	64050	64501	206106	963695
(*b*) Goods—									
(1) & (2) Wages and Overtime. Renewals	5634	8299	4959	2510	751	1845	3415	439	27852
(3) Materials. Do.	149129	305469	237049	161285	27515	22042	25420	179804	1107713
Capital portion of outlay on Renewals	130270	193396	99968	13293	3347	11857	—	40698	492829
C. IIA. Repairs and Renewals of Machinery :—									
(1) & (2) Wages and Overtime. Renewals	—	—	—	—	—	—	—	—	—
(3) Materials. Do.	—	—	—	—	—	9390	12125	35	21550
Capital portion of outlay on Renewals	—	—	—	—	—	—	—	—	—
GRAND TOTAL ...	2698736	3528867	2435570	2281345	2138605	1631855	1478850	3572493	19966321

Approximate forecast of Annual Demand on a 5-year programme from 1922-23 *to* 1926-27.

Items.	New Works Capital. Rs. in lakhs.	Renewals Capital. Rs. in lakhs.	Total. Rs. in lakhs.
Locomotives and Rolling Stock ...	100·00	12·00	112·00
Works	79·72	8·28	88·00
Total	179·72	20·28	200·00

THIRTY-FIRST DAY.

(Bombay).

Monday, 31st January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. C. W. LLOYD JONES, Agent of the Nizam's Guaranteed State Railway Company, was examined upon a statement which he had furnished to the Committee.

ee Written Statement No. 43, Vol. IV., p. 151.

5139. Mr. Lloyd Jones explained that the Nizam's Guaranteed State Railway Company is a company incorporated in London, working its own lines as well as lines belonging to the Hyderabad Durbar. The company owns its own line completely, but His Exalted Highness the Nizam's Government have the option of purchasing it on certain dates, and, failing purchase, it eventually becomes the property of His Exalted Highness the Nizam's Government after 99 years from the beginning of the contract. The first section of the line was built by the Government of India for His Exalted Highness the Nizam in 1870, and this section was subsequently purchased in 1883 by the present company, which constructed the rest of the system. The railway includes about 335 miles of broad gauge and 530 miles of metre gauge.

5140. Mr. Lloyd Jones explained that his own experience was originally gained under Messrs. Merz and McLellan and with a firm of bridge engineers in Great Britain. His railway experience in England was confined to survey and construction work. He came to India as Assistant Engineer on the Nizam's Guaranteed State Railway and subsequently rose to the position of Agent. He had previously had no traffic experience.

5141. The Chairman invited Mr. Lloyd Jones' attention to his statement that not only is a working company paid by results, but the company's officials are paid by results in a way that does not happen in a State railway. Mr. Lloyd Jones explained that his point was that a man would be hardly likely to retain one of the higher appointments on a company-worked railway unless he was working the concern profitably.

5142. Mr. Lloyd Jones agreed with the Chairman in summing up his opinion as being that it does not pay the State any more than a private individual to work a railway uneconomically, and if, as he believed to be the case, economy can be promoted by the employment of companies as working agents, then it is in the interests of the State to utilise these.

5143. Mr. Lloyd Jones explained his proposal that a working company should provide an adequate guarantee to compensate Government for any failure on the company's part to carry out the terms of the railway working contract. His idea was that the money raised by the company as capital should not be considered as part of the capital of the railway but should be paid to the Government, which would pay interest upon it. It should be liable to forfeiture in case of gross negligence on the part of the company. He thought that this liability could be enforced in practice. If, for example, a company did not carry out the necessary renewals on the railway, the amount required for this purpose could be recovered as damages, to be determined by arbitration, by deduction from the money in the hands of Government. He thought this need involve no great departure from the other arrangements usually made between Government and guaranteed railway companies, except that the rate of interest paid by Government on the company's capital would not necessarily be the same as the return on the capital of the railway. He agreed that the guarantee clause would only operate in extreme cases, and that a special provision for arbitration between the interested parties would be necessary. He thought it unlikely that it would ever prove necessary in practice for Government to utilise this means of protecting itself.

5144. Mr. Lloyd Jones explained that during the war the Nizam's Guaranteed State Railway Company had formed a reserve fund by setting aside from revenue the monies estimated to be necessary for work which should, but which owing to the lack of materials could not, be carried out at the time. This money was invested in liquid form and is now being utilised to make up arrears of renewals.

5145. In his written statement, Mr. Lloyd Jones had stated that he had no experience of any undesirable delay caused by the company's Board sitting in London, or any difficulty in keeping the Board in touch with local conditions. Usually one Director comes out to India every cold weather. He had not usually any special powers delegated to him by the Board, but in certain cases it was arranged that if the Director agreed on any particular measure with the Agent, that decision might be carried into effect.

5146. With reference to Mr. Lloyd Jones' opinion that it would be impossible to find a suitable Board of Directors for a railway company in Hyberabad, he explained that he was speaking only from his local knowledge; he could not express any opinion as to the possibility of doing this in other parts of India.

5147. Alluding to Mr. Lloyd Jones' opinion that, other things being equal, Indian Boards should certainly be appointed to manage Indian railways, but that it is not in the interests of the State to risk efficiency for sentimental reasons; the Chairman enquired whether Mr. Lloyd Jones would give any weight to sentimental considerations. Mr. Lloyd Jones said that he would do so, but not if it eventually meant materially higher rates and fares or losses to the State.

5148. The Chairman suggested that if, for instance, it were established that American railway management is superior to English management, it might be suggested—on Mr. Lloyd Jones' principle—that the Board of Directors of an English railway company should be located in New York; and he asked what the opinion of the British public would be in such a case. Mr. Lloyd Jones thought that so long as the Board in New York stood to the railway it controlled in the same relation as the London Boards of Indian Railways, the public would not be much affected; if it were in the interests of efficiency, the Board should be located in New York for the public benefit. The Chairman thought that in such a case popular sentiment would certainly rebel.

5149. In reply to the Chairman, Mr. Lloyd Jones stated that the function of the Board of Directors was not to manage the affairs of the railway company from day to day, but to deal with broad questions of policy—his Board gives him a wide discretion. The Government of India have nothing to do with rates of pay to his staff, and they do not touch the company's rates at all. Mr. Lloyd Jones explained that the position of his company relatively to His Exalted Highness' Government is similar to that held by the other guaranteed Indian railway companies in relation to the Government of India. The Durbar has the right of inspection of the railways, controls rates and fares to a certain extent, and passes the revenue and capital estimates. The Government of India's Inspectors inspect the railway. Mr. Lloyd Jones was not sure whether His Exalted Highness' Government sees the Senior Government Inspector's reports—it does not act upon them.

5150. His relations with the Durbar are facilitated by the fact that the officials on the spot know all about the railway. On one occasion they had appointed a special officer to inspect the railway on behalf of His Exalted Highness' Government. No changes of any importance are carried out in rates or in policy without consulting the Government. In such matters the Agent deals with the Financial Secretary, who is not a railway expert. The Durbar have no technical railway staff of their own. Mr. Lloyd Jones thought that it facilitated work to be able to deal with the Government on the spot, as he could get into direct touch with the responsible officials and talk things over with them. He does not find that they interfere in small matters and he is careful to consult their views in regard to important questions.

5151. The witness explained that the Nizam's railway is in touch with the Great Indian Peninsula and the Madras and Southern Mahratta Railways. He has no difficulty in fixing through rates, but the line suffers somewhat from being isolated in Central India. For five or six years the Administration has been endeavouring to secure a new outlet for its traffic to the sea, and hoped to find this in Marmagoa, but had not the sanction of the Government of India to the necessary extensions. An obstacle arose in connection with proposals for the restriction of the rates on the line to Marmagoa to protect the vested interest of the Great Indian Peninsula Railway. The contention of the Nizam's railway was that if its traffic could not be got through to Bombay, it should be free to go to Marmagoa. The Great Indian Peninsula Railway, however, considered that the interests of the existing route should be protected and proposed that a rates agreement should be entered into under which Bombay would get an advantage over Marmagoa, notwithstanding that for some stations on the Nizam's railway the distance to Marmagoa would be shorter than that to Bombay. Until quite recently they were under the impression that the Railway Board would not support the claim of the Great Indian Peninsular Railway, but they were now uncertain as to the Railway Board's attitude.

5152. In reply to Sir Henry Burt, Mr. Lloyd Jones said that this was a question of traffic from the Nizam's territory; he did not think it would affect southern India traffic also; and in answer to Sir Arthur Anderson, he explained that the claim of the Great Indian Peninsular Railway was only in respect of traffic that would terminate at Marmagoa for direct export.

5153. Mr. Lloyd Jones explained that there had been no difficulty about money for railway construction in Hyderabad at least until this year. It was originally proposed that a line should be constructed from Secunderabad direct to Gadag through Raichur, enabling traffic to get on to the Madras and Southern Mahratta Railway at Gadag and to run over it to the Portuguese Railway. The line had now only been constructed as far as the river Krishna. The work was begun by His Exalted Highness the Nizam's Government on the understanding that the Government of India would not interfere with their rates in any way, but after commencing construction it was realised that His Exalted Highness the Nizam's Government would be compelled to agree to a rates restriction, and construction was accordingly stopped at Gadwal. It was at the suggestion of the Railway Board that the construction of this line was begun in the first instance. His Exalted Highness' Government also wished to construct another line (broad gauge) from Kazipet to Balasar; this was commenced as a famine relief work. Later on, Mr. Lloyd Jones advised His Exalted Highness' Government to extend the railway that had already been constructed as far as Gadwal by a connection due south to Kurnool, a distance of about 40 miles. This would give them a connection to the southern system and it appeared to him that His Exalted Highness' Government would not be required to enter into a rates agreement in connection with that extension.

5154. Mr. Lloyd Jones observed that the position is that His Exalted Highness the Nizam's Government is anxious to make railway extensions both to develop its territory and for profit. There is no such lack of money as exists elsewhere in India, but an obstacle to progress is encountered in the claim of the existing railways for the protection of their vested interests. The Chairman observed that railways would naturally object to losing part of their traffic and asked whether Mr. Lloyd Jones could suggest any remedy in such cases. Mr. Lloyd Jones thought that, if an existing railway has facilities which would be put out of use by the diversion of its traffic elsewhere, then it has a clear claim to consideration, and it would not be in the interests of the State to divert the traffic. But, if in spite of the diversion of some traffic by a new line a railway can fully utilise its facilities, then the construction of the new line should not be prevented if it is required in the public interests.

5155. He mentioned that the Nizam's railway is in a position to give 900 tons of traffic daily to the Great Indian Peninsula Railway at Manmad, but had frequently been restricted to 200 tons. It was for this reason that the Nizam's railway desired to find another outlet. They could not get their traffic on to the Great Indian Peninsula Railway, but were prevented by the claim for protection of that railway from making the lines to take elsewhere the traffic which it could not itself carry.

5156. Mr. Lloyd Jones stated that for some years past the cotton seed traffic offering was many thousands of tons more than could be carried during the season. This was on the line from Secunderabad to Manmad. In his experience, the *vid* Manmad traffic was invariably restricted by the Great Indian Peninsula. There are constant complaints from merchants that they cannot move their crops. The Nizam's railway had done all it could to remedy matters. In normal years, no doubt, traffic had been got through before the new season. Mr. Lloyd Jones could recall one occasion when it had actually been necessary to burn cotton seed owing to the inability of the railways to carry it; in many cases, the movement of the crops to the railway stations did not take place owing to the known inability of the railways to take them away. He did not know in detail how much traffic might have been blocked back in this manner. Mr. Lloyd Jones promised to furnish the Committee with a statement giving precise figures, and the names of stations and dates at which cotton seed had been burnt. He stated that in 1919 the Nizam's Guaranteed State Railway had been involved in heavy losses on account of damage to cotton bales which could not be moved until the beginning of August. The losses to the merchants would probably be a great deal more than that to the railway.

5157. In reply to Mr. Purshotamdas Thakurdas, Mr. Lloyd Jones explained that the railway had insufficient shed accommodation to stock the goods, which were left in the open. They did not disclaim liability.

5158. Asked whether there was any remedy for the constant difficulty of protest against short circuiting, Mr. Lloyd Jones said he did not see any other alternative to the consideration of each case on its merits. The Chairman suggested that if for instance there were no District Board lines in southern India, or if the Nizam's railway were part of the general Indian railway system, this difficulty would not arise in these cases. Mr. Lloyd Jones agreed that in these cases the question would not arise if the projected line could be justified on economic grounds. He did not think that diversion of traffic by a new line was necessarily a matter for compensation of the old line by the new. The beneficial effect on the country of a new line would usually react favourably on existing railways. He mentioned that the Nizam's Guaranteed State Railway Company were constructing lines for His Exalted Highness the Nizam's Government that would divert traffic from their own system; but they had not asked His Exalted Highness the Nizam's Government to compensate them for the loss of traffic. There would be a diversion of traffic over the new broad gauge line from Kazipet to Balasar, but the company hoped that the general development of the country would eventually recompense them for any immediate loss entailed by the diversion. They expected to work the new lines for a small profit.

5159. In reply to Mr. Hiley, Mr. Lloyd Jones stated that some years ago the Nizam's Guaranteed State Railway had attempted to get into Masulipatam. He did not think that traffic to and from Masulipatam was blocked; the traffic was small because Masulipatam was not worth considering as a port. The Government of India had a short line running into Bezwada; the Nizam's Guaranteed State Railway made an offer to the Railway Board to purchase this line and to extend it as far as Masulipatam, but by that time, arrangements had already been made for the District Board to construct the line.

5160. The Chairman drew attention to Mr. Lloyd Jones' answer to Question No. 9 in his written evidence and asked whether the Committee of the Indian Board has no power to do anything unless the London Board wished. The witness agreed that it was so. He would not propose to give the Indian Board any powers except those delegated by the London Board. In the event of disagreement the Indian company would have the right to withdraw from the working company, and under their contract with the Government the English working company would be obliged to find a new Indian company to be associated with them.

5161. Mr. Lloyd Jones said that he would prefer a larger Board of an advisory character in place of the present Railway Board, executive responsibility being vested in a single officer. The Board should be more representative, consisting of permanent technical officers and representatives of business and financial interests and of the general public. The Board should have two quite separate sides—one of the nature of an Advisory Council; the other comprising the technical staff.

5162. The Chairman invited Mr. Lloyd Jones' attention to his statement in the written evidence that the railway system in the Hyderabad State would have been benefited by a more consistent policy on the part of the Railway Board and asked him to furnish the Committee in writing with some instances of what he meant by this. Mr. Lloyd Jones said that he would do this; but as an immediate example he mentioned that from about 1907 to about 1913, the Railway Board were very anxious that the northern and southern metre gauge systems of India should be connected. Their idea was to connect from the north at Akola to the south towards Kurnool, Guntakal or Gadag. His Exalted Highness the Nizam's Government were pressed very strongly by the Railway Board to proceed with the construction of this line; and a beginning was made by the construction of a line to the north from Purna, to be part of the northern link to connect with the Rajputana-Malwa main line. After this line was constructed, the policy of connecting up the M.G. system was abandoned, and the northern section which should have been constructed by the Government of India is not now to be constructed at all, with the result that His Exalted Highness the Nizam's Government have about 50 miles of line which is no longer required as part of the proposed link. Mr. Lloyd Jones promised to furnish particulars in writing.

5163. Mr. Lloyd Jones said that his statement, that the control exercised over technical matters by the Railway Board through the Senior Government Inspector is not sufficiently uniform nor stable as regards practice and policy, referred to standards of engineering construction. As an instance, he mentioned that a scheme had been drawn up for interlocking broad gauge stations and providing for short sidings at the end of the loop lines to isolate the running line. They were not allowed to use short sanded sidings and had to put in long sidings in accordance with the existing rules. On the advice of the Government Inspector, they modified their scheme and isolated the main line by means of derails on the loop lines. The policy of later inspecting officers of the Railway Board was different; they objected to the scheme which had been adopted to meet the views of their predecessor. Mr. Lloyd Jones thought that, if Government Inspectors had been controlled by one Engineer acting under the authority of the Railway Board, there would be more uniformity.

5164. The Chairman asked Mr. Lloyd Jones to do what he could in writing to particularise his answer to question 27. The particular district referred to in the written evidence in which the land revenue had increased from 13¼ lakhs of rupees in 1900 to 19¼ lakhs to-day was "Nanded." This increase of six lakhs includes only land revenue, but not excise and customs. He derived this information from the records of His Exalted Highness the Nizam's Government and suggested that His Exalted Highness the Nizam's Government would be able to give very valuable information on the subject. The Chairman asked

Mr. Lloyd Jones to furnish particulars as far as he could.

5165. With reference to his statement that the gross earnings of the railway stations serving the Nanded district have increased in the same period by 9 lakhs, Mr. Lloyd Jones said that it might be assumed that the operating ratio remained much the same. The witness said that traffic is not restricted on the Madras and Southern Mahratta Railway. There had been restrictions at Wadi on the Great Indian Peninsula Railway which had affected the castor seed traffic to Bombay. The restriction at Wadi had been serious in certain cases, but he could not give details off hand. There was no restriction on traffic at Bezwada. As regards the adequacy of their facilities, Mr. Lloyd Jones said that their engines and stock would deliver over 900 tons a day to Manmad in addition to traffic southwards; they would be satisfied with 600 tons in a normal year. They could obtain enough money to keep the railways properly developed. The State preferred to provide the money rather than allow the company to raise it.

5166. Mr. Lloyd Jones explained that the rates and fares on the Nizam's Guaranteed State Railway are about the same as those of the Great Indian Peninsula Railway. The 3rd class fares were raised about a year ago: and it was now contemplated to increase the 1st class fares also. A few items of goods' rates were also raised recently. The expenses of the railway were going up so rapidly that it was feared they would have to enhance charges more seriously in the future.

5167. In reply to Mr. Purshotamdas Thakurdas, Mr. Lloyd Jones stated that, on the metre gauge, the company had already paid off their debt. On the broad gauge, they refund a part of the Government loan every year from their revenue. They would not be able to pay off the full loan before the line reverts to Government, that is before 1983, there being still about a million and a half to be paid. Mr. Lloyd Jones promised to send for the information of the Committee documents which would give details of the financial arrangements between the Durbar and the company.

5168. The witness explained that Government did not exercise a very rigid control over rates and fares; generally speaking, these are subject to the approval of His Exalted Highness the Nizam's Government. The railway would make no important alterations without consulting that Government. Occasionally, complaints are sent by His Exalted Highness' Government regarding rates; these are decided on their merits, and the decision is eventually reported to His Exalted Highness' Government.

5169. Mr. Lloyd Jones stated that he had heard no special complaints against the railway administration generally, such as want of accommodation and other third-class passenger grievances. Complaints were received from time to time, but most of them were more or less trivial. The Nizam's Guaranteed State Railway does not get a rush of traffic.

5170. His Exalted Highness the Nizam's Government had its own official Director on the Board in London; he was a nominee of the State, and the gentleman now in that post had been the Finance Minister of the State for many years.

5171. Mr Lloyd Jones said he was hardly in a position to say whether the Railway Board have exercised adequate control, because their relations with that Board are rather exceptional. He was not in a position to know if the Railway Board have exercised any control over the quotation of block rates.

5172. In answer to Mr. Purshotamdas, Mr. Lloyd Jones did not think that the maximum and minimum rates fixed, as provided in the agreement with the various companies, were so far apart that the interests of Government and of the companies could not possibly be reconciled. He thought they could be reconciled. He thought they could be reconciled by an efficient body representing the Government. Mr. Purshotamdas emphasized that the agreements with the companies in British India are such that the Government of India cannot interfere as long as the companies do not raise their rates above the prescribed maxima; it is only when they get beyond the maximum that the Government control becomes effective, but it is then practically useless.

5173. With regard to Mr. Lloyd Jones' view that directors at a distance are able to form a better judgment, uninfluenced by local prejudice, he explained that a director who is present on the spot, and who sees some isolated effect of a certain policy, might not form so good a judgment, as he would, uninfluenced by special knowledge, be likely to be influenced more by what he sees with his own eyes than by other considerations for which he would depend on reports of other observers. Mr. Purshotamdas could not understand why a man on the spot is not able to judge a thing better than a man who is removed 6,000 miles away. The Chairman said that he understood Mr. Lloyd Jones to argue that if the director sees only one small section, say one-tentth, with his own eyes and the remaining nine-tenths through papers, he was less likely to give a correct decision than if he either sees the whole with his own eyes or the whole is presented to him in papers. Mr. Lloyd Jones agreed that that was his point.

5174. In connection with his recorded opinion that it would not be possible to find a suitable Board of Directors for a railway company in Hyderabad, the witness admitted that he was not aware of the conditions in other parts of India; there were no local industries or companies in Hyderabad of the importance of those in Calcutta or Bombay.

5175. With reference to Mr. Lloyd Jones' observation that a director's judgment is formed on carefully prepared reports submitted by the executive staff and not on personal observation, he admitted that very frequently a director's judgment results in confirmation of the local officer's action; but this is not necessarily the case. The agent considers and recommends what in his view is the best policy to adopt under the circumstances in India and the directors at Home discuss his recommendations. They might agree with or differ from him. The material on which the Home Board's judgment is based is the same as that on which agent's is. In cases of difference of opinion, as for example between the agent and the traffic manager, the views of both are sent Home.

5176. Mr Tuke said that he could not understand the suggestion that the capital of a working company should be paid to Government as a guarantee, and asked the witness kindly to explain it further. The witness said that the capital of the working company should not be looked upon as part of the capital of the railway company at all. It should rather be considered as a guarantee similar to a security deposit paid by a contractor as a guarantee that he will fulfil his contract. He did not intend that the working company should have any share in the capital of the railway they work, but the rate of interest paid to them on their guarantee should be dependent on the annual result of working the railway.

5177. In answer to Mr. Hiley the witness said that his railway could book through to Bombay and through to Madras. As regards interchange of wagons, the witness mentioned that the Nizam's Guaranteed State Railway is in the wagon pool arrangement. Although it is not under the Railway Board the railway company generally acts as though it were. The agent attends the Railway Conference meetings. As regards rates and fares and interchange of traffic the Railway Board is impartial to the Nizam's Guaranteed State Railway, but in regard to extensions it was the opinion of the witness that the railway would have been treated better if the Board had been more representative and had a better knowledge of the conditions of the Hyderabad State. Both geographically and politically the Nizam's railway is isolated. It has got its own collieries and coal traffic. It sends coal both to Madras and Bombay, the greater quantity being sent to Madras.

5178. As regards the relation of the Nizam's Guaranteed State Railway with the Barsi Light Railway Company, the witness said that before a new railway is built in the Hyderabad State, per-

mission has to be obtained both of His Exalted Highness the Nizam's Government and also of the Government of India; the new railway has also to secure the agreement of the Nizam's Guaranteed State Railway Company, which has a monopoly under its contract with His Exalted Highness's Government. The Barsi Light Railway has entered into an agreement with the Nizam's Guaranteed State Railway Company under which the latter has agreed to the construction by the former of a line of railway, reserving the option to purchase the light railway on certain conditions. The witness said that the light railway is competing with the Hyderabad Guaranteed State Railway. He did not know whether any extension of it is under contemplation.

5179. In reply to Sir Henry Burt the witness said that the Nizam's Guaranteed State Railway worked generally within the same maxima and minima rates as other railways. The Durbar probably originally sanctioned the rates obtaining at the time of construction, and their approval is obtained for any important change in the classification. The witness did not think that there was anything in the contract that would necessitate this approval being sought.

5180. As regards the employment of Indians in the superior service of the Railway, no distinction is made between Indians and Europeans. During the war quite a number of Indians were appointed, and these are on the same footing as Europeans with regard to pay, allowances, etc. The Nizam's Guaranteed State Railway Company has no definite policy in regard to the employment of either Indians or Europeans. The proportion of Indians to Europeans in its service at present is about one to four.

5181. In answer to Sir Arthur Anderson the witness said that his company owns 385 miles of the metre gauge and the whole of the broad gauge in the Hyderabad State.

5182. The witness was almost sure that the incident of the burning of cotton seeds owing to the inability of his railway to carry them would have been reported to the Government of India. He was not quite sure of the date of its occurrence, but thought it happened about the end of 1914, that is, at a time when the effects of the war were not yet serious.

5183. In reply to the Honourable Mr. Sastri the witness said that one of the officers of his railway was a subject of the Hyderabad State, but others were recruited from all over India. The Indians had mostly been local men in the past, but they had the usual casualties by death and resignation and transfer to His Exalted Highness the Nizam's service. He admitted that a good number of Indians were appointed because many of the officers of his railway had gone to the front, but the railway always employed a certain number. In the matter of the appointment of Indians no pressure was brought to bear on the railway by His Exalted Highness's Government. Whatever appointments were made they were made entirely of the company's own accord. It did not lose any opportunity of appointing Indians. The witness did not think that there were any in district charges at present except one—District Engineer. The Chairman asked whether, in the witness's experience of 16 years, there had been any change in the company's policy towards the employment of Indians. The witness said that there was a rather greater readiness now than formerly to employ Indian officers. The railway could not so easily get men from Home to fill vacancies. The railway promotes the Indians to the highest appointment they are capable of holding, there being no racial distinction at all in this regard. Indians are exactly on the same scale of pay as Europeans, and the witness thought that there was no reason why the Indian should not be able to rise to the highest positions in the railway.

5184. The Honourable Mr. Sastri asked whether there are any training schools from which the railway recruits its officers. The witness replied that all the Indians the railway had appointed had English degrees. He thought that there was only one in the Traffic Department, and was not sure whether he had been educated in England. His rank was not high because he had not been long on the line. One Indian had risen to Assistant's rank in the Audit Department. The witness said in conclusion that the Nizam's Guaranteed State Railway is a small one, there had been one or two deaths and one or two reversions to the Nizam's service and hence it was that the number of Indians in the higher services was small.

5185. In answer to the Chairman, who drew attention to evidence placed before the Committee that Indians do not take kindly to the Locomotive Department, the witness replied that in the Locomotive Department of his railway there is only one, a non-technical, Indian officer; he added that the railway company had tried on several occasions to get Indians for this department, but had not succeeded. It could and did easily get Indians for Civil Engineering, Audit and Traffic work. Sometime back the railway had failed to obtain a qualified Indian Superintendent of Stores.

5186. The witness wished it to be recorded that he had had no instructions from his Home Board as to the evidence he should give before the Railway Committee, and that the views expressed by him were entirely his own, and should be treated as such.

P.S.—Mr. Lloyd Jones subsequently furnished the following notes, &c., to the Committee as promised in his foregoing evidence.

EXTRACT FROM THE ACCOUNTS, TO 31ST MARCH, 1919, OF H.E.H. THE NIZAM'S GUARANTEED STATE RAILWAYS COMPANY, LIMITED.

* *Contingent Liability on Interest Accounts, 31st March*, 1919.

No. 25. BROAD GAUGE SYSTEM.

	£	s.	d.		£	s.	d.
GOVERNMENT OF H.E.H. THE NIZAM— For amounts received to pay Guaranteed Annuities *as per last account*	3,409,536	9	4	GOVERNMENT OF H.E.H. THE NIZAM— Repaid from Net Earnings *as per last account.*	2,526,475	5	10
Receivable for the year ended 31st March, 1919.	13,750	0	0	Repayable from Net Earnings for the year ended 31st March, 1919 (*Account No.* 20)	13,771	16	4
	3,423,286	9	4		2,540,247	2	2
For Interest at 5 per cent. per annum on the balance of the above amounts accrued to 31st March, 1918, *as per last account* £1,350,041 7 9							
For the year ended 31st March, 1919 44,152 10 7							
	1,394,193	18	4	Balance	2,277,233	5	6
£	4,817,480	7	8	£	4,817,480	7	8

* NOTE.—These are contingent claims of the Government of H.E.H. the Nizam for interest advanced, which is repayable in pursuance of Article 31 of the Agreement dated 27th December, 1883, and Article 30 of the Agreement dated 16th March, 1897, with that Government.

HYDERABAD GODAVERY VALLEY LINE.

No. 26. METRE GAUGE.

	£	s.	d.		£	s.	d.
GOVERNMENT OF H.E.H. THE NIZAM—				GOVERNMENT OF H.E.H. THE NIZAM—			
For amounts received to pay Guaranteed Annuity *as per last account*	1,500,586	12	0	Repaid from Net Earnings *as per last account.*	1,535,063	7	4
Receivable for the year ended 31st March, 1919.	96,750	0	0	Repayable from Net Earnings for the year ended 31st March, 1919, to Balance Account.	96,750	0	0
	1,597,336	12	0				
For Interest at 4½ per cent. per annum *as per last account.*	34,476	15	4				
£	1,631,813	7	4	£	1,631,813	7	4

NOTE ON POLICY OF THE GOVERNMENT OF INDIA AS AFFECTING RAILWAYS IN HYDERABAD STATE.

The Government of India agreed to the construction of the H.G.V. line from Secunderabad to Manmad on condition that the saving effected by constructing it to metre gauge should be expended on linking up the metre gauge systems of North and South India. The H.G.V. line was constructed under this sanction and opened for traffic in 1901.

From 1904 to 1906 the Government of India became more and more insistent upon H.E.H. the Nizam's Government continuing the scheme of linking up the north and south metre gauge systems. As a result H.E. Highness's Government constructed the metre gauge line from Purna to Hingoli, opening it for traffic in 1913, although the Government of India were unable to state definitely when they would be in a position to undertake the construction from Khandwa to Hingoli.

H.E.H. the Nizam's Government applied for and obtained permission to begin work on the first section of the southern link from Secunderabad to Gadwal: construction was commenced in 1913, and this section was opened for traffic in 1916. The Government of India have intimated that the completion of this line as far as Gadag will be sanctioned on condition that H.E. Highness's Government enter into an agreement restricting the rates to be charged over the new railway in such a way as to prevent the diversion to Mormugao of traffic from the Nizam's Dominions, which now goes to Bombay *via* the G.I.P. Railway.

Recently H.E.H.'s Government have learnt unofficialy that the Government of India have abandoned the scheme of metre-gauge connection from Khandwa *via* Akola to the borders of the Hyderabad State, and that the north and south metre-gauge connection no longer finds a place in the construction programme of the Government of India.

In view of the delay in arriving at a settlement regarding the extension from Gadwal to Gadag, and on the advice of the N.G.S. Railway, H.E.H.'s Government applied for sanction in 1919 to complete the southern connection by building the comparatively short line from Gadwal to Kurnool, and at the same time to proceed with the construction of a broad-gauge line from Kazipet to Belharshah. A meeting was held at Delhi in 1920, and H.E.H.'s Government were advised that the Railway Board considered that the rates' conditions proposed by the G.I.P. for the Gadwal-Kurnool line could not be sustained, and no suggestion was made that sanction to the Belharshah line would be conditioned on a rates' agreement being arranged. The construction of the Belharshah line has been commenced and sanction notified in the Gazette. The Railway Board have since suggested that a rates' agreement shall be entered into for the Kurnool and Belharshah lines on the same general basis as that proposed for the Gadag line.

RESTRICTION OF VIA MANMAD TRAFFIC.

Normal traffic outwards *via* Manmad (mostly to Bombay) is about 100,000 tons per annum, or 280 tons per day for 365 days. Most of the traffic offers in the months December to May, and the traffic offering in the heaviest month of a normal year averages 600 tons per day, but may be much higher over a shorter period than one month.

The restrictions on this traffic by the G.I.P. at Manmad have been as follows:—

Season.		1916–17.	1917–18.	1918–19.	1919–20.
Average restriction from December to May	Tons per day	250	160	291	377
	Months	2	5	5	5

The restriction approximates to the average traffic of the year, and compels the traffic to be held back during the busy season.

The season of 1913–14 was above normal, and we actually carried 181,000 tons *via* Manmad, exclusive of traffic diverted to other routes and traffic destroyed by rain. This amounts to 510 tons per day for 365 days. The restriction at Manmad was 800 tons per day, but owing to a shortage of broad-gauge wagons the G.I.P. frequently could not take more than 600 tons (*vide* telegrams interchanged between Traffic Manager, Secunderabad, and Station Master, Manmad). On 1st June 13,000 tons of cotton seed and 1,500 tons of linseed were in bags waiting shipment, principally at Nanded Station. Of this quantity, about 7,000 tons of cotton seed was stacked in the open and was damaged by rain, so that notices had to be served on the owners to destroy it. Part of this was burnt and part sold by auction. On 1st July traffic between Nanded and Manmad was interrupted by flood damage, and the undamaged cotton seed was carried via Wadi.

RESTRICTION OF VIA WADI TRAFFIC.

Normal traffic is about 300,000 tons per annum, or about 65 wagons per day for 365 days. The heaviest year in the last seven years was 1913–14, when we carried 368,000 tons, or about 82 wagons per day for 365 days. In order to deal expeditiously with our traffic the G.I.P. should be able to take 100 wagons per day in the busy season.

It is not possible to explain briefly the effect of the restrictions in all cases in recent years without separating the mineral traffic, but in 1917–18 the restriction was 70 wagons per day for four months in the season, and in 1919–20 the restriction was 70 wagons per day throughout the busy season.

In the busy season, therefore, the traffic is restricted to our average daily traffic throughout the whole of a normal year, and does not enable us to deal with seasonal traffic as it offers.

The effect of the restriction at Wadi was reported to the Railway Board in this office letter dated 7th May, 1913.

THIRTY-SECOND DAY.

(Bombay).

Tuesday, 1st February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. H. P. W. MACNAGHTEN, M.L.C., Deputy-Chairman of the Chamber of Commerce, Bombay, was called and examined upon a statement which had been furnished by the Chamber to the Committee.

See Written Statement No. 44, Vol. IV., P. 152.

5187. Mr. Macnaghten explained that he was a member of the firm of Messrs. Wallace and Company, Bombay, which has a special personal interest in Indian railways, as its business is largely connected with the sale of timber, much of which reaches the railways.

5188. Mr. Macnaghten said that the memorandum which had been furnished to the Committee had been drawn up by the Committee of the Chamber and circulated to its members. It might be taken as the considered opinion of the Chamber of Commerce. In reply to the Chairman, he stated that the membership of the Chamber is about 90 in all and is mostly British. A very few Indian firms are full members, and there are a few Japanese associate members.

5189. The Chamber had expressed the opinion that from the standpoint of administration, State management of railways cannot be regarded as advantageous, as it tends to remove the element of competition which is necessary, from the public point of view, to the development of railways, and introduces what might be described as "the political element" into the administration concerned. The Committee feel that decisions affecting important questions of staff management, such as appointments and promotions, are likely to be influenced in the first place by extraneous political considerations, and in the second by the seniority of individuals rather than their efficiency. Mr. Macnaghten explained that in speaking of State management tending to remove competition, their view was that it was well that there should be a certain amount of competition; for example, there are two routes from Bombay to Delhi and two to Calcutta. The Chamber would like to retain the competition thus afforded. He thought that if a company were willing to construct a new route competing with the existing one between Delhi, as a sound financial proposition, it would be to the interests of the country to let them do so. In the present state of affairs, however, Mr. Macnaghten agreed that it would be better to improve existing railway facilities rather than to spend money on providing new lines competing with those already in existence. Mr. Macnaghten stated that he does not sympathise with the existing English policy of grouping railways and restricting competition between different lines, as he thought that a healthy competition is beneficial.

5190. The Chamber having advocated the adoption of the principle of company rather than State management in the case of all railway administration in India excepting any railways serving a strategical frontier, such as the North Western Railway, Mr. Macnaghten explained that if it be assumed that a railway exists purely for strategical purposes, it is on the same footing as military fortifications and other equipment, and he thought that the cost should be defrayed from military funds.

5191. The Chamber of Commerce recommended the adoption of a scheme involving the retention of Railway Companies' Boards in London as at present, and the institution in India of an executive Board or Committee. With reference to the question of the powers that might be delegated to such a Board or Committee in India, Mr. Macnaghten observed that at the present time powers are delegated by the London Boards of Directors to their agents in India. He thought that the proposed Indian Board might deal with questions relating to local policy other than those connected with new construction and administration. It would deal, for instance, with such matters as the pay of the staff. The Chairman observed that if the Indian Board were to increase wages all round this would affect the dividends paid to the shareholders, and it seemed to him that this would be a question of policy. Mr. Macnaghten considered, however, that it is a matter which might be left to the local Board, notwithstanding that it would give them a decided control over the dividends paid in England. He agreed that it would involve a certain amount of transfer of control of policy to the local Board, since he did not contemplate that the English Board should interfere in the exercise of powers once they had been delegated to them.

5192. Referring to the opinion of the Chamber that the value of such a local Board in India would be particularly apparent in the settlement of labour disputes the recurrence of which, for some time to come is to be feared, Mr. Macnaghten, in reply to the question whether he would prefer labour disputes to be settled by a Board or by one competent person authorised to deal with them, thought that the latter would be the better arrangement, but the individual (who would, of course, be the agent of the railway) should have behind him the authority of a local Board which would understand local conditions. He did not anticipate any disagreement between the agent and the local Board in such matters, and thought that if they did not agree at first they would have to continue to discuss matters until they do. He did not look upon the London Board as affording a court of appeal in such cases, but considered that the local Boards in India should be the responsible authority.

5193. The Chairman observed that it had been remarked by some that a local Board would be accessible to public opinion, or, as Mr. Macnaghten preferred to express it, would be in touch with local conditions, whereas it was said that the London Boards care only for their dividends. He suggested that there would be material for considerable differences of opinion in a scheme whereby two such bodies were working together. Mr. Macnaghten considered that the London Board should leave matters of local administration to the local Board. He recognised that London shareholders might object and hold

that it was for the London Board to exercise control over matters affecting their dividends. He thought, however, that even if the settlement were left to the Board in London, this would have to act on the recommendations of the agent, or else involve the railway system in difficulties. He thought that the London Board would be in a stronger position if it had a local Board to which it could delegate powers. He did not contemplate that in the exercise of such powers the local Board should be subordinate, as the agent at present is, to the directors in London, or be liable to dismissal by them. He thought that if he were himself a London shareholder, he would have rather more confidence in a strong local Board even if it were uncontrolled from London than in the agent of a railway who can be controlled under the existing system.

5194. The Chairman observed that many other witnesses had also expressed themselves in favour of the view taken by the Chamber of Commerce as to the necessity of freeing the Railway Board from all unnecessary restrictions, especially in regard to railway finance. He asked, however, what exactly the Chamber meant by the use of the term "commercial principles" when saying that the Railway Board should have full authority to administer railways on commercial principles. Mr. Macnaghten explained that he did not mean that the services which the railway is in a position to render should be sold at the highest possible price, but rather that the lines should be managed on the principles which actuate large commercial companies, which are administered with a view to the future as well as to the present, and to the permanent interests of the shareholders rather than merely to immediate profits. He would regard every man in the country as a shareholder in the Indian railway system.

5195. The Chairman mentioned the case of a railway which had been begun in 1908 and which was not yet completed, and the interest charges on which amounted to 28 per cent. of the capital because of money not being forthcoming to allow of the earlier completion of the line. Mr. Macnaghten agreed that this was certainly not in accordance with commercial principles. He agreed with the opinion expressed to the Committee by Lord Inchcape, who said that he would pay any interest, up to 8 per cent. if necessary, to secure money required to improve existing railway facilities, though he would not raise money at the present time for further extensions. He thought in general that the railway administrations should look to the future development of the lines.

5196. The Chamber of Commerce had expresed the opinion that the removal of all control by the Finance Department over the railway budget would result in the utilisation of surplus railway earnings for railway development to a greater extent and "in a more enlightened manner" than at present. Asked what he meant by "a more enlightened manner" he said that he had in mind the practice of the Government of India, which was particularly noticeable in 1918-19, of using all the profits of the railways to pay themselves dividends and putting nothing back into the business. He thought it wrong to divide money as dividends which would have been spent on renewals if material had been obtainable, instead of its being kept as reserve to be spent when the material could be obtained. It was because of the failure of the Government of India to deal with the railways in such a businesslike manner that the Chamber of Commerce are definitely in favour of the change proposed by their Committee.

5197. Referring to the Committee's opinion that the President of the Railway Board should be a member of the Viceroy's Executive Council, Mr. Macnaghten observed as regards the qualifications of this officer, that he should, if possible, be a man of both administrative capacity and railway experience. If, however, a single individual possessing both qualifications (which are obviously desirable) could not be secured, he thought that it would probably be better to lay stress on the need for administrative capacity than on technical knowledge. He thought, however, that it would not be difficult to secure a man possessing both qualifications. He agreed that the control of all the railways in the country is an important charge, but he thought it reasonable to hope for success in finding a competent man amongst those who have worked successfully on railways and who have acquired administrative as well as technical knowledge.

5198. With regard to the salaries that would have to be paid, Mr. Macnaghten said that he could express no opinion. It would, however, be bad business to underpay the staff, and the Railway Board should be paid properly. He saw no reason why the general rise of pay which has been recognised is the case of lower-paid appointments should not apply also to the superior officers.

5199. Regarding the recommendation that a programme of the requirements of railways for a number of years should be drawn up, Mr. Macnaghten explained that what the Chamber had in mind was that a programme should be drawn up in advance to enable the important subjects which are before the railway administation from time to time to be reviewed and provided for. It should be revised each year according, on the one hand, as works in the programme are completed, and, on the other, as new demands appear on the horizon. Sufficient money should be made available to deal with the programme in an orderly manner. He would not think it sound policy to begin to build, for example, a factory and leave it unfinished at the end of a particular year until money can be provided. The amount of money necessary to suit the programme would have to be set aside and should not be available to diversion for other purposes. The Railway Board should have full authority to spend this money as required.

5200. With regard to the suggestion of the Chamber that money required for railway purposes should be raised by means of Government loans, Mr. Macnaghton explained that, in the event of Government raising money for railways as part of their general borrowings, the proportion to be raised for railway purposes should be fixed beforehand and be credited in full to the railway account, being available then to be drawn up as required. The alternative method of raising money by means of an issue of sterling capital in London implied the raising of new share capital, since debenture capital is to all intents and purposes part of the Government of India's borrowings. The Chairman observed that Indian opinion, so far as voiced to the Committee, is strongly against giving to English shareholders, some 6,000 miles away, an increased interest in, and control over, the Indian railways. Mr. Macnaghten observed that his Chamber had recommended the practice of raising money directly by the State as well as indirectly through the railway companies. He did not claim particular knowledge of these matters, but was inclined to think that money raised by share capital in London would have to carry different conditions as to participation in surplus profits or else would need to be raised at a discount in view of the fact that the Indian railway share capital in London at present stands below par. He thought that the latter would be more in accordance with ordinary commercial principles.

5201. In regard to the possibility of raising of rupee capital by the existing Companies' Boards, he thought that the Home Government would have to be approached with a view to securing exemption from English income tax. The Chairman observed that this might be difficult to work in practice, since the tax is levied on the profits of the company, and only after deducting this are the profits remaining available for division as dividends. Indian shareholders would thus have to pay English income tax, although indirectly. Mr. Macnaghten said that unless the income tax difficulty could be got over he did not see how this alternative method of raising capital could be utilised.

5202. Turning to the Chamber's recommendation regarding the utilisation of private enterprise, and capital for the construction of new lines and for an improvement in the terms granted to promoters, Mr.

Macnaghten stated that if the Government or the companies had enough money for the purpose, he would not advocate the use of branch line companies to make feeder lines. The Committee's recommendation was made on the assumption that the available money would not be enough to let the main lines undertake the branches, as had always proved to be the case in the past.

5203. The Chamber of Commerce expressed the opinion that the present control by Government over rates is adequate, and that they were unable to suggest any modification in respect of it. The Chairman suggested that a railway company, being free to modify its charges within the prescribed maxima and minima rates, might charge one man more than another for a similar service. He did not suggest that railways actually do so, but observed that it appeared to be a possibility. Mr. Macnaghten said that he was under the impression that the railways were prevented from giving any undue preference. The Chairman explained that at present Government have special powers of control in this matter under some of the companies' contracts, but that in other cases the only remedy was that provided by the Railways Act for the appointment of a Railway Commission. That power had been in existence for many years, but had never been used. Either the railways must have been very virtuous or the machinery provided must be too inconvenient to set in motion.

5204. Referring to the Chamber's opinion that the existing machinery for deciding disputes between railways and traders is satisfactory, Mr. Macnaghten explained that as far as he was aware no serious difficulty had arisen, and it might therefore be assumed that whatever machinery exists for the purpose is adequate. He did not think that the Railway Board would be the best body to settle disputes if such were to arise, and he agreed that possibly the cases of small traders, who cannot so easily obtain a hearing from the higher railway authorities as the larger firms, might require more protection.

5205. In reply to Sir Henry Ledgard, Mr. Macnaghten explained further what he meant by the use of the expression "commercial principles" in connection with the management of railways. He explained that if, for instance, owing to the increased working charges, railways are unable to pay their way, and have to fall back upon the Government guarantee of a dividend, it would be their duty to increase their rates, so that they might meet their liabilities. While the railways should not aim at selling their services at the highest possible price, they have a reasonable claim to raise the rates for certain commodities in view of the general rise in working costs.

5206. Mr. Macnaghten said there was very little doubt that the railways having access to Bombay had not in recent years provided adequate facilities for the carriage of goods. As an example, he mentioned the shortage of coal, which is due to the lack of railway facilities. He believed that delays in the transport of commodities are considerably greater now than they were eight or ten years ago. The Chamber of Commerce receives a very large number of complaints from its members. He thought the general situation is improving, though the adequacy of the railway facilities is much behind the standard of ten years back.

5207. He stated in reply to the Chairman that the railway companies are members of the Chamber of Commerce, the two Railway Agents always being members of the Committee.

5208. In answer to the Hon. Mr. Sastri, Mr. Macnaghten agreed that, in speaking of competition being desirable between railways, he had rather less in mind competition between two lines to secure the same traffic, which is not at present very large except as regards the carriage of Bengal cotton to Bombay. Such competition he thought it would be uneconomical to introduce. He had in mind rather another form of competition, namely, emulation in efficiency. He thought that if all the railways were managed by the State there would be less rivalry of this kind. He agreed that some such expression as "emulous rivalry" might be substituted for the word "competition" in the second paragraph of the Chamber's written evidence.

5209. As regards the question of staff promotion being determined rather by seniority than by efficiency, Mr. Macnaghten laid stress on the opinion that, within bounds, promotion should always be given with reference rather to efficiency than to seniority. Mr. Sastri observed that in every large service there is the feeling that selection for promotion may be dictated rather by favouritism than by real consideration of efficiency, and that it is easier to prevent such a feeling in a small service than in a large one. Mr. Macnaghten said that he did not think it would be more difficult to apply the test of efficiency in dealing with a large scale than with a small scale business. He thought that to make promotions by seniority tended rather towards the introduction of the Trade Union practice of limiting output; that is, it would reduce the incentive to work. He did not agree with Mr. Sastri that it would be desirable to follow in the railway service the example given in many departments by Government in which there is a division of grades, seniority counting mostly in the lower grades, and efficiency counting most for appointments to the higher posts. He would recognise seniority to a somewhat greater extent in the lower grades, but considered that efficiency might be recognised right down to the bottom. As an illustration, he mentioned that in an army of many millions of men even lance-corporals are selected for efficiency, and not otherwise. He agreed, however, with the Chairman that this case indicated the existence of a real difference between a small and a big concern, since such promotions as those made inside a platoon caused no ill-feeling, but they would be resented if they involved transfers from one section of the service to another. Such feeling is not uncommon when the second in command of a regiment does not succeed to the command on a vacancy occurring and a colonel is brought in from another regiment.

5210. With regard to the Chamber's observations on the introduction of the political element into railway administration, Mr. Sastri observed that he agreed with Mr. Macnaghten that company managed administrations are freer from extraneous considerations, by which Mr. Macnaghten explained that he meant considerations apart from seniority or efficiency of individuals, than the State administrations. But he suggested that it may not necessarily be a weakness or a source of danger and therefore undesirable. Mr. Macnaghten explained that he would regard it as such if it tends to the sacrifice of efficiency. He thought that there would be a tendency to the creation of sinecures or the promotion of less efficient men for political reasons. He said he was not afraid of the introduction of Indian element into the highest posts. On the contrary he thought that the sooner efficient Indians could be introduced the better. He was not troubled by the thought of efficient Indians holding the highest appointments, but he thought that the State would be more disposed than a company management to put in or retain inefficient people whether Indians or Europeans.

5211. Sir Arthur Anderson questioned the witness with regard to the point whether the probable dislike of the English shareholders to the delegation of powers to local Boards of Directors, would be lessened if the local Board represented a capital stake in the concern by being, for example, representatives of Indian shareholders. Mr. Macnaghten agreed that this would be the case as the interests of the local and the London Boards would then be more in line. Sir Arthur Anderson explained that what he had in mind was the formation of a local company to take the position of a third partner in the concern of which the present partners are the Government of India and the managing company and to which the London Company might dispute some of its powers of control. Mr. Macnaghten was uncertain as to the

feasibility of such a scheme, but he thought that if it were possible to devise a satisfactory scheme on these lines, and in particular if the difficulty apprehended through the liability of the Indian Company to English income tax could be surmounted, it would be a good thing to raise rupee capital in this way. He thought the idea was to some extent on the same lines as what the Committee of the Chamber of Commerce had in mind.

5212. Sir Arthur Anderson mentioned that the Railway Administration Report for the year 1919-20 indicated that a little over Rs. 18 crores had been provided for capital expenditure on open lines, rolling stock and a small outlay for new construction, and at the end of that year there had been a lapse of nearly Rs. 8½ crores. Again in 1920-21 the budget provision amounted to nearly 22 crores, and he understood that considerable lapses are probable this year also. He suggested that, in the circumstances, it could not be urged that the railways had not been allowed substantial sums of money, and, in fact, more than they were in a position to spend. He recognised that their failure to expend the money was largely due to inability to secure delivery of the goods ordered. Mr. Macnaghten observed that when the note of the Chamber of Commerce was drafted, the latest Administration Report available was that for 1918-19. The Chamber thus had not the figures which Sir Arthur Anderson referred to at their disposal. He agreed that the railways had been allowed a good deal of money in the past couple of years. He considered, however, that they had not an opportunity of preparing and working to a regular programme of expenditure. Sir Arthur Anderson said that he was not defending the present system of finance, but only wanted to point out the misapprehension that there was as regards the budget sanctions for the two years mentioned.

5213. Referring to the recommendation of the Chamber of Commerce that Directors of the Home Board should serve on the Indian Board in rotation, to ensure that there is always a member on the Home Board whose experience of Indian conditions is of reasonably recent date, the Chairman asked what this Director deputed from England would do for the 13 days of a fortnight during which he is not attending a Board meeting. Mr. Macnaghten observed that he would be occupied with acquainting himself with the details of the undertaking. He would of course be paid a substantial salary. He was not afraid that there would be risk of friction between the temporarily resident London Director and the permanent Agent, even though the Director when in London was the superior of the Agent while in Bombay, the Agent would take the chair at the local Board meetings.

5214. In answer to Sir Henry Burt, who asked whether the Chamber had any views on the question of the differential rates that obtain as between import and export traffic on the one hand, and internal traffic on the other, with the result, as it has been alleged, that the development of indigenous industries is hampered, Mr. Macnaghten replied that he had not gone at all into the question nor had the Chamber. The raising of import and export rates much higher relatively to inland rates than they are now, required very careful consideration, each commodity being dealt with on its own merits. He fully realised that a general increase in the rates is inevitable owing to the increase in the cost of working, and he thought that this Chamber would recognise this fact. He would not generalise in any way, as for instance, he would not approve of rates being put up all round by say 25 per cent. He would rather consider individually each case.

5215. Sir Henry Burt asked whether the Chamber of Commerce was satisfied that the Railway Companies in Bombay deal with its complaints satisfactorily. Mr. Macnaghten replied that it was quite satisfied with the way it was treated. He even went further and said that in this matter he thought he might also speak for the smaller firms as well as others. Though he could not say everything was perfect, it was the feeling of the Chamber that the Railways were making very satisfactory efforts to meet it as far as they could within their financial abilities.

5216. Mr. Hiley asked whether Mr. Macnaghten could give any instance of competition leading to improvement in the working of the railways in India. Mr. Macnaghten cited the train service between Bombay and Calcutta and Bombay and Delhi. Here competition operates as far as passengers are concerned. As regards competition in the matter of goods traffic the witness was glad to believe that there is really no active competition, as competition is understood in other parts of the world, but that what there is is merely a sort of emulation in efficiency. Mr. Macnaghten was rather doubtful if there would be the same emulation if the Agents who are now under Companies came under State management. He feared that they would deteriorate. The Chamber might possibly be prejudiced, but it felt that State management tends towards lifelessness.

5217. The Chamber of Commerce regard it as important that in addition to maintaining the London Board at its present strength, there should be instituted in India an Executive Board. Mr. Hiley asked Mr. Macnaghten what powers would remain to the London Board if, as the Committee of the Chamber suggest, questions of local policy—other than those connected with new construction and administration were left to the Indian Board, and if, as advocated by him in answer to the Chairman, the local Board should have control over the Agent, the principal executive officer of the railway. Mr. Macnaghten replied that the local Board would have very little qualification to deal with technical matters which at all times are bound to arise in a railway as apart from questions of administration such as labour, staff, etc. Mr. Hiley pointed out that the railway being in India, all questions connected with it are local questions, and that further there arises the question of fixing rates, in so far as they have not been fixed by law which meant control of finance by a local Board who are not responsible to the shareholders; he asked whether Mr. Macnaghten really thought it possible to have two Boards controlling the same staff, as suggested by the Chamber of Commerce. Mr. Macnaghten observed that he works in this way himself. He manages a fairly large Indian and Burma staff for which only he is responsible, but he freely asks the help and advice of his senior partners in London. He agreed, however, on re-consideration that the cases are not on all fours. He laid stress on the view of the Chamber of Commerce that something in the nature of an advisory board is necesary. Mr. Hiley said that if the Chamber had in mind only an advisory board there would be no difficulty in understanding how this could work. But a difficulty seemed to be created by the proposal that the Indian Board should have delegated to it final powers of control in important matters.

5218. Mr. Hiley observed that there seemed to be some conflict between the opinions of the Chamber of Commerce that the Railway Board should be given fuller authority to manage the railways, and its view that if the Board were given more powers of control, it would result in their having to deal with a number of appeals, many of which should not be referred to that body. Mr. Macnaghten explained that the general impression was that the Railway Board should have more powers. The latter opinion had been expressed more particularly with reference to the disposal of appeals in connection with rates and fares. Mr. Hiley observed that the delegation of greater powers to the Railway Board would inevitably lead to a large number of appeals being presented to it for the exercise of those powers in special cases.

5219. Mr. Macnaghten stated that it might be taken that the Chamber considers that the Railway Board are sufficiently alive to the requirements of

Bombay in particular and of India as a whole. Mr. Hiley remarked that some witnesses had suggested that more remote parts of India suffer at the hands of the Railway Board in comparison with those which are more in touch with it. Mr. Macnaghten stated that the Chamber of Commerce was not of this opinion, and did not consider that the Board needed a local representative to keep it informed of local demands.

5220. In answer to Mr. Tuke, Mr. Macnaghten agreed that the question of finance is a very important one. He admitted that there appeared to be serious objections to rupee capital being raised by existing railway companies' in view of the liability of Indian shareholders to English Income Tax which, as explained by the Chairman, could not easily be avoided; and also having regard to the possibility that it might necessitate the existence of two classes of capital sharing differently in profits. Regarding the independent Indian company which had also been suggested by Sir Arthur Anderson, Mr. Tuke asked which company should appoint the Agent if this third partner were introduced. Mr. Macnaghten agreed that there appeared to be very considerable difficulties in the way of separate Indian companies. He did not understand how the accounts could be kept.

5221. With regard to the suggestion that money should be raised by the State, he thought that it should have to be settled at the time of borrowing whether a special railway loan should be issued, or whether railway requirements should be met by an ordinary loan. In the latter case a suitable part of the loan should be definitely ear-marked for railway purposes.

5222. In connection with the suggestion that share capital might be issued at a discount, Mr. Tuke asked whether Mr. Macnaghten had heard of any such issue. The Chairman intervened and explained that the question is complicated by the fact that some of the railway companies are Statutory companies, with power to issue shares at a discount, and some are limited having no such power. Mr. Macnaghten agreed that there were considerable difficulties in the matter.

5223. In reply to Mr. Purshotamdas Thakurdas, Mr. Macnaghten explained that the Chamber of Commerce looked upon the North Western Railway as being mainly a strategic line, and would prefer State management for it. He said that he was aware of no specific instance indicating a drawback in the case of State-worked railways as compared with company-worked lines, but the Chamber has a general impression that the latter are better administered. He agreed that the whole of the North Western Railway could not be regarded as a strategic line, but it would be difficult to say precisely which parts serve essential military purposes and which do not.

5224. Mr. Macnaghten observed that the Chamber of Commerce was apparently in favour of the retention of the London Board of Directors for two reasons. Firstly, that the existing capital had been raised in sterling, and for raising further capital the London Board is necessary. In the second place London is the only place where all technical questions can be threshed out. He attached importance to the facility of access to the best consulting engineers, which is provided by the existence of London Boards. He attached less importance to the utilisation of these Boards for the purpose of stores. In this connection Mr. Purshotamdas Thakurdas quoted from Sir Marshall Reid's evidence, which indicated that, in his opinion, very little importance need be attached to the financial argument for the retention of the Boards of Directors in London. Mr. Macnaghten agreed that there is a difference of opinion on this point, as the Chamber held a different view. He was not aware of any important Indian commercial concern, other than railways, which found it necessary to maintain a Board of Directors in London consisting of retired officials. In the case of the Bombay Port Trust there is no such Board; the consulting engineer does all the work for them in London. The same, Mr. Purshotamdas observed, had been ascertained of the Port Trusts at Calcutta and Madras. Such important firms as Tata Sons and Company have only an agent in London. Mr. Purshotamdas Thakurdas quoted the following observation from the speech of the Chairman of the Bombay Chamber of Commerce as recorded in the report of the Chamber of 1897:

> "I am, however, not able to appreciate all the advantages of having a Board of Control 6,000 miles away from the base of actual operations, and this particular Board cannot be congratulated on the results, or the working of their lines."

5225. Mr. Purshotamdas observed that M. Macnaghten would doubtless agree that a Board of Directors 6,000 miles away is not desirable unless good reasons could be found in favour of it. Two reasons which had been suggested, namely, the financial one with regard to which there exists a considerable difference of opinion, and the other regarding the need for experts on the Board, is one which has not led to corresponding action on the part of the Indian Port Trusts. Mr. Purshotamdas observed that the Committee of the Chamber of Commerce in 1916 laid stress on the remoteness of the Boards of Directors. Having regard to the suggestion that the directors should come out to India for a year in rotation, Mr. Purshotamdas Thakurdas suggested that if there were so little difficulty in getting the directors to come to India there would seem to be no need to retain the Board in London. If each railway sent out a director in accordance with the Chamber's scheme there would at least be six technical experts in India. It should be an easy affair to have Boards in India on which there would be technical experts and (as the Chamber itself desired) representatives of Indian trade, industries and the general public, both technical and local knowledge in India thus being provided. Mr. Macnaghten observed that, while it would not be difficult to find suitable directors in India, it would be difficult to get suitable men to join the Indian Boards and undertake the heavy work entailed. He admitted that the position would be different if, as explained by the Chairman, the claim on the time of the directors only meant about the equivalent of a day a month as indicated by experience in England.

5226. In connection with the question of competition between railways, Mr. Purshotamdas quoted from the report of the Bombay Chamber of Commerce for 1897:

> "It is shown in our records that even from stations about equidistant from Calcutta, Bombay railway freights are so adverse to us that, notwithstanding all the advantages of the finest and cheapest harbour in India, and economically and very efficiently worked docks, we have to look on at trade going, what is to us, the wrong way (to Calcutta)."

He explained that the East Indian Railway got the original traffic and carried it all over its line to Calcutta, and that this competition continues even to this day. With reference to the Nagda-Muttra Railway, the Chamber had a good deal to complain of for a period of 15 years in that its construction was not attended to sooner, though this would result in a shorter lead from that part of India to Bombay.

5227. In connection with the three ways suggested by the Chamber for raising capital for main line purposes, Mr. Purshotamdas Thakurdas asked whether it would not be necessary to give a guarantee to the new capital, as in the past. Mr. Macnaghten thought that a guarantee of about 5 to 6 per cent. would be necessary if a loan were floated in London. He saw no reason why any special provision should be made giving shareholders a prospect of their shares being subsequently acquired at a premium, as had been done in some cases in the past. He saw no reason why their proprietary interest in the railway should not be permanent. He was disposed to think that, in the present circumstances, London would not be prepared

profit sharing capital, this would in any case have had to be borrowed as a loan if it had not been raised on profit-sharing terms. Assuming that 3½ per cent. would have had to be paid as interest in that case, and that the capital has actually cost 5½ per cent., there would remain 2 per cent. interest as representing the drain from India. This would not come even to one crore of rupees. The Chairman observed that as far as he could calculate only about one-half crore of rupees could really be looked upon as representing the drain. The witness agreed that this ic not a very serious amount.

5246. The Chairman asked if the witness could give specific instances of what he referred to under the heading of "preferential rates and treatment of European merchants and manufacturers." The witness explained that he had in mind the lower rates charged for import and export traffic than for internal trade. He was not in a position to give precise statistics. The Chairman observed that in all countries lower rates are quoted for heavy long-distance traffic, which is usually to and from the ports, the general view of railways being that it is better to make small profits on a large volume of traffic (which thus tends to grow) than to seek high profits on a small volume of business. The witness agreed that it is a reasonable proposition that lower rates should be quoted for large quantities carried long distances. He did not object to this principle being applied to India as elsewhere, but he felt that some protection was necessary to ensure that the principle was not carried to an unreasonable length in the interests of import and export traffic to the detriment of internal trade and development. He promised that he would send precise examples to the Committee of cases in which he thought some such protection appeared to be necessary.

5247. The witness expressed the opinion that if the railways were managed by the State it might still be convenient to have in London a sort of consultative Board or committee of experts. This would be in touch with railway practice elsewhere, and would be able to furnish valuable advice to the Railway Board in India. The Chairman asked why a committee or board should be necessary for such a purpose. If advice was wanted, for example, about locomotives a locomotive expert only would be needed, whereas if it was a question of advice regarding bridge construction, a bridge engineer would be required. The witness thought it desirable to have a body which would know to what particular experts difficult technical questions should be referred. He would do away with the existing Home Boards of Directors and would have the consultative body in London appointed by the Secretary of State or the Government of India. He considered that the members of this Board should visit India to keep in touch with local conditions.

5248. Regarding the witness's recommendations connected with the Railway Board, he observed that it should comprise a full representation of commercial interests and public opinion. He agreed with the Chairman that in so far as the representatives would forward the interests of particular industries, for instance, cotton or jute, their function would be advisory. There should, however, be some one to carry out the measures approved by the representative body and to deal with the everyday executive business at headquarters. He agreed that this implied that the Railway Board must be organised in two compartments: one executive for daily work and employed whole time upon this; the other advisory, comprising the representatives of various interests, who need not necessarily meet very frequently.

5249. The witness thought that the members of the Railway Board might elect their own Chairman. He admitted in reply to the Chairman that there might possibly be some difficulty, though he was not apprehensive on this point. He did not consider that the Chairman of the Board should himself be Railway Minister. He attributed the frequent changes on the Railway Board to the ill-effects of which he had referred in his written evidence as due mainly to retirements. The Chairman observed that the Committee had been advised that some members of the Railway Board had left it before their time was up, and other eligible men had refused to accept appointments on the Board. The Committee had been told that the reason was that the appointments were not sufficiently attractive. The witness expressed some surprise at this, and thought the reasons for resignations from the Railway Board were rather that the members had aspirations to obtain more attractive appointments in England. The Chairman observed that he knew of men still working in India who did not wish to accept appointments on the Railway Board.

5250. With regard to the question of railway finance, the witness considered that it was very bad policy on the part of Government to take the railway surpluses as available for general purposes. He would like the railway finance to be completely separated from ordinary Government finance, and a separate railway budget to be introduced, though this might be placed before the Legislative Assembly by the Finance Minister.

5251. The Chairman observed that the Government of India having found most of the money hitherto invested in railways, the Finance Minister would naturally claim from the railways at least sufficient money to enable him to pay the annual interest on the debt. The witness said he would give him this, but nothing more.

5252. The witness was of opinion that railways had been starved, and that facilities had been inadequate for at least ten years past. The Chairman remarked that as long ago as 1907 the Mackay Committee had agreed that more money was wanted. The witness remarked that more money had always been wanted to improve the system. He was emphatic on the point that even if a railway only earns a small percentage return on its capital, it secures valuable indirect advantages to the State. In the case of Broach, for example, the Broach-Jambusar Railway, which was built some six or seven years ago, after nearly forty years of pressure for its construction, had resulted in a great improvement of land revenue, and trade had become much more prosperous in that part of the country through which it passed, while famine conditions were rarer. The witness promised that he would endeavour to supply to the Railway Committee precise instances showing the extent to which indirect advantages had been secured by the construction of this line in such ways as improved receipts from land revenue, excise, income-tax, etc.

5253. The witness was strongly of the opinion that the industrial development of India might be throttled for want of adequate railway facilities. He mentioned that in the case of Broach the cotton industry had suffered on account of railway congestion. There was great difficulty in getting coal and also in securing the transport of cotton from the presses and factories. In Broach there are gin houses and presses. There is also some spinning and weaving. For the most part cotton goes away pressed to Bombay and Ahmedabad. Nearly all the traffic to Bombay is by rail, and merchants experience the greatest difficulty, booking being frequently stopped for days together. Trade suffers all round as the unreliability of railway communication interferes with merchants' ability to make or fulfill contracts, and they are naturally reluctant to undertake liabilities in such a condition of uncertainty. It was a matter of common experience, happening almost every other year, that heavy losses are incurred through damage to cotton seed and cotton bales which deteriorate owing to their having to be left in the open in the rains for want of railway transport. The witness promised that he would supply to the Committee a number of specific instances in detail of losses caused in this manner. He mentioned that he had recently been asked to hold a public meeting, by the cotton merchants of Broach, with a view of representing their grievances

forcibly to Government. It was a matter of every-day occurrence that carts sent to the railway station had to take the goods back again because booking was stopped. Hundreds of complaints had been made to the railways. The companies say that they have not got wagons or that the wagons at their disposal are wanted by the Government for coal traffic. The merchants did not complain directly to Government, but they have recently been thinking of ventilating the matter fully. In reply to Sir Arthur Anderson, the witness said that delays of about a fortnight were common. The complaints were really serious. In his opinion the cure for the difficulty is the supply of more railway wagons.

5254. The existing state of affairs leads to payments of illegal gratifications to railway staff. This is now very common, having become worse since the shortage of wagons became acute. It is within the witness's own knowledge that every one has to pay for wagon supplies. He knew of many cases of large payments up to Rs. 200 per wagon. It is a matter of common talk amongst those interested. In one case he knew a man who got eight trucks at Rs. 200 each, and was present when the person concerned stated this to the Collector. Merchants find it pays them to make such payments in view of the profits that the supply of wagons enables them to make in their business. The witness agreed that the Government and the railway are both to blame for the state of affairs in which railway facilities are so inadequate. Asked by Sir George Godfrey whether he would not blame above all those who bribe the railway servants, he said that it was a matter of human nature that in such circumstances both merchants and railway staff should yield to temptation. He agreed with the Chairman that it is more important to find a remedy than to apportion the blame. The remedy indicated is that railway finance must be on an adequate scale and that railways must be properly equipped. It had always been the practice to pay small charges, of 8 annas or a rupee per wagon supplied; these used to be considered merely as perquisites given in consideration of some little trouble being given to the railway staff. But now far larger payments are habitual.

5255. The witness thought that big firms which suffer from the existing state of affairs should help to find money. He suggested that they should provide their own trucks. He was not aware that one firm—Tata Sons and Co.—had offered, but had not been allowed, to do this. He considered that these firms should subscribe to State loans for railway purposes, and believed they would do so. If he were himself interested in a trade he would subscribe to such loans on condition that his requirements would be met. He would regard 6 to 7 per cent. as a very fair return, especially having regard to the fact that his trade would secure a benefit. He did not think that each merchant would leave it to others to subscribe to railway loans. He believed that traders would see that it is to their own interests to make such loans a success.

5256. With regard to the construction of narrow gauge railways, the Chairman observed that a good deal had been done in Broach, Kathiawar and elsewhere. The witness explained that District Local Boards in Bombay are not allowed to raise loans to build railways. They have long been agitating for an amendment of the Local Boards Act to permit of this. The Hon. Mr. Sastri explained that this is allowed in Madras under the Madras District Boards Act. The witness observed that there is a demand for this authority in Broach particularly, as the cost of roads is extremely heavy owing to the nature of the local black cotton soil. It used to be practically as cheap to build a railway as to build a road. Those who would be liable to pay the railway cess are represented on the District Board, and are all in favour of this policy.

5257. The witness stated that the District Board would prefer to have its own railways rather than to have these provided by Government. It does not deal direct with the Railway Board, but only with the Government of Bombay, which represents requirements to the Government of India. In the case of the Broach Jambusar Railway, the District Board would itself have wished to construct the line, but realising that it would not be allowed to do so, had agreed to its being constructed by the Bombay-Baroda and Central India Railway Company as a State railway. This was only one of about five railways it was desired to construct. The witness saw no reason to anticipate any objection to the construction of these branch lines which serve as feeders to the main line, and thus be of benefit to it as well as to the country.

5258. With regard to the control of rates and fares, the witness explained that he would like easy rates which would encourage industries. They should not be so low as to make railways work at a loss, but the railways should look to future development as well as to the question of immediate profits. He agreed that much could not be expected by increasing the charges on luxuries, but there are some articles which might stand higher charges than at present levied. He agreed that railways must increase their rates in view of the enhanced working costs.

5259. The witness was in favour of the appointment of a Board of Arbitration or Conciliation for the settlement of claims. Merchants had great difficulty in settling such matters. Even when goods are carried at railway risk the railways frequently try to evade their responsibilities. He thought claims should be settled fairly and expeditiously. It was a common experience that when complaints are made, complainants are advised that the matter "would be considered in due course," and that subsequent reminders produce no effect. At the present time there are about 50 claims cases pending in the court at Broach against the Bombay Baroda and Central India Railway. At present complaints are settled only after great delay, and merchants are inclined to accept less than is due rather than continue to pursue matters. He agreed that on an Arbitration Board both railway and commerce should be represented. He was entirely in favour of the railways having adequate representation as well as the commercial interests.

5260. Sir Arthur Anderson drew the witness's attention to his recorded opinion that a disadvantage of the company management is that the manufacture of railway equipment and material is not attempted in India. Sir Arthur observed that it was in no case the policy of the railways to interfere with manufactures. The witness thought, however, that, if railways were managed by the State there would be a real attempt to get more of their requirements manufactured in India. He subsequently explained, in reply to Mr. Purshotamdas Thakurdas that, in speaking of the "drain of crores of rupees from India" under the existing system, he had in mind the payments made outside India for imported stores, as well as the payments made to the working companies.

5261. In reply to Mr. Purshotamdas Thakurdas, who made further enquiries regarding the Broach port block-rate case, the witness stated that he had taken a leading part in the protests against these rates. Killick Nixon's boats used to come to the port till 1907 or 1908. They carried both inwards and outwards traffic, largely that from and to Cambay, Ahmedabad and Karachi. The Government of Bombay protested against the policy adopted by the B.B. & C.I. and approved by the Railway Board. The witness agreed that the Governor of Bombay had well described the situation in urging that the railways had been made for India and not India for the railways.

5262. With regard to the existence of wagon shortage for many years past and especially since 1914, the witness agreed that it would be in the interests of trade and commerce to use alternative routes for the carriage of traffic. He thought that there would have been no difficulty in connection with the blocking of Broach port if the railway had had its own steamers. Government had done something in connection with the improving of the Broach port. There had been an expert survey of the river and the channel, but the report was adverse to the use of large steamers. Even small steamers could not use

the port unless expensive dredging was carried out. The witness thought that if this port existed in Europe it would undoubtedly have been developed. Asked why, nothwithstanding the failure of the State to secure the development of the port, he urged a preference for State management of the railways, the witness explained that State management in future would be a management directly responsible to the Legislative Assembly and therefore to the representatives of the people.

5263. In reply to an enquiry by Mr. Purshotamdas how the London Boards and Directors as now existing would differ from the Boards proposed by him, the witness explained that under his scheme the consultative committees in London would be subordinate to the Railway Board and only advisory. He agreed that, if the present system of railway control is continued, the Indian public would be less likely to subscribe for railway purposes than if the railways are brought under direct State management. Subject to this he thought that subscriptions would be freely made to a railway loan having regard to the substantial nature of the railway asset.

P.S.—The witness subsequently furnished the Committee with a number of original letters* from merchants and traders who were put to loss on account of continued scarcity of wagons on the B.B. and C.I. Railway, resulting in great preventable loss through falls in prices and deterioration from exposure. He made the following observations in this letter:—

> "This has been a general complaint since the War but it has been greatly aggravated and grown chronic since the last two years, and the regular course of trade and commerce has been so disorganised that there is no certainty of deliveries or expecting the consignments to reach destinations in good condition. From the enclosures it will be seen that some of the merchants have lost lakhs of rupees by wide fluctuations in prices and damage done to goods by rain.
>
> "The company have not only no wagons to provide, but when attempts were made to load consignments in open trucks at the risk of the owners, no protection was given to cover goods with tarpaulins in transit or in railway yards where cotton bales, grain, mowra flowers and seeds, &c., were awaiting to be booked for weeks in the open. Goods received in May had to wait till the break of the monsoon and were booked in June and July.
>
> "I beg to draw the attention of the Committee to the complaint of some of the merchants that several of their entire consignments have not been accounted for, such as coal wagons despatched which have not yet been received by the owners."

THIRTY-FOURTH DAY.

(Bombay).

Friday, 4th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. A. C. RUMBOLL, C.I.E., O.B.E., Agent, accompanied by Mr. W. ALEXANDER, C.I.E., General Traffic Manager, and Mr. C. A. HAWES, Chief Auditor and Accountant, Great Indian Peninsula Railway Company, was called and examined upon a written statement which he had furnished to the Committee.

See Written Statement No. 46, Vol. IV., P. 158.

5264. In reply to the Chairman, Mr. Rumboll stated, with regard to his remark that frontier railways should be managed by the State on military grounds, that he thought it was not fair to the railway account that it should be debited with any loss incurred on working railways maintained for military purposes.

5265. Referring to his view that it might be necessary for Government to widen and modify the existing method of financing railways, and that it might be necessary to rely more on share capital raised by companies, Mr. Rumboll agreed that as the stock of the Great Indian Peninsula Railway now stands at about 84, people are not likely to subscribe at par for new stock. He thought that it would be better to offer new stock below par, if possible, rather than to issue at par on different terms from the existing capital. Referring to the Chairman's observation that Indian opinion is strongly against increasing the interests of foreign shareholders in the Indian railway system, Mr. Rumboll thought that more money must be got, and if it could not be obtained in India, it would be necessary to go elsewhere for it. He agreed with the Chairman that, if the money could be got cheaper by loans than by means of share capital, this will be preferable, and that it should be raised in India if possible, but he thought that by also accepting additional share capital more could be secured.

5266. Mr. Rumboll desired to impress on the Committee his view that State management, where it has been tried in democratic countries, has not proved satisfactory. He quoted the following extract from

* Not reproduced.

a statement made some time before July, 1916, by the General Manager of the South African Railways:—

> "Over £681,000 per annum has been granted in increments alone to the staff since the Union, and generous pension, leave and sick fund privileges are allowed; but the clamour of the people who claim to represent the employees for further concessions and their concurrent hostility to the introduction of any system which secures efficiency continues unabated. To-day, criticism is concentrated on conditions of employment with complete unconcern as to whether efficiency will be impaired or as to the expenditure involved; to-morrow adverse criticism is focussed on the increase in expenditure. Such methods do not facilitate the management of the railways on business principles, and the benevolence of yesterday must sooner or later be reconciled with the business needs of to-day."

5267. Mr. Rumboll mentioned that at the time the speech was made the railways of South Africa showed a deficit. He referred also to the example of Switzerland as not being favourable to State management. In answer to the Chairman, he stated that he believed that in countries where efforts had been made to interpose something of the nature of a "buffer" between the management and the State, with a view to the protection of the railways from undesirable political influences, there had been a tendency for this to be pushed aside. He thought that this was the case in Australia.

5268. In answer to Sir Henry Bust, he thought that the disadvantages of railway management being subject to political influence would prove as serious in India as elsewhere, in view of the growth of political feeling. The Chairman asked whether the Great Indian Peninsula Railway Company was really in a position to be an effective "buffer" in any case, having regard to the fact that it is a very junior partner and is subject to detailed regulation and constant interference by Government. Mr. Rumboll said that experience had shown that it is. The Chairman observed that other people might describe the "buffer" effect as being one of complete disregard on the part of the company of local needs and requirements. Mr. Rumboll thought that this could not fairly be said without an analysis of the causes for particular complaints. He was of opinion that the companies have been most useful in the matter indicated. He believed it to be the case that railway companies do resist unreasonable pressure, whereas State railways are more likely to give way.

5269. Mr. Rumboll did not attach great importance to the suggestion that company-worked railways are forced to follow the lead given by the State railways in conceding, for instance, unreasonable demands of the staff. He admitted however that in the long run the example could hardly be resisted. The interim delay at least was an advantage. He agreed that there might be such a thing as reasonable political pressure, but did not think that the distance of the London Board makes it less accessible to this.

5270. Asked why the London Board should be accessible to reasonable and not to unreasonable pressure, he emphasised the importance of the local Agents in India of the London companies. He observed however that the Boards of Directors have their own ideas and are not solely influenced by the Agents' views. He agreed that the value of personal advice is diminished according to the length of time the individual has been away from India. This is modified to some extent by the fact that the Boards of Directors have the advice of men who have been out more recently in the country. Some of the directors also visit India from time to time. The witness was reluctant to admit that it would follow from his views that the directors had better leave the London Board after they had been for, say, five or six years out of touch with Indian conditions. He thought that they could keep fairly in touch by sending out representatives. He did not consider that the directors should necessarily follow the advice of those who have more recently been, and above all of those who are still, on the spot in India. He thought that the views of these should carry considerable weight, but that the directors must be allowed the exercise of their own judgment after taking the views of the persons referred to. He did not consider that public interests had been prejudiced to any extent worth mentioning by the alleged delays on the part of Home Boards. He found that he gets replies as quickly from London as from Delhi. The Great Indian Peninsula Railway Board of Directors meets every week, and important cases referred to it by letter are dealt with by telegram in reply, so that no serious delay is caused.

5271. With regard to Mr. Rumboll's opinion that it would be difficult to get efficient Boards of Directors in India, he thought that the suitable men available in India are so much occupied with their own business that they would not have time to devote to railway work. He admitted that to some extent the same consideration applies at home, but it is largely a question of numbers. He thought that at least on the directorates of the London companies there are men of much greater leisure.

5272. With regard to his opinion that the appointment of a permanent Chairman, by Government, on a local Board in India would lead to the reverse of continuity, because the appointments would be claimed by and given to senior officers whose stay in India is likely to be short; Mr. Rumboll thought that the men in Bombay, for example, would have to go home at shorter intervals than five years. He did not in any case approve of a Government Chairman for a local Board. He thought that there might be a Government representative on the Board, and presumed that where this is already the practice, as in the case of branch line companies, he watches the interests of Government. He thought, however, that Mr. Hebblethwaite, who was to be examined in the afternoon, would give fuller information on this point.

5273. Referring to his opinion that the principle of control by a qualified body such as the Railway Board is sound if present defects are removed, he mentioned as one defect that the President of the Board has no power to act if in disagreement with his colleagues. Promotion to the Presidency of the Board should not be by seniority, but by suitability. The Chairman observed in this connection that the fact that promotion goes largely by seniority is a common objection to all Government Departments, and is not peculiar to the Railway Board or State railway administrations. Mr. Rumboll considered that the salary attaching to the members of the Railway Board should be such as to attract the best men. He thought that the reason why the Board had suffered in the past from not being able to get the best men was partly due to inadequacy of the salary, and also partly to the fact that the members are not in a position to exercise the authority which is attached to them in the public estimation. The best men are not willing to sacrifice their reputation by serving on the Railway Board. He thought that the Board had been discredited, and that the best railway men do not wish to go to it.

5274. In expressing the opinion that the Railway Board does not interfere too much in detail, Mr. Rumboll did not mean to suggest that they should not delegate wider powers to railway administrations. He drew attention to his opinion recorded elsewhere in his note that the Board's financial powers and powers of delegation to others should be greatly increased. He did not consider that the Board should be occupied with unimportant matters, relating for instance to the pay of subordinate establishments.

5275. He referred to the question of the introduction of the vacuum brake in India as an instance in which the Board had failed to initiate and guide the railway policy of the country, a failure which he thought was due to the Board not being sufficiently strong on the operation side. He mentioned that the Government of India had decided in 1889 that the vacuum brake should be adopted as a standard in Indian railways, and that the companies accepted

this after they had been consulted. Government, however, took no steps to say within what period the brakes should be provided, and had not done so up to the present time. Mr. Rumboll was speaking of goods stock. He hoped that the Great Indian Peninsula Railway stock would be completely braked or piped by the end of the current year, but in some of the railways the percentage of braked stock is as low as 60 or even 40 per cent. The result is that the vacuum brake equipment on stock going to foreign lines is frequently not used and deteriorates, for example, by the rubber fittings perishing. He considered that the Railway Board should specify a time limit and provide adequate funds to enable the stock to be completely equipped. He considered that, if the Board were to say that this must be done on the ground of public safety, there was no doubt of its being within their powers.

5276. In answer to the Chairman, Mr. Rumboll explained that the Railway Board has no inspecting staff other than the Government Inspectors who are Civil or Royal Engineers. He thought that it would be most advantageous if they had another class of operating inspectors. He considered that these should be provided in any re-organisation of the Railway Board. All that had been done was that occasionally special inspecting officers had been sent round, but they should be a permanent part of the Board's organisation. There should be similar inspectors employed in connection with rates and looking after the public convenience and the commercial side of railway working in general. At present, the Government inspectors, who have only civil engineering qualifications, are used for everything.

5277. In answer to Mr. Hiley, Mr. Rumboll said that he was satisfied that the Railway Board could insist on the vacuum brake equipment under the contracts as necessary for the purpose of safety. He believed that the railways would welcome a definite order provided the necessary funds were supplied. He agreed that the Railway Board has no adequate machinery at present for knowing what is required on the lines.

5278. Sir Arthur Anderson said that, speaking from memory, he believed that about 1907 the Railway Board had issued an order under the Railways Act specifying a time limit for the introduction of vacuum brake equipment, but that it had to be withdrawn because adequate funds were not forthcoming. Mr. Rumboll said that this did not alter his point, which was that the Railway Board did not deal properly with the case as if no funds were available: the Railway Board should have stopped the fitting of any more vehicles until such time as they were able to provide funds to complete the whole within a limited period. He agreed that the Chairman correctly summed up the position in saying that 31 years ago the then railway authorities said that the railways ought to adopt the vacuum brake, and that nearly 31 years later at least 20-30 per cent. of the stock is not fitted with it: and even where the stock is fitted the equipment is often not used, and the consequence is that money has been wasted on machinery of which full use is not made. Mr. Rumboll added that last June he again asked the Railway Board to fix a time limit but, failing to get their assent, he got a resolution passed by the Conference Association recommending a time limit within which the equipment of all goods vehicles should be completed. He promised that he would furnish the Committee with a copy of the Railway Board's letter refusing to act in accordance with his recommendation.

5279. With regard to the question of wagon couplings, Mr. Rumboll thought that this is the most urgent matter requiring attention on railways at the present time, and that, unless it is dealt with progress will be seriously hampered. At present broad gauge railways rely upon screw couplings. Side chains have been abolished as useless, and do not now exist on more than about 20 per cent. of the stock. The screw coupling, on which sole dependence is placed, does not give sufficient security. The Great Indian Peninsula Railway is specially interested in the matter because of the heavy gradients on its lines. It recommended to the Railway Board that a mechanical coupling should be adopted. This matter had been under the Railway Board's consideration for some years. He believed that they had sent representatives to Australia to report how the introduction of the mechanical coupler had been made in that country. Railways now await the orders of Government. Meanwhile there is a considerable number of breakaways on the Great Indian Peninsula Railway, and he feared that matters would be worse with the heavy engines now coming out. The existing screw couplings are still being replaced by others of the same type, though made of higher tensile steel. He thought, however, that this is merely replacing an inefficient coupling with a better, but still an inefficient, one. Unless the mechanical coupler is adopted it will be necessary to quadruple the lines as the heavier train loads now demanded could not be hauled. In answer to the Chairman he explained that in the use of bigger engines now being brought out the danger of parting is minimised by the practice of banking on the grades. On the level a train of 1,600 ton load could be hauled, and on heavy grades a banking engine could be put on the back, which could reduce the risk of parting.

5280. In answer to Mr. Hiley, Mr. Rumboll said that all the railway companies are waiting for the Railway Board's order, and that the proposal for the introduction of a mechanical coupler was welcomed at the Railway Conference. He did not know what the cost would be on the Great Indian Peninsula Railway. It was proposed in the first place to connect up the four-wheeler stock in pairs inseparably, and to use each pair as a single unit changing the rest of the couplings.

5281. In answer to Sir George Godfrey, who said that his impression was that the change had been opposed strongly by some of the railways, Mr. Rumboll said that he thought his information regarding the Conference's discussion was more recent than that of Sir George Godfrey. With regard to the power of the Railway Board to order such changes of equipment, Mr. Rumboll agreed that, even if the Railway Board could not enforce their wishes by order, on the grounds of safety, as he thought they could in the present case, they can practically do so by exerting pressure upon the companies. Sir George Godfrey thought that in a matter of this kind the cost might easily run into eight or ten millions, and he doubted whether the Railway Board could enforce their views if these were opposed by the companies.

5282. Mr. Rumboll was of opinion that the President of the Railway Board should himself be on the Viceroy's Executive Council, as he thought that railway matters could not be adequately represented by a member who has little or no direct knowledge of railway work and requirements.

5283. He was satisfied that sufficient funds had not been provided in the past for either new construction or the improvement and renewals of existing railways. Questioned with reference to what he meant by saying, at the same time, that maintenance had been sufficiently provided for in the past, he explained that what he had in mind was the ordinary day to day maintenance, and was not speaking of large renewal operations which are only treated as "programme" or "special" revenue works. He mentioned that the Great Indian Peninsula Railway had sent up a proposal to the Railway Board for maintaining a renewal reserve under which the cost of all special renewals over and above the extent of 8 per cent. on the gross earnings of the railways would be debited to capital in the first instance, and subsequently cleared by charge to revenue, when the cost fell below that figure. He promised that he would furnish the Committee with a copy of the Great Indian Peninsula Railway's proposal in that connection.

5284. Mr. Rumboll agreed with Mr. Hiley that even if the Railway Board had no power to interfere at present in the matter of efficiency, they should

have in future; or else it would be a strong argument in favour of State management. He added, however, that the railways are mindful of their own interests and realise that they cannot develop their lines unless up-to-date improvements are introduced.

5285. Sir Arthur Anderson said that it appeared to him that the object of the renewal reserve scheme referred to by Mr. Rumboll was rather to protect the Great Indian Peninsula Railway Company during the closing years of its contract from the effects of having to expend on renewals money which should have been spent, and which really only represented making good the omission of the past to incur similar expenditure.

5286. The Chairman observed that the practice of dealing with renewals in India differed from that adopted elsewhere. For example, in France it is the practice to renew the line piece by piece as necessary, and all the charges are treated as ordinary maintenance expenditure; whereas in India, apart from minor repairs, it is the practice to renew considerable stretches of line together and to treat each as a special item in the renewal programme. Mr. Rumboll explained that in regard to such special items the company has to obtain the sanction of the Railway Board as well as make provision for them in the revenue Budget (or in the case of work chargeable partly to capital, both in the Revenue and Capital Budgets). He agreed that in the past renewals on the Great Indian Peninsula Railway had been postponed owing to lack of funds and other reasons to such an extent that the position has now become serious and urgent. He thought that the Chairman summed up the position fairly in saying that the standard of maintenance has already deteriorated and is continuing to deteriorate, and that unless some improvement can be introduced, it must be expected to deteriorate still further.

5287. The Chairman referred to Mr. Rumboll's written statement that it was of little use constructing a net-work of railways, as was done some years ago in the Central Provinces, until the main line has been developed to carry the additional traffic, as it only adds to the traders' expenses if railways cannot move the traffic as it offers. Mr. Rumboll explained that in that case a net-work of feeder lines was constructed to serve the manganese ore mines. It brought down heavy traffic which only increased the congestion on the Great Indian Peninsula Railway. The Manganese traffic gravitates mainly towards Bombay and Marmagoa, though some also flows *vid* Calcutta. The Chairman asked Mr. Rumboll if he would try to obtain and furnish to the Committee statistics showing the figures of shipment of manganese from Bombay, and also the total shipments from India.

5288. Mr. Rumboll stated that there is a large amount of revenue expenditure in arrears on account of postponed renewals. As regards future programme expenditure, he stated that he had worked out a programme of works which will be required during the next ten years, all of which are urgently necessary. This programme, of which he gave a copy to the Committee (reproduced as Annexure C), shows that there ought to be an expenditure of about Rs. 40 crores for major capital and programme revenue works in the next ten years; in addition to which, Mr. Rumboll thought that minor capital works might be put down provisionally at about Rs. 1¼ crores in the same period. In his programme Mr. Rumboll did not distinguish, for the purpose of his present estimate, between capital and revenue expenditure. He said he had not been asked by the Railway Board to prepare so complete a programme as this. The Railway Board is only furnished with the annual triennial programme, of which the provision suggested for the second and third years is usually not discussed at all in the absence of any idea as to how far it may be possible to finance it.

5289. With regard to the relative urgency of the works shown in his ten-year-programme, Mr. Rumboll explained that he would like to carry out all the works indicated in much less than ten years, and would do so at once within the limits of his capacity to spend the money if this were freely available. He would, however, be hampered to some extent by having to respect the movement of traffic on the line. He said it had never been worth while to work out a detailed and comprehensive programme extending over a considerable future period, in view of the known improbability of securing adequate funds.

5290. In reply to the Chairman's request for the quotation of specific instances in support of the general statement that money spent on railway development will return indirectly many times the dividend actually paid on it, Mr. Rumboll mentioned that, in the case of the Indian Midland Railway (now the northern portion of the Great Indian Peninsula Railway above Itarsi), the land revenue assessment had been revised in the districts served by that line within about five years after its opening, and the assessment had generally been raised. He thought that this indicated that the line had led to a general improvement of values in that part of the country. He thought the United Provinces Government might be in a position to give figures bearing this out.

5291. Questioned with reference to his proposal that main lines might work branch line companies for 55 per cent. of their gross earnings, Mr. Rumboll explained that he thought, in present circumstances, 55 per cent. would about correspond to the figure of 45 per cent. which had hitherto been adopted. He did not think that the alteration of his working percentage would justify asking the main line to give a larger rebate to the worked line.

5292. With reference to Mr. Rumboll's written statement that the Great Indian Peninsula Railway had proposed to the Railway Board that the maximum class rates for the carriage of goods traffic should be increased by amounts varying from 33 per cent. in classes 1, 2 and 3 to 25 per cent. in class 5 and "Special," he explained that the Railway Board had at first refused the suggestion; but, on a further representation, had said that the matter was under consideration, but very little hope had been held out to the Great Indian Peninsula Railway of its views being met. The railway has reached the maximum at present, and is anxious to increase its charges. Mr. Rumboll explained that, in the special case of cotton, the old Great Indian Peninsula Railway Company used to quote ·80 pies per maund per mile. When the State took over the line, it was proposed to reduce this to the East Indian Railway second class rate, a low classification based on river competition. The Great Indian Peninsula Railway Company objected to the loss involved, and was allowed to retain this old rate as a special exception to the classification.

5293. Mr. Rumboll explained that the proposals which had been placed before the Railway Board for increasing the maximum charges really involved a reversion to the rates formerly charged by the old Great Indian Peninsula Railway Company. Personally he thought it would be wise to go higher than this, but he had to consider what was likely to meet with acceptance. He would put on a flat percentage of increase over the existing maximum if he had power to do this.

5294. Mr. Rumboll said that the Great Indian Peninsula Railway Company had increased its special rates as much as the traffic would bear so far as lay in their power. The Company was largely in the hands of other railways so far as special rates were concerned. It was in order to be able to increase correspondingly the normal or class rates that he asked for increased maxima. The Great Indian Peninsula Railway Company's operating ratio is nearing 80 per cent. at present. The pre-war ratio was about 60 per cent.; Mr. Rumboll did not think that the company could get back to this figure.

5295. With reference to Mr. Rumboll's statement that, personally, he would be in favour of increasing the maximum rates still further, Mr. Hiley asked whether he could calculate what the additional revenue would be if this were done. Mr. Rumboll

said that it would roughly amount to Rs. 69 lakhs calculated on an average increase of 25 per cent.

5296. Referring to Mr. Rumboll's written recommendation that railway finance should be separated from ordinary Government finance, the Chairman said he understood that he had in mind the examples of South Africa and elsewhere where railway finance is kept separate. Mr. Rumboll laid great stress on the point that the result of the existing budget system is that railways do not know until too late what money will be available for expenditure. With regard to the restriction of grant for the coming year, Mr. Rumboll said that he had accepted the position that the Railway Board could not give him an adequate allotment. He expressed regret that he had not contested the point, when told by the Chairman that, in other instances, Railway agents had held out for, and had secured, an increase in the amounts provisionally promised to them.

5297. Mr. Hawes explained that, at the present time, the company does not know what the allotment for the approaching official year is to be. They had not yet received the provisional allotment usually announced in December with reference to the following year. He said that this prevented the transmission of indents to London for compliance. He explained in this connection that an "indent" is an order placed by the authorities in India upon the Home board of directors for the supply or materials. It bears a certificate by the Chief Auditor and the Government Examiner that the necessary funds have been earmarked from the budget grant; and, on the authority of this document, the London board places the contract for supplies, and, in due course, draws money from the Secretary of State for payment.

5298. In his written statement Mr. Rumboll quoted the following communication received in December last from the Railway Board:—

> "I am directed to inform you that five lakhs have been allotted in the six months' estimates with a view to making a commencement on the construction of the Warora Pisgaon Railway from Majri to Rajur. I am to request that you will make arrangements for construction to proceed as quickly as possible with preliminaries up to the limit of this allotment. There is no expectation at present of any money being available for this line in next year, and work may have to be temporarily suspended."

5299. Mr. Rumboll agreed with the Chairman that this meant that the company was to spend money on preliminaries and then stop work, which did not seem to be an ordinary businesslike suggestion. He explained that he wrote to the Railway Board that he could not proceed on these terms, and would not, therefore, start the work. He had since been told that Rs. 10 lakhs would be allotted next year also. This railway was estimated to cost Rs. 22½ lakhs, which meant that the work would not be finished until 1922-23, even if he could spend five lakhs this year, which is impossible, and ten lakhs next year, as there would remain a balance of some seven lakhs to be provided a year later; but he did not think that, in any case, this line could be built in less than two years, as there is a heavy piece of bridge work which will take a considerable time.

5300. The Chairman drew attention to the statistics given in Mr. Rumboll's written evidence regarding the Itarsi-Nagpur Railway, which has been under construction since 1908-09, and on which the percentage of interest on capital expended has already reached 28½. Mr. Hawes promised that he would complete the table on the assumption that the money necessary to get the works done is provided at the rate of 10 lakhs per annum, which appeared to be the present standard.

5301. In answer to Mr. Hiley, Mr. Rumboll explained that this line is opened as far as Parasia, where there is a colliery, and the receipts are about sufficient to cover the working expenses. Roughly speaking, the company had been able to spend whatever had been allotted for this construction over a period of years, but had only been allotted about half the amounts applied for. In the case of the Harbour Branch Extension, the figures reproduced in the Appendix to Mr. Rumboll's written statement show a somewhat similar position. Mr. Rumboll promised that he would furnish the Committee with an explanation of the striking difference between the budget grants and the modified grants as they stood at the end of the years 1913-14 and 1914-15, there having been a reduction of nearly 50 per cent. in the one case and 66 per cent. in the other. Mr. Rumboll explained that this might not be necessarily due to any fault on the part of the Government, as funds might have been surrendered by the railway company owing to its inability, for one reason or another, to spend the money.

5302. In reply to the Chairman, Mr. Rumboll explained that the Harbour Branch from Kurla was originally intended to serve the port trust warehouse and docks; subsequently it was extended as a passenger line to Victoria terminus serving the port area. It is now being constructed as an electric railway between Bombay and Kurla. The length of the extension is about nine miles.

5303. Under the system of accounting in force, the interest on capital is debited year by year to the revenue of the open lines, whereas he considered that it ought to be a charge against capital of the new line, and should only be debited against revenue when the line is opened for traffic.

5304. The Chairman drew attention to Mr. Rumboll's written statement that he considered the existing arrangements for regulating expenditure in England, with reference to the grants allotted, are satisfactory. Mr. Rumboll agreed that he would like a freer power of transfer between England and India.

5305. With reference to his statement that Government exercise adequate control over railway administrations in respect of rates and fares, Mr. Rumboll said, in answer to the Chairman, that Government exercise, in fact, no control within the maxima and minima. The Chairman pointed out that, if the minimum is a reasonable charge, it would be extortionate to charge the maximum, and asked what powers the Railway Board had to prevent this if a railway agent were so unreasonable. Mr. Rumboll agreed that the Government should have some control over rates and fares. He did not know of any country which had less control in this respect at the present time.

5306. Referring to the provision in the Indian Railways Act for the appointment of Railway Commissions to settle disputes, Mr. Rumboll stated that the existing machinery had never been put into use. With reference to his written observation that the contracts between the companies and the Secretary of State might include a clause to the effect that the decision of all questions of undue preference shall rest with the Secretary of State, Mr. Rumboll said he presumed that the Secretary of State would transfer this power to the Railway Board. He thought that the Railway Board would call for an explanation of the railway company before giving its decision. He had no objection to the constitution of a tribunal consisting of a railway man on one side and a commercial man on the other with a qualified chairman to settle disputes.

5307. The Chairman asked Mr. Rumboll to quote instances of new railways having been opened up before the main lines were sufficiently developed for the new traffic. Mr. Rumboll stated that he had in mind the feeder lines in the Central Provinces to which he had already referred. The Chairman asked if Mr. Rumboll would say that the harm to the traders on the existing line was greater than the benefit to the people on the new line. The witness agreed that this was the case; the result was that new capital was spent, to the disadvantage of the public, that could have been much better spent elsewhere.

5308. The Chairman referred to the complaints of third class passengers, such as the lack of roofs where passengers have to wait in the open, provision of water taps at road-side stations, and so forth;

and asked what the Great Indian Peninsula Railway Company had done in these matters. Mr. Rumboll stated that they had provided all such things and that he thought they ought generally to be provided. He agreed that money could be found for these minor requirements. In reply to Sir Arthur Anderson, Mr. Rumboll admitted that the money for these usually comes from revenue.

5309. The Chairman asked what the witness had to say with regard to questions such as discourtesy to Indian passengers and discrimination between Indians and Europeans. The witness replied that there has of late been a good deal of complaint against the Great Indian Peninsula Railway that separate accommodation is provided for Anglo-Indians in the third class on through and long distance trains, though not on suburban traffic. Mr. Alexander said that this discrimination is made for the benefit of both races, because the conditions of travel were different in each case. One or two cases had recently gone to a court of law, which had decided that the Railway Company was justified in providing separate accommodation for Anglo-Indians.

5310. The Chairman invited Mr. Rumboll's attention to other complaints of unequal treatment, and asked if it were true that Europeans get wagons whereas Indians do not. The witness stated that this was not the case in recent years; it was a matter to which he had given a lot of attention. As a result of discussion between the Railway Company and the merchants a procedure had been introduced to ensure as far as possible that everybody got equal treatment. In this connection, Mr. Rumboll handed in copies of certain orders, for the information of the Committee. The Chamber of Commerce, Bombay, had approved of them and recommended that these orders should be adopted throughout India. The witness explained that the only weak point was that the congestion of traffic, and the consequent stoppage of acceptance of goods, made it possible for the subordinate staff to reap a harvest. Mr. Rumboll explained that a man might, with the connivance of the stationmaster, get an uncompleted consignment registered before another man who had completed his consignment, and also that he might enter a figure in the register which did not represent the goods actually on the premises, but which would be brought in the course of the day. He had endeavoured several times to get merchants to form a local association to protect their interests. He had failed to elicit any support from them, and this was the weak point of his system. He thought that this could only be remedied with the co-operation of the trade. He thought, however, that there was no preferential treatment as between Europeans and Indians in connection with the allocation of wagons.

5311. The Railway Company did its best to ensure despatch of consignments in order of receipt. He was afraid that there was a certain amount of bribery going on in the manner indicated, but if he were told that a man on his railway had been paid Rs. 200 each for eight wagons he could not say he would believe it. He had not heard of such a thing on his railway. He would not say that the results attained so far were due to the Company's unaided efforts. The Indian Merchants' Chamber in Bombay had helped them a good deal. As regards further improvements, the Railway Company had not yet gone to the Indian Merchants' Chamber, but was now endeavouring to seek the assistance of that body, and a letter had just been addressed to them on the subject.

The further examination of the witness was adjourned until 12 o'clock on Wednesday, the 9th instant.

ANNEXURE A. (Paragraph 5278 above.)

Copy of letter, No. 568-S., dated 12th July, 1920, from the Railway Board, Simla, to the Agent, G.I.P. Railway.

With reference to your letter, No. 5 V.-S./98, of 19th June, 1920, I am directed to inform you that the figures given in Appendix 19 of the Administration Report show an improvement from 68 per cent. in 1918-19, to 70 per cent. in 1919-20, for the number of standard gauge goods vehicles equipped with vacuum brake or piped.

In view of the delay in obtaining material and the congestion in repair shops, the Railway Board are of the opinion that very rapid improvement could hardly be expected for the period reviewed, but material progress should now be possible and they are reminding railways of the importance of the matter.

ANNEXURE B. (Paragraph 5287 above.)

Mr. Rumboll subsequently placed at the Committee's disposal a copy of the Accounts for the Sea-borne Trade and Navigation of British India for March, 1920, from which the following figures have been extracted:—

Manganese Ore, Exports from India during the year 1919–20 :—

	Quantity (tons).	Value (rupees).
Bengal	127,894	25,11,234
Bombay	249,667	45,72,868
Madras	4,555	1,01,595
Total	382,116	71,85,687

ANNEXURE C. (Paragraph 5288 above.)

Programme of works which will be required during the next ten years.

(Figures in Thousands.)

	Rough Cost.
Staff quarters (10 years' programme) ...	3,00,00
Dadar-Matunga Estate...	44,00
Bridge renewals, etc. (10 years' programme)	3,00,00
Station remodelling (small) (10 years' programme)	1,00,00
Station isolation, etc.	20,00
Sungam Bridge	14,78
Electrification	4,00,00
Crossing stations, S.E. Line	14,04
Lengthening platforms along the line ...	3,00
Nasik—Removal of Locomotive and Carriage Shops	4,50,00
Relaying	8,08,00
REMODELLING SCHEMES.	
Mazgaon remodelling	54,00
Poona ,, ...	38,00
Dhond ,, ...	43,00

	Rough Cost.
Lonavla remodelling	30,00
Bhusaval ,, ...	32,00
Manmad ,, ...	42,50
Kalyan ,, ...	12,00
Gwalior ,, ...	25,00
Itarsi Traffic Yard	29,00
Itarsi Locomotive Yard	15,80
Sohagpur—Removal of Loco. Depot	3,00
Ghorpuri Transhipment Yard	2,80
Nagpur remodelling	28,50
Victoria Terminus Station	29,50
,, ,, Station building ...	25,00
,, ,, Washing sidings ...	4,00
,, ,, Stabling sidings ...	3,00
Jhansi remodelling	4,50
Jhansi (station building)	1,70
Chalisgaon remodelling	6,15
Igatpuri ,, ...	33,87
Nasik Road ,, ...	6,45
Banapura ,, ...	1,05
Gadarwada ,, ...	11,00
Delhi—Additions, etc.	1,48
Sholapur—Loco. Depot...	14,44
DOUBLING.	
Jubbulpur—Itarsi—152 miles...	2,05,20
Agra—Delhi—122 miles...	1,64,70
Poona—Dhond—48 miles	64,80
Itarsi—Bhopal—48 miles	1,12,00
NEW LINES.	
Amraoti—Morsi—Narker	87,50
Warora—Pisgaon—Rajur	22,53
Kurla—Trombay Line	12,50
Itarsi—Nagpur	40,00
Mumbra—Panwell—Belapur Light Railway	21,25
Removing Reversing Station Bhore Ghat ...	44,00
WATER SUPPLY.	
Bhusaval—Water supply	10,00
Ghangapur—Water supply	1,00
Badnera—Water supply	6,00
Manmad—Water supply	6,00
Baroti—Water supply	1,50
BRIDGES.	
Manmad overbridge	2,60
Nasik overbridge	2,40
Regrading between Igatpuri and Bhusaval—	
Miles 101 —102 -0·08	1,52
,, 110¾—111¼-0·08	
,, 111¼—112½-0·34	
,, 119 —120 -0·27	
,, 124¾—126¼-0·30	
,, 143½—144½-0·18	

	Rough Cost.
Regrading between Bhusaval and Itarsi—	
Miles 337 —338 -3·02	17,15
,, 340 —341¼-4·03	
,, 364½—366 -6·06	
,, 381½—382½-2·02	
,, 438½—439 -2·02	
Regrading between Itarsi and Jubbulpur—	
Miles 567—568 -3·02	8,07
,, 590—591½-5·05	
DRAINAGE.	
Bhusaval—Drainage scheme	3,00
Nagpur—Drainage scheme	42
Dhond—Drainage scheme	50
HOSPITALS	
Bina	2,50
Jhansi	2,50
Bhusaval	2,50
Amla	2,00
Sholapur	2,00
Lonavla	50
Small dispensaries	2,00
SCHOOLS.	
Sholapur	86
Bhusaval	1,06
INSTITUTES.	
Dhond	1,00
Bhusaval	1,00
OFFICE.	
Poona—District Engineer's Office	0,45
Bhusaval—Joint offices...	2,50
Manmad—Joint offices...	1,40
WIDENING OF TUNNELS.	
Thull Ghat	60,00
Bhore Ghat	90,00
Total	39,58,47
Rolling Stock	5,00,00
Grand Total	44,58,47

Summary showing number of tons of public merchandise hauled during half year ending 31st March, 1920.

Particulars of traffic.	Number of tons.					
	Up.	Percentage.	Down.	Percentage.	Total.	Percentage.
Special rates	2,052,673	75·76	558,357	58·23	2,611,030	71·18
First class	387,978	14·32	195,328	20·35	583,306	15·90
Second class	155,387	5·74	96,444	10·05	251,831	6·83
Third class	67,411	2·49	71,132	7·41	138,543	3·78
Fourth class	22,520	0·83	15,069	1·55	37,589	1·03
Fifth class	23,340	0·86	23,180	2·41	46,520	1·28
Total	2,709,309	100·00	959,510	100·00	3,668,819	100·00

Mr. H. P. HEBBLETHWAITE was called and examined on a statement furnished to the Committee by Messrs. Killick, Nixon and Co., Bombay.

See Written Statement No. 47, Vol. IV., P. 168.

5312. The witness said that he was a partner of Messrs. Killick, Nixon and Co., and spoke for his firm.

5313. The Chairman pointed out that while the firm had only recommended the addition of a local board to the existing system, the Mackay Committee had

to invest in Indian railways unless improved terms were offered. He thought it would be necessary to pay a higher rate of interest in India than in London. In this connection Mr. Purshotamdas mentioned that in the past money for railway requirements had been raised more cheaply in India than in England.

THIRTY-THIRD DAY.

(Bombay).

Wednesday, 2nd February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The HON'BLE Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. H. P. W. MACNAGHTEN, Deputy-Chairman, Chamber of Commerce, Bombay, was recalled and further examined.

(See Written Statement No. 44, Vol. IV., P. 152.)

5228. On the question of the issue of fresh sterling capital in London, Mr. Purshotamdas Thakurdas quoted the following from Mr. Horace Bell's "Railway Policy in India":—

> "The contracts provided that the amount advanced by Government on account of the guarantee was to be eventually repaid from the future profits of the railways, and under the following arrangement . . . .
>
> "The result was that enormous arrears of interest due from the companies accumulated, and in the end were remitted on the drawing up of fresh contracts, under which the Government assumed a larger share of future surplus profits."

He asked whether Mr. Macnaghten thought that, notwithstanding that experience in the past, the Chamber of Commerce would still adhere to their opinion that it would be wise again to surrender the railways to private ownership.

5229. Mr. Macnaghten said that the point seemed to be that the railways did not earn enough at the start. The loss must be borne by somebody during the period that capital is unproductive. He thought that it would be most satisfactory if the Government of India were themselves prepared to raise capital for the railways in India; otherwise, they must go to the cheapest market, whether in India or in London. He did not think that his Chamber had any preference for raising money by new shares rather than by debentures or other means. He agreed with the Chairman that, if money could be raised in sufficient amounts either by State loans or by debentures, that would seem the best way to raise money, but that, sooner than go without the money which is urgently required, the Chamber would be prepared to increase the existing shareholders' capital and to allow the subscribers to have a proprietary interest in the railways. He did not consider that this would necessarily mean paying too much for the money, as in any case the market rate would have to be paid.

5230. Mr. Purshotamdas asked whether Mr. Macnaghten had any knowledge of cases in other parts of India in which the Secretary of State had entered into contracts with railway companies without consulting the Government of India; he instanced a case of that kind in the Madras Presidency in which the Government and the public of Madras had protested against the Secretary of State's action, but were told that the protest was too late. Mr. Macnaghten agreed that it was only reasonable that the Secretary of State should not enter into a contract with a railway company in England without first ascertaining the full views of the Government of India.

5231. Mr. Macnaghten thought that at the present moment it would be very difficult to raise much money in India for purposes of railway finance. The people of Bombay had, it was true, after great efforts, succeeded in raising Rs. 9 crores for the Bombay Development Loan at 6½ per cent. free of income tax; this was not very encouraging. He considered that a great many of the financiers of Bombay would like a somewhat higher return on their investment than they could get from railways. On the whole, he thought that London would be the cheapest market.

5232. In this connection, Mr. Purshotamdas observed that the Government of India had borrowed at 3½ per cent. in India but at 4 per cent. in London, which did not suggest that the latter would be the cheapest market. The Port Trust had also borrowed in India at 4 per cent., its paper standing at a premium. He believed that the Port Trust could borrow as much as they wanted at 4 per cent., but he could not say how much they had actually obtained. The Chairman observed that there was not much difference between 3½ per cent. at 96 and 4 per cent. at par. Possibly the Secretary of State had misjudged the market.

5233. Mr. Tuke observed that the Government of India had borrowed in London—

88	millions	at 3½	per cent.
65	,,	,, 3	per cent.
11	,,	,, 2½	per cent.

and that no India Government loan was quoted in the London Stock Exchange list carrying a higher rate of interest than 3½ per cent. He suggested that the borrowing at 4 per cent. to which Mr. Purshotamdas possibly referred might be debentures raised by the Indian Government through companies, bearing the guarantee of the Secretary of State. The Chairman said that it might be presumed that, if the Government of India had floated railway debentures in India, they would have had to pay at least as much as they had done for railway debentures raised in London.

5234. Mr. Macnaghten did not think that enough money had been raised on the Branch Line terms to give an indication of what might be got for a really big work. He had no great experience of branch lines.

5235. He said that the Bombay Chamber of Commerce was of opinion that the existing machinery for deciding disputes was satisfactory. Mr. Macnaghten did not know that there is widespread dissatisfaction generally among the Indian commercial community. He was not aware of any cases in which a Railway Commission under the Indian Railway Act was called for. He did not think it necessary to have any other easier and more practicable method of deciding disputes between the railway administration and the commercial community.

5236. Mr. Macnaghten realised the difficulties of arranging dual control between a Board in London and an Advisory Board in India; he thought, however, that these could be got over. He did not think that the position of the Railway Board was a complication in the matter.

5237. The Chairman asked for further particulars of the references mentioned by him on the previous day, when he said that the Bombay Chamber of Commerce had on more than one occasion represented to the Railway Board about the inadequacy of railway facilities. Mr. Macnaghten said that, on looking through papers, he found that this was not correct. He could not find that his Chamber had recently addressed the Railway Board.

KHAN BAHADUR ADARJI MANCHERJI DALAL, B.A., was called and examined upon a statement which he had furnished to the Committee.

5238. The Chairman drew attention to that part of the witness's evidence in which he spoke of railways in different countries passing into the ownership of the State, with the result that the latter or the public became the owners of the most valuable assets, the profits of which went to the State and the people. He asked what cases the witness had in mind. The witness mentioned particularly Italy and Germany. The Chairman pointed out to him that in the case of Italy, when the railways were in the hands of private companies they earned only about 1¼ per cent. to pay the State on the State capital, and subsequently, when they passed under the control of the State, they only paid about ¼ per cent. The witness agreed that in this case they could not be regarded as a very valuable asset. The Chairman added that in Germany only in the case of Prussia were the State railways a profitable asset. The witness agreed that it might be stated that the Government of India had made a good bargain in taking over the Companies' railways and the Government of Prussia did so also. The Chairman mentioned that in the case of Belgium the State railways had always been under the State, and had never made much profit.

5239. Turning to the witness's observation that the only disadvantage which can be apprehended from State management is inefficiency and wastefulness from want of experience and paucity of training and expert hands, the Chairman observed that the Companies' staff would no doubt be taken over with the railways by the State. The witness thought that the same men might be expected to work as well for the State as for a company. In reply to the suggestion that they might work harder for the companies, who generally are supposed to pay higher salaries, he agreed that the State also must pay suitable salaries.

5240. In connection with the question of block rates, the witness stated that he was aware that even under State management block rates were not unknown, for instance, in Germany, where they were quoted in order to induce traffic, which had a choice between Rotterdam and Hamburg, to go to the latter, a German port. The witness explained that a point he wished to make in this connection was that there is a tendency under the existing block rate system in India to drive traffic into the Indian Native States and ports which are in a position to manipulate their rates to attract it. The traffic thus goes to the Indian States to the detriment of British Government subjects.

5241. Regarding the block rates imposed on traffic to and from Broach port, the witness stated that after five years' fighting these had been got rid of. The traffic is now coming back slightly to the port. It had been prevented from doing so by the existence of abnormal war conditions, but he expected it would return to the port in due course. He observed that the block rates complained of in the case of Broach had been put on by the Bombay-Baroda and Central India Railway, which had a very wide range of action within the prescribed maxima and minima charges. The Bombay Baroda and Central India Railway watched the trend of traffic and introduced the block rates in order to check its flow to Broach. He considered this action quite improper. The Chairman observed that he had read the voluminous papers connected with the Broach block rate controversy. He observed that the Bombay-Baroda and Central India Railway had referred the matter to the Railway Board and that the Railway Board had approved of the action taken by the Bombay-Baroda and Central India Railway Company because most of the revenue of the lines goes to the State, and it was thus equally to the profit of the State as to that of the Company to increase the railway earnings. The witness agreed that both the Railway and the Railway Board were to blame. In reply to the Chairman's suggestion that this hardly showed that State management would be very good if the best to be hoped for was that sometimes the State might do right, after resisting pressure for five years, the witness agreed that the State was equally to blame with the Company at least in this particular instance.

5242. The Chairman then turned to the witness's summary of the advantages which would accrue to India if the railways were managed by the State. With regard to his observation that the profits from the railways would be used for the common good instead of going to private capitalists or shareholders, the witness accepted the Chairman's assurance that of all the countries in the world Prussia is the only one that made substantial profits from State worked railways. He observed, however, that profit was a matter of minor importance so long as the country is developed, while any profit that there is should go to the State.

5243. Regarding the point that appreciable reductions are made by the State management in rates and fares to give an impetus to trades, industries, etc., the Chairman observed that no country had so steadfastly refused to reduce its charges as the Government of Prussia, which had thus been able to secure its profits.

5244. Regarding the suggestion that if the State were the manager of the railways, these would be taken out of politics, the witness explained that his idea was that the State being the owners could frame their railway policy so as to be beyond political considerations. At present they have to consider other parties, whereas they need only consider the interests of the country. The Chairman mentioned that on the other hand in South Africa there are two or three official reports which suggest that the best way to get a railway made is to threaten to vote against Government if this is not done; while in Australia railways are constantly used in politics to secure votes.

5245. Turning, on the other hand, to some of the disadvantages of Company management in India as enumerated by the witness, the Chairman suggested that the "annual drain of crores of rupees" from India is not really so large as the witness believed, there being some 35 crores of rupees of Companies'

gone further and recommended the handing over of the railways which are at present managed by the State, to companies, and asked the witness what he had to say as to this. The witness said that he was in agreement with this proposal which he regarded as quite a practical one, except in the case of railways which are maintained for military reasons.

5314. The Chairman referred to the firm's observation that State management would remove competition, and asked whether at present there is any competition as understood in England or America. He instanced the monopoly which the Great Indian Peninsula Railway has of the traffic between Calcutta and Bombay, and asked whether the witness would propose to parallel this line. The witness replied that this would be uneconomical, his view was that competition, whatever its extent at present, should be maintained, but that no money should be spent to create it where it does not already exist, or at any rate till there is a demand for increased railway facilities. The Chairman pursued the question still further, and put it to the witness, whether he would rather construct a competing route, in case the traffic between Bombay and Calcutta grew very large, than improve the Great Indian Peninsula Railway to carry it all. The witness stated that he would not go so far as that.

5315. As regards arrears of renewals, the Chairman asked whether it would be sound finance to find funds for these, as proposed in the written evidence, by means of loans of 10, 15, or 20 years' duration, although the money necessary for them should have been placed to reserve instead of being paid away as dividends. The witness thought that, in the exceptional circumstances of the case, such a measure is necessary, and he did not think it bad finance to raise the money in this way. The Chairman emphasised that he was talking of revenue renewals, and asked whether these, which ought to have been done at the cost of revenue should not now be carried out, as far as possible, out of revenue during, say, five years to come. The witness did not think that the work could now be done quickly enough if financed from revenue. He, however, did not lay stress on the period of the loan being 15 or 20 years.

5316. The Chairman drew attention to the statement in the written evidence that London boards are "a necessity" if access is to be obtained to the world's money markets, and asked how, for instance, a London board could help to float a loan in New York. The witness admitted that a better word would be "helpful" or "useful." He admitted that the Government of India would have a better credit than, say, the Board of the Assam-Bengal Railway, in the English money market and elsewhere, and that a company's board could not be of any help in floating Government loans either in the English or the American market, though they might be so in raising money for a particular railway. In this connection, the witness agreed with the Chairman that the existing practice of raising money by debentures through a particular railway company, and then of spending it not on the railway that raises it, but elsewhere, appeared open to criticism. The witness considered that a Government loan would probably be cheaper than the issue of new share capital. He admitted that the discussion had exhausted all possible methods of employing a company to assist in raising capital, and that none was found very useful. He thought, however, that it would be found necessary to raise more share capital and urged the retention of the London Board for this purpose; if they were not wanted for it he agreed that their location in London was of no importance.

5317. As to the proposed local Boards, the witness said that the agent of each railway should be the chairman of its local Board. He should have greater powers delegated to him, and should have the right of veto on the proceedings of the local Board. He did not think that in practice there would be any great difference of opinion between the agent and the Board, but, if there was, the agent should have the final say. The ultimate authority would still be that of the London Board, which would retain power to revoke any delegation of its powers to the agent or the local Board in India. The witness realised that the Director of the London Board, who, it was proposed, should come to India to serve as a Director on the local Board, and was above the agent while at home, would be really subordinate to him in India. But he considered that under Messrs. Killick Nixon's Company's scheme, the object of which was to obviate delays in references to London, the Director would have to divest himself of his authority as a Director of the London Board. In his own experience such delays do occur, notwithstanding statements to the contrary made by some of the agents of the big companies. The local Board would also be useful in settling local disputes. In case of labour disputes, for instance, the agent would be the deciding authority, but the local Board, with their knowledge of local conditions, would assist him in arriving at a decision.

5318. Mr. Hebblethwaite considered that the members of the local Board should hold some shares in the company, though he thought they would be men of some importance, and would not be likely to be influenced in decision by their relatively trifling pecuniary interest in the railway. He did not think that the English shareholders would distrust the local Board, on which there would be one of their own representatives. Nor did he believe that they would be influenced solely by regard for their dividends.

5319. He admitted that the director from home would have no work except on the days when the local Board meets, but assumed that he would find other interests to occupy him. He explained that the whole object in recommending that a director should come out to India was that the home Board should be kept in touch with local conditions, and he thought that this object would be attained if the directors came out in rotation. He did not see any reason why this proposal should not work if it were made a condition of appointment to the home Board. He did not think that such a condition would deter the best men from taking up appointments as directors, though it would not appeal to himself. In reply to Sir Arthur Anderson the witness said that the home director need not necessarily serve for a full year in India, a period of six months might be enough.

5320. The witness said that he could not furnish the Committee with exact figures of arrears of renewals due to neglect during the war, even for his own lines, as these are worked by the main lines. His firm frequently inspects its lines, and employs the services of a Consulting Engineer.

5321. The Chairman asked, if, as was considered by the witness, it was necessary to borrow the money necessary for renewals, and then pay it off from revenue for 20 years, what objection he had to the alternative of raising the rates in order to secure within a few years enough money from revenue to enable the work to be done, assuming of course that the traffic would not be restricted by such a step. The witness emphasised the extreme importance of taking the renewals in hand immediately. They would not allow of being spread over a long period; but he agreed that, if they were so spread, he would not increase dividends till he had cleared them off. He doubted whether, as suggested by the Chairman, the method of meeting arrears renewal charges directly from increased revenues would be the better one.

5322. In reply to the Chairman the witness said that, apart from the question, which should be decided by experts, as to whether the expenditure is chargeable to capital or revenue, he would first like to see the existing lines put in order before building extensions. He considered that a programme should be drawn up, and, instead of the work waiting for the money, money should wait for the work; that is to say, money should be provided as fast as it could be got, though, of course, with reasonable regard to the speed at which the work could be carried out, and when once the money and the programme are sanctioned, there should be no delay in the expenditure of the money.

5323. In answer to the Chairman's question, what is the advantage of having small independent companies which justify paying more for the money and constructing lines through their agency, if Government could find sufficient money itself; the witness said that such companies would give the people of India the opportunity, which they are anxious to have, of investing their money in high class securities such as railways. The Chairman observed that, if Government loans were raised specifically as railway loans, and if railway finance was cut adrift from general finance, the people of India could very well subscribe in this way. The witness agreed that this would give them the opportunity they want; but, while admitting that he might be biased by his own firm's interest in Branch Line Company enterprise, he thought it could not be disputed that the promoters of branch line companies had done useful service to the country when money was not forthcoming, and he did not think that the small extra cost should be any reason for putting a stop to railway development through their agency. In answer to the Chairman's question whether the personal influence of the promoters, or the commercial attractiveness of the investment, or the development of the country, would weigh most with the Indian investors the witness thought that if Killick, Nixon & Co. issue a prospectus, their name is in itself enough to attract capital.

5324. He believed the Chairman was right in suggesting that these branch line propositions attract money from a class of investors who would be less disposed to subscribe to ordinary Government loans. Questioned as to whether the guarantee of 3½ per cent. would induce anyone now to put up money for branch line companies the witness replied that it was difficult to say. Branch line shares were not popular at the moment, having depreciated in value by about 30 per cent., though they had depreciated no more than in proportion to the enhanced value of money, and were still a good security. Prices have gone up so much all round that it is not possible at present to put an attractive prospectus on the market. Even the suggested raising of rates would not enable the promoters to show a sufficient return. Investors in branch line company shares always look to the possibility of a higher return than either the guarantee or rebate secured; but at the present time it would hardly be possible to float a branch line company unless the guarantee or rebate terms were such as alone would attract the capital irrespective of the chance of a share in earnings.

5325. As regards the short circuiting difficulty, which is inevitable if so many feeder lines are constructed as to form an appreciable proportion of the mileage contemplated by the Mackay Committee, the witness considered this a serious point and recognised that there were difficulites in it.

5326. The Chairman referred to Messrs. Killick Nixon's recommendation that Government should be prepared to encourage the grant of additional guarantees "by local Governments or other bodies," and asked if by "local bodies" "district boards" are not meant, and if so, whether there was any reason why they should not be allowed either themselves to construct or to contract with companies for construction of lines. The witness answered he saw no objection; he did not know why such a power which was advantageously exercised in Madras, had been refused to district boards in Bombay.

5327. The Chairman asked the witness what he had to say about the circumstances in which his firm's steamer service to Broach had been made unprofitable by a manipulation of railway rates, with the result that the service had to be discontinued; in view of the fact that the block rates had since been removed and that the original conditions had been restored. The witness said that his firm would certainly consider again running a service to Broach if there was an assurance that the block rates would not again be introduced if they did so. He could not, of course, say off hand if they would restore the steamer service. He did not think that the increased cost of working the steamers would make it unprofitable, but it would be very unprofitable to start the service and again have to withdraw it. In answer to Sir Arthur Anderson, he said that his firm did fear alterations of railway rates should they start again the service to Broach. The railway had, for instance, transferred sugar from the 1st to the 5th class, and thus effectively prevented their carrying sugar from Karachi. He thought that country craft still plied between Bombay and Broach, but his firm could meet their competition.

5328. The Witness said that there are Government directors on the Boards of some of the branch lines the contracts with which provide that there should be a Government representative. Their work could not be described as arduous. They do not regularly attend the Board meetings, doubtless because their other duties take them away. In fact, there is little for them to do on the Boards as the branches are worked by the main lines. They had only to watch and see that the managing agents do what they ought to do. The Chairman observed that the Government director is usually an engineer who is not specially familiar with rates in which the public is interested. The witness replied that the branch lines had very little control over rates.

5329. In answer to Sir Henry Burt, the witness said that he had no reason to suppose that a branch line would not get reasonable help and assistance from a company worked line, though it was probably easier to promote a feeder to a State worked railway than to a company line, as the Board in London sometimes raises difficulties. In a few cases the London Board's criticism is an advantage, too, as they would not approve of a branch line that would not pay.

5330. On the question of the proportion of holdings of Indians and Europeans in branch line companies, the witness put in the following statement:—

Company.	Total No. of Shares.	No. of Shares held by Europeans.
The Tapti Valley Railway Co., Ltd.	25,000	3,660
The Tapti Valley Railway Co., Ltd., Debentures	1,346	945
The Ahmedabad Prantej Railway Co., Ltd.	5,000	1,326
The Ahmedabad Prantej Railway Co., Ltd., Debentures ...	2,200	1,627
The Ahmedabad Dholka Railway Co., Ltd.	11,500	2,366
The Amritsar Patti Railway Co., Ltd.	32,000	13,055
The Amritsar Patti Railway Co., Ltd., Debentures	600	Nil
The Central Provinces Railways Co., Ltd.	84,000	35,622
The Guzerat Railways Co., Ltd.	34,500	9,951
The Guzerat Railways Co., Ltd., Debentures	1,800	60
The Sialkot Narowal Railway Co., Ltd.	30,000	13,180
The Mandra Bhon Railway Co., Ltd., ...	27,500	9,386

The witness observed that it would be evident from the statement that Indians hold a very large percentage of the capital, and that at least on the Bombay side it is not the case, as the Committee had been told elsewhere, that Indians have not readily taken up the shares.

5331. The witness agreed to the suggestion of Sir R. N. Mookerjee that, instead of the agent having the final say, if there were any difference of opinion between him and the proposed local Board, the matter should be reported to the home Board, whose decision should be final. Such cases would be rare, and delays would probably not be serious. It would get over the difficulty of the home director being under the agent. He did not like an advisory board because it has no definite powers.

5332. He admitted to Mr. Hiley that there would be great difficulty in dividing powers between the local Board and the London Board, and that the

position of the director from home would be peculiar, though the chances of disagreement might be diminished. If, however, the proposal to have such a director on the Indian Board could be carried out it would be a good thing.

5333. Mr. Hiley pointed out the inconsistency between the statement in the written evidence that the existing control of railways was adequate and satisfactory, and the experience of the witness's firm in regard to the broach traffic. The witness did not think this had anything to do with the railway company. The question was not one of maximum and minimum, but one of change of classification which was authorised by the Government of India, the final authority, though the proposal emanated from the railway company.

5334. With regard to the proposal of raising short term loans of 10, 15 or 20 years' duration, the witness said, in reply to Mr. Tuke, that Government would have to guarantee such loans. A guarantee of about 6 to 6½ per cent. would be necessary at the present time. Mr. Tuke pointed out that if, as proposed, the loans were short-dated and paid off, both interest and capital, gradually out of revenue within the period, a sinking fund would have to be created, and that both interest charges and sinking fund appropriation would come to about 15 per cent per annum. The witness considered that such an amount could be found out of revenue. Mr. Tuke, however, thought that it would be considerably handicapping the company. Money should be borrowed in the cheapest market. Mr. Tuke observed that any debentures raised in England for Indian railways would probably have to pay at least 8 per cent. at present, so that it would be an expensive thing to borrow through companies. The witness agreed that a Government loan would be the most efficacious and cheapest way to borrow, if Government could get all the money. He very much doubted, however, if they would succeed in this.

5335. The witness said in reply to Mr. Purshotamdas Thakurdas that his firm are the managing agents of the Guzerat Railway, and in that capacity have a good deal to do with the B.B. and C.I. Railway. The Guzerat Railway has always been worked by the Guzerat Railway Company. The B.B. & C.I. Company could not see their way to agree to the terms proposed for working by their company, and the concession was therefore given to the Guzerat Railway Company both to construct and work the railways, the liability for rebate falling wholly on Government and not on the B.B. & C.I. Railway, This was in spite of the fact that the interest of the B.B. & C.I. Company's shareholders in the company's profits was only 5 per cent. and the rest that of the Government. The witness said there was doubtless more in the case than might appear, but he could not dilate on the subject in public. He agreed that, supposing the domicile of the Board of the Guzerat Railway Company were in London instead of in India, it would be very inconvenient to the managing agents here.

5336. At the request of Mr. Purshotamdas Thakurdas, the witness stated that the clause in the contract between the Secretary of State and the Amritsar Patti Kasur Railway Company governing through traffic was:

> "There shall be no obligation upon the said North Western State Railway to send through traffic from Amritsar *via* and from Kasur and *via* over the said railway, but if the said North Western State Railway do so send any such traffic, the said railway (*i.e.*, the Amritsar Kasur line) shall receive its mileage proportion of the receipts arising therefrom." He further stated that as a result of pressure by the Branch Line company for liberal treatment in respect of the routing of through traffic, the following agreement between the North Western Railway and the Branch Line Company had been tentatively agreed to by the Railway Board for three years:
>
> "The Branch Line Company shall receive their due mileage share of earnings derived from traffic booked between stations where the Amritsar Patti Kasur Railway, at the time when the traffic is carried, forms part of the shortest route between such stations, whether this traffic is actually carried over the Amritsar Patti Kasur Railway route or not. In return for this concession the North Western Railway shall have the right of free user over the Amritsar Patti Kasur Railway, that is, the right to book any traffic for which the Amritsar Patti Kasur Railway does not form the shortest route, over the Amritsar Patti Kasur Railway should it suit its convenience to do so free of any payment to the Amritsar Patti Kasur Railway."

At the end of three years this arrangement was withdrawn. No reasons were given for this action beyond the fact that it did not suit the State railway.

5337. In reply to Sir George Godfrey, the witness said that the period during which the agreement with the North Western Railway was in force was three years, and its operation had made a great difference to the receipts of the Branch Line Company as these had gone up by leaps and bounds, but had fallen off when the agreement was withdrawn. He could furnish figures.

5338. Mr. Purshotamdas Thakurdas asked the witness whether his firm had any difficulty in floating the Amritsar Patti Kasur Railway. The witness replied that it was very difficult at first to persuade people to subscribe, but subsequently it was managed.

5339. Sir Arthur Anderson asked the witness whether there was any restriction on the freights they could levy, both up and down, by steamer between Bombay and Broach. The witness stated there was none.

P.S.—Mr. Hebblethwaite subsequently furnished the Committee, in connection with the Amritsar-Patti-Kasur Railway cross traffic question, the following statement, showing (1) the tonnage carried, (2) gross earnings, (3) dividend, for the three years prior to the introduction of the cross traffic agreement, for the three years during which it was in force, and for the three years subsequent to its suspension.

For year ending 31st December.	1910.	1911.	1912.	1913.	1914.	1915.	1916.	1917.	1918.
Merchandise in tons	72,502	61,406	77,631	**1,76,134**	**2,41,459**	**2,55,001**	1,25,521	61,027	35,223
Gross Earnings in Rupees	48,990	65,532	66,903	**2,13,283**	**1,81,995**	**2,19,872**	97,207	55,574	25,381
Rate of Dividend paid per annum.	6% free of Income Tax.	6% free of Income Tax.	6½% free of Income Tax.	**7½% free of Income Tax.**	**8% free of Income Tax.**	**8% free of Income Tax.**	6½% less Income Tax.	6½% less Income Tax.	6½% less Income Tax.

NOTE: 1. The figures in heavy type are those for the period when the "Through Traffic Agreement" was in force.

2. The apparent discrepancy in the figures of 1914 is due to the fact that during that year there was a very heavy Revenue Stores Traffic in connection with the re-laying of the line for which no revenue was obtained.

DEWAN BAHADUR K. R. GODBOLE was called and examined.

5340. The Dewan Bahadur stated that he was a partner in Messrs. Shapoorjee Godbole and Company, who were agents for the Dhond-Baramati and Pachora-Jamner Railway Companies. He said that though he had not submitted any written statement, he would like to express opinions on certain points raised in the questionnaire.

5341. Referring to the first question whether railways owned by the State should be managed directly by the State or by companies on a profit sharing basis, the witness said that the State-owned lines should be managed by companies in preference to direct management by the State, but under more rigid State control than at present in matters of rates, the number of trains and other details, his reason being that a State management would not pay sufficient attention to the revenue earning side and would be more likely to yield to popular clamour for additional comforts and conveniences on the lines, such as platforms and waiting rooms at road-side stations. These he considered as luxuries which should be provided only after the railway has earned a decent dividend, say, 7 per cent.

5342. In reply to the Chairman, the witness said that the present control by Government over rates is not sufficient, especially in the matter of securing the grant of special rates in the interests of industrial development. He believed that Government did not possess power in this direction at present, but held that they ought to have it.

5343. He considered that the Government in India should, as in France, have power to say to the railway company that they should run another train if there is any over-crowding. Recently he had seen on one of the lines managed by the G.I.P. Railway Company a number of passengers waiting for a train for a day or two, the passengers having to remain on the platforms as there was no accommodation in the trains. This state of affairs exists only since the war. The Chairman observed in this connection that the railways could not run additional trains owing to shortage of rolling stock, and that, if Government wanted more trains to be run, they should also find the money to enable the companies to produce the trains. To this the witness agreed.

5344. Asked whether it was necessary for Government to interfere in matters such as settling the pay of subordinate establishments, the witness said that ordinarily he would leave these to the companies. If, however, any company was found to be mismanaging the line, Government should have the right to intervene. Government should have power to interfere in all points whenever they think that the management of the company is defective, on the other hand, they should give the company a free hand as long as they are satisfied that it is using its powers wisely.

5345. Regarding the question of domicile, it is a great disadvantage that the main line companies at present have their Boards of Management in England. The witness strongly held that the companies should be domiciled in India. Seeing that the capital owned by companies is very small, being only one-tenth, or less, of the total, he would ask them to shift their Boards to India when their contracts expire. If they do not agree, efforts should be made in India to promote local companies to take over the management on the same lines on which the English companies are working at present. The new Indian companies should be asked to raise the money which would have to be paid to buy out the English companies and should take up the management of the business. He would not exclude any European, as such, from taking up shares in the Indian companies if he liked. If, on the other hand, the existing railway companies agreed to the transfer of their domicile, he would renew their contracts. In the case of those companies whose contracts have still many years to run and where there is no provision for their being bought up immediately, he would not have recourse to compulsory arbitration to buy them on compulsory terms; rather he would let them go on until the contracts expire in the normal course.

5346. His own experience, with reference to the branch lines which his company had promoted, has been that they had had to negotiate with the Home Board and the local management to the extent of something like four or five years. At least half of the time would have been saved if the Board of Directors of the Great Indian Peninsula Railway had been in India. He did not agree with the agents of the big companies who say that their Boards' location in London does not cause delays. The main reason on which he would urge the removal of the Boards to India was that, as the Indian taxpayer pays the guarantee and owns the majority of the railway capital, the management should be in India.

5347. In case there was any difficulty about forming an Indian company for taking up the management of these large concerns, he would go to the length of having administration boards for the management of each railway on the lines of the present Bombay Port Trust, with a Government nominee at the head of the trust to watch the Government interests, the other members being selected from the areas served by the railway. He would sooner do this than consent to a company with English domicile. The Bombay Port Trust have no shareholders, but they have debenture holders. As in the Bombay Port Trust, if there was any surplus revenue, the witness said that improvements should be effected and the property expanded and improved. He would have no shareholders in the trust.

5348. Regarding the constitution of competent boards in India to manage the undertakings, he said that there would be no difficulty at all as regards business men in places like Calcutta and Bombay, but there might be difficulties in getting expert technical advisers; these might, however, be got over by efficient staff being engaged on the lines. With the assistance of this staff and with financial directors to be found in places like Calcutta and Bombay, there ought to be no difficulty in constituting local boards.

5349. He did not think that Indian boards would employ Indians, because they were Indians, if they were inefficient. In big cities like Calcutta and Bombay he thought that people are getting over that clanish feeling to a very large extent. He admitted that the feeling did exist in times gone by. Now the people would be ready to pay the price for brains. For a long time to come European technical advisers would be necessary.

5350. Assuming that the companies removed their boards to India, the witness would allow them a larger share in the undertaking. He did not like the policy adopted by the Secretary of State in the past of refusing permission to the companies to raise more share capital. In his opinion, if the companies had more capital invested, they would take a greater interest in the well-being of the lines. He would even go to the length of saying that he would welcome the companies raising the whole capital if they could, making the railways really private concerns.

5351. Asked whether it was the shareholders who really manage the line, or the paid agent, the witness said that it was the directors who did so, but he admitted that the management depended a great deal upon the efficiency of the agent who does not get a commission on the profits. Occasionally there were directors on the boards who were experts in financial matters and whose advice in other directions was very helpful.

5352. The witness suggested that in the event of the railway companies being domiciled in India, the boards of directors should be constituted of local people. He added that, if a portion of the capital was held by Europeans, he would give them the right to put in a director of their own. This would, of course, depend upon the extent of the capital. The rest of the boards would be ordinary directors elected by the Indian shareholders. There would also be a Government director to watch over the Government interests. Thus, he wanted Government control at both ends, namely, Government should have authority to interfere whenever they liked on any subject, and

also the Government should have a director on the board to watch how things were being managed. He would not have any representative of the local government on the board as it would lead to too much interference. It would suffice if the board had a representative of the Government of India, under whose control all the railways in India would be.

5353. Referring to the branch line terms, the witness said that these were quite inadequate at present, and the sooner they were revised the better. In practice, the fixed guarantee has not been found useful; it has been accepted only in one case, the rebate terms being generally preferred. What he pleaded for was that these branch lines were doing a great amount of good in the country and were attracting money for investment from quarters which had not yet been tapped by the ordinary Government loans. In his opinion they were serving a very useful purpose in attracting capital from the smaller investors in large numbers, and politically this was doing a lot of good because these small investments meant an increase in the numbers of people who took interest in the orderly government of the country. Therefore he thought that the branch line terms should be made liberal and attractive so that the smaller investors who were not satisfied with Government loan terms might put in their money into these undertakings, which are second in importance only to the Government loans and are free from speculation. The traffic on these lines is constantly developing, and this affords a firm security, which appeals greatly to the smaller investors. He thought that the Indian Railway Committee would do well to recommend strongly to Government to keep these terms on a basis which would be more attractive than the ordinary Government loans. He would not attempt to say what rebate terms should be given. They should certainly be such as to ensure a better return than the ordinary Government loan terms. Questioned whether he would prefer either the chance of a handsome return, or a certainty of a fair return with a share in the profits, the witness said that the people prefer a fixed minimum with a chance of sharing in the surplus profits.

5354. In reply to the Chairman, the witness said that his company got, for their first line, most of the money from the big people in Bombay; while for the second, they got a number of applications from people in the mofussil who appreciated the security. If they had not put their money in this, much of it would assuredly have been spent on ornaments.

5355. The witness did not agree with the Chairman that there need always be disputes, if there were large numbers of small independent companies, on the question of short circuiting, diversion of traffic, etc. As these branch railways are short lines at right angles to the main lines, there is no chance of their interfering with each other's territory. The number of lines which a country can bear is also more or less fixed. They cannot be multiplied indefinitely. The witness agreed that they had not nearly finished building in India; on the contrary they wanted much more mileage. A definite sphere of influence should be assigned to each line. If Government consider a line necessary to serve a particular part, then the company, in whose sphere of influence it is, should be asked to construct it. No new company should be allowed to come in. The Government of India should retain to themselves the right of saying whether a line was wanted or not. The witness realised that there might be difficulties in the way, which, however, he did not think insuperable.

5356. If he were advising the Government of India and there was plenty of money available to make branch lines by Government themselves, he would certainly ask them to construct the lines, and not leave them to others. If, however, Government could not do it, for one reason or other, he would have them built by a local company. The witness thought that Government ought to extend its own railways.

5357. The witness wanted to bring to the notice of the Committee that a great deal of the railway plant and railway material is at present imported into this country. Each of the main railway systems has attached to it very big workshops, with trained establishment of a very high order. He wanted Government to keep in view the utilisation of these workshops in such a way that they would eventually be able to turn out all the railway requirements at present imported into the country. In Bombay, for instance, there are two large workshops, attached respectively to the Bombay Baroda and Central India and Great Indian Peninsula Railways, which do a lot of repair and renewal work. He wanted each workshop to specialise in a particular railway plant or material and to produce this for all the State lines. In his opinion, this was quite feasible. One of the workshops named above could manufacture engines, another carriage and wagon stock, and so on. Government must undertake to do this, as private enterprise is not likely to take it up. The Chairman pointed out that a good deal had been done in that direction, but the witness said that the progress being made is not fast enough.

5358. In reply to Mr. Purshotamdas the witness said that he would advocate the formation of an Indian company, if one of the existing companies refused to transfer its domicile to India. Failing this, he would adopt the expedient of forming a Managing Board like the Port Trust, that is, the railway should be administered through a body created for the purpose. He preferred company to State management, because the former conduces more to economy and efficiency; the tables given in the questionnaire showing the results attained by both prove this conclusively. Further, he said that he had experience of several industrial concerns started by Government which had come to grief, and which private management had brought to a successful issue. Mr. Purshotamdas pointed out that railways were not on all fours with industrial concerns, and the witness admitted a certain amount of difference.

5359. The witness said that he was a member of the Pilgrim Committee for the Bombay Presidency. His experience in that connection was mostly with company-managed lines, and he had nothing special to mention about it.

5360. Referring to his previous remark that platforms and waiting rooms at wayside stations were luxuries, Mr. Purshotamdas said that in other parts of India, the Committee had been told that such conveniences were absolute necessities which the company managements refused to provide. The witness said that he disagreed with those who held such things to be necessities at unimportant stations. Mr. Purshotamdas asked whether he would not conclude agreements with the present companies and let them continue to run the lines. The witness said that the only change he wanted was that the companies should shift their Boards to India.

5361. The witness had not studied the question of block rates. If, however, any railway was seen to charge any higher rate than is fair and usual, Government should step in and say that they should not do so. Government control must be made much more efficient than it is to-day.

5362. Regarding Government Directors and their powers of interference, Mr. Purshotamdas observed that Government have a director on all of the boards in London who has powers to interfere: if the Government Director being on the board, satisfies himself or is satisfied, then there should be very few complaints. The witness said that the directors, being away from the country, do not realise local difficulties.

THIRTY-FIFTH DAY.

(Bombay).

Saturday, 5th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, KT., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Honourable MR. V. S. SRINIVASA SASTRI.
MR. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

See Written Statement Nos. 48 & 49, Vol. IV., P. 169/174.

The under-noted representatives of the Indian Merchants' Chamber and Bureau, Bombay, and of the Indian Millowners' Association, were called and examined with reference to written statements which had been furnished by them to the Committee:—

Sir VITHALDAS D. THACKERSEY (representing both bodies).

Mr. LALJI NARANJI,
Mr. JEHANGIR BOMANJI PETIT,
Mr. B. F. MADAN,
Mr. J. K. MEHTA,
} representing the Indian Merchants' Chamber and Bureau.

5363. Mr. Lalji Naranji acted as spokesman on behalf of the Indian Merchants' Chamber and Bureau. He stated that this Chamber was created in 1907. Its membership is solely Indian and amounts to more than 500, the members being all residents of Bombay with very few exceptions. Almost all trades are represented in the Chamber and the members are mostly wholesale merchants.

5364. Mr. Lalji explained that the terms of the statement furnished for the consideration by the Committee of the Chamber had been decided upon in the course of several meetings specially held for the purpose. It had not been placed before the Chamber as a whole but it might be accepted as representing the Chamber's views.

5365. The Chairman observed that, in the written statement, the Chamber referred to a representation addressed to the Railway Board in December, 1916, of which a copy is appended to the written evidence. In addition to this, Mr. Lalji handed in copies of two other representations* dated 26th July and 12th August, 1910, addressed respectively to the Agent, Great Indian Peninsula Railway, and to the Secretary, Railway Board.

5366. The Chairman drew attention to the Chamber's argument, among others in favour of the transfer of Indian railways to State management, that there would be an annual saving of about a crore of rupees at present paid to the managing companies as their share of profits. The Chairman observed that he thought that the figure was overstated as, for a series of years, he believed the payments had only been about half a crore. The witness explained that he did not attach special importance to the precise figure; the point was that, whatever the amount, it was substantial and should be saved to India. The Chairman remarked that a crore of rupees, though a substantial sum in itself, would be relatively small as compared with the annual receipts of the Indian railways, and that any difference in results obtained between good and bad management would be likely to exceed this amount. The witness agreed that, as an abstract proposition, this might be the case. He, however, considered that the sum was large in relation to the Indian finances and that it should not be paid out of the country: the Chamber were satisfied that, provided the principle of self government was thoroughly introduced in the Central Government, State management would not be less efficient than that of the companies.

5367. Questioned with regard to the submission of precise instances of "block rates" having been quoted by railways other than the Broach block rate case, which had already received the Committee's attention, Mr. Petit drew attention to the evidence taken by the Indian Industrial Commission (as recorded in paragraph 43 on page 293, Vol. IV, of the Bombay evidence), in which specific instances were given showing how rates had been adjusted. The Chairman said that the Committee would be glad to study those examples subsequently. He said he did not understand that anybody now defended the action taken by the railway company and the Railway Board in connection with the Broach case. Sir Vithaldas Thackersey remarked that, in that case, things had reached the breaking point, but there were many cases of a similar character which had not attracted so much attention, but in which the public suffered.

5368. With regard to the Chairman's suggestion that it would probably be admitted as reasonable that large consignments to or from a port should get better rates than smaller consignments of inland traffic, Mr. Petit said he was not sure that he would accept this as a general proposition. He would adjust the rates more in favour of the local traffic if failure to do so were detrimental to local industries. He agreed that he would in fact use the railway revenue to assist the development and protection of Indian industries as such. He thought, however, that in many cases the railways would lose nothing by carrying small consignments at the same rates as large ones. It seemed to him that, so long as a full wagon load is made up it is immaterial to the railway whether it is in several small lots or in one large consignment. In this connection, Sir Vithaldas Thackersey drew attention to the example of matches, in which Indian match factories suffered owing to the quotation of lower rates for the larger quantities handled of imported matches. He thought that (not speaking of quite trivial quantities) the same rates should be given to Indian manufacturers who send small consignments as are given for large imported quantities.

5369. Mr. Lalji cited as an example of undue preference the rates for cotton from Jalgaon, where he has a mill, to Bombay and Calcutta. He stated that the rates from Jalgaon to Calcutta, Cawnpore, and Delhi are very high as compared with the rates

* Not reproduced.

from Bombay. He said that the railways should be in a position to give such rates to Indian manufacturers and industries, whereas at present they look only to the interest of the railway earnings. He promised that he would furnish the Committee with details of the comparative rates and distances for the traffic in question.

5370. Mr. Petit said that there are instances in which, only because the traffic is from the ports, lower rates are charged than for shorter distances up country. He stated that the Chamber contends that the preferential rates are deliberately fixed to enable foreign to compete with indigenous industries. He agreed that the railway man might reasonably say that he would lose a certain amount if he did not adjust the rates preferentially in favour of the port traffic; but he considered that the railways existed for the country, and not the country for the railways. The railways have been apt to think too much of their own interests and too little of the interests of the public.

5371. The Chairman mentioned that the railway rate question is an extremely complicated one. He instanced a case in which, in America, the railway companies charged more for 1,000 miles from B to C than for 3,000 miles from A through B and C to D; and said that, after 15 years' discussion, the Inter-State Railway Commission had accepted the railway practice as reasonable. Mr. Petit emphasised that in that case there might be a complaint of undue preference between one American and another, but what is objected to in India is preferential rates being quoted in favour of non-Indians to the detriment of Indians.

5372. After some discussion of the suggestion that it might be advantageous to set up in India a tribunal consisting of an independent Chairman, who might be a lawyer versed in railway business, assisted by representatives on the one side of the commercial public and on the other of railway men, the witnesses stated that they would be quite in favour of such a tribunal being set up provided it were clearly understood that they did not regard this as in any way an alternative to State management of railways, on which they strongly insisted. They laid great stress on the importance of Indian railways being placed in charge of an Indian Minister. He would, of course, require technical assistance.

5373. Mr. Lalji dwelt upon the prejudicial attitude hitherto adopted by Government towards the employment of Indians in the higher appointments. He stated that Indians had never been given a chance of establishing their competence and had always been in a small minority. The railways should be managed so as to train Indians first as experts. It was not the fault of Indians if railway experts did not already exist in the country; it is the fault of the treatment to which they had been subjected.

5374. He cited, as an example of what might be done by Indians, the Bombay mill industry in which there is now only a trifling percentage of European staff employed, practically all the superior posts being held by Indians, who have proved themselves entirely competent. He saw no reason why Indians should not prove themselves equally efficient in railway business, and thought the difference between the two cases was very striking. The Chairman said that, of course, the Committee would not at present express either agreement or disagreement with the witness: he mentioned that Sir Rajendra Nath Mookerjee could say that steps have been taken in Bengal, at least, to provide better openings for Indians on the railways. It might, of course, be that this action should have been taken sooner.

5375. Mr. Petit mentioned that the Bombay, Baroda and Central India Railway offers lower pay to Indian apprentices than the pay offered to European apprentices where the same work is concerned. He had specially in mind the lower rates of pay offered to apprentices in the locomotive workshops. The Chairman said that he did not think that very much importance could in any case be attached to the remuneration of such posts as these. It was more important to know of any such discriminations between Indians and Europeans employed in the regular service. He said that he believed that in the case of officers the rates of pay for Indians and Europeans are the same and asked whether this is also true in regard to subordinate appointments.

5376. The Honourable Mr. Sastri explained that frequent differentiations are made between Indians and Europeans, for instance, in the case of guards and drivers. Sir George Godfrey thought that it depends to some extent upon the work on which the men are employed and that they are paid alike for equal work. For instance, guards or drivers on the mail trains are paid the same, whether Indians or Europeans. Mr. Petit said that he was not in possession of figures and was not in a position, therefore, to speak definitely on the point. He emphasised, however, that hitherto, it was only in the subordinate grades, with very few exceptions, that Indians had any chance of employment at all; though the salaries paid to Indians and Europeans for certain posts might be the same, such posts are withheld from Indians.

5377. The Chairman referred to the quotation in the Chamber's written evidence of a circular issued by the Railway Board in May, 1915, urging railways to give assistance in the development of indigenous industries by the quotation of favourable rates for the carriage both of raw materials and of the finished products. Mr. Lalji stated that this recommendation had not been acted upon by the railways. In this connection, Mr. Petit quoted an instance. The cost of transporting one maund of cotton seeds, according to the figures on pages 294-295 of the Industrial Commission's Report, from Amalner to Bhavnagar, a distance of 486 miles, is the same as that from Amalner to Navsari, a distance of 173 miles. This was the way in which effect had been given to the circular of the Railway Board.

5378. In reply to the Chairman's enquiry whether applications had been made for special rates to develop local industries, Mr. Lalji explained that he had aplied for special rates for the carriage of raw cotton from Adoni to his mill at Jalgaon, the rates at present quoted being almost double those from Adoni to Bombay, the difference in the distances being in the ratio of about 600 to 500 miles. Mr. Lalji said that he applied for this special quotation sometime in 1913 or 1914. This, as the Chairman observed, was before the issue of the Railway Board's circular letter. Mr. Lalji stated that all the satisfaction obtained was an assurance from the Great Indian Peninsula Railway Company, that the matter " would receive attention " —the usual reply in such cases. After two or three reminders, the matter was dropped, the railway company refusing to accede to the request.

5379. Mr. Lalji agreed that such a case as this might advantageously be referred to an impartial tribunal such as had been suggested. Mr. Petit laid stress upon the undesirability of such a tribunal being constituted of railway men. The Chairman mentioned that in the case, for instance, of the Bombay, Baroda and Central India Railway Company, the Government had power to take over the line only at the end of 1941. The witness agreed that if it were definitely accepted as the policy of Government that the company-worked lines should be taken over for State management at the earliest possible date in each case, he would have no objection to the institution of such a tribunal as had been suggested. In the case of the lines already managed by the State, he would welcome the institution of such a body at once.

5380. With reference to the suggestion of the Chamber that better use could be made of rolling stock if the railways were all under State management, the Chairman explained that even in Prussia, where the railway system is smaller than that of India, the State had found it necessary to divide the railway system into 21 different divisions, each with

its own wagons. He did not say there was no interchange of wagons, but it had been found impossible to make a general pool. Sir Vithaldas Thackersey asked why, then, wagon stock had been pooled in India during the war. The Chairman observed that railways are now reverting to the old practice, railway men believing that they can do better work if the wagon stocks are not pooled.

5381. With regard to the Chamber's opinion that the Railway Board should be reconstituted and should in future have four members and a chairman, at least three of the five being Indians and one of these a representative of the Indian commercial community, the Chairman said that he thought that the Chamber would agree that the functions of the Railway Board are really dual and that they might best be provided for by the appointment of the best men obtainable, whether Indians or Europeans on the technical side, giving their whole time to carry out the daily administrative and executive work of the department; on the other side, there being representatives of the needs of the country, this part of the organisation corresponding rather in nature to the Legislative Assembly, which does not sit all the year round. Mr. Petit did not think that representatives of different trades and different parts of the country would be necessary. He thought that Indian opinion would be sufficiently represented by a limited number of Indians who would urge more attention to Indian industrial interests, to the appointment of a larger proportion of Indians in the higher posts and who would see that, in time, railways are managed entirely by Indians. He considered that properly chosen Indian representatives would be strong enough to rise above parochial interests and would not exhibit preference in favour of particular interests or localities.

5382. In reply to the Chairman, who asked whether there was any Indian firm to-day in a position to manufacture and supply railway material which is not fully occupied in doing so, Sir Vithaldas admitted that at present the firms are full up with orders. The point which the Chamber wished to emphasise is that firms have not laid themselves out to manufacture and supply goods for Government service, because they have no assurance of receiving orders in future even when they are capable of complying with them. It was only under the exceptional stress of war, when it was difficult to import materials, that Indian firms had been given an opportunity of showing their capacity. There was no assurance of their receiving their proper share of custom in the future. Mr. Lalji urged the necessity of obtaining all requirements, whether Indian or imported stores, in the country. He said that no definite rule could be made as to the extent to which preference should be given to Indian manufacturers in case of their prices being higher than that of imported goods; but he would fix a percentage of preference with reference to the special circumstances of different cases. Indians might compete with foreign manufacturers on a level in some instances, whereas in others it might not be reasonable to give a special preference. Mr. Petit emphasised that the example of Japan shows what can be done by the adoption of a sound policy in the matter. Japan is now supplying its own requirements of every description as well as supplying foreign customers. It had created these conditions in 40 years, the British Government had done practically nothing on these lines in India during 150 years' rule. Mr. Lalji pointed out that it was unsatisfactory after 70 years of railways in India to find the present position. He added that looking to the fact that India is the country of the Indians he did not want unnecessary importation of men, materials and money from abroad.

5383. With regard to the control to be exercised over railway companies, the witnesses urged that whether or not adequate powers are possessed in theory by Government, they are certainly not exercised. Mr. Petit instanced a case in which the B.B. and C.I. Railway Company had refused to supply a weigh-bridge which was urgently required by the Baroda Millowners' Association, Baroda. He thought that such a Board as the Committee recommended would see that such matters as these are dealt with differently. He admitted that sometimes unreasonable applications would be made and must be refused, and that in really small matters he would not allow a right of appeal up to the Railway Board or the Railway Minister. He did not, however, consider the provision of a weigh-bridge, where this was wanted, a trifling matter. He did not think that the Railway Board would be swamped with references about such cases. He thought that after references had been made, and when these led to grievances being redressed, the railway staff would be more reasonable in dealing with future applications.

5384. Mr. Lalji mentioned that in 1907 the Bengal Chamber of Commerce had strongly urged the superior results secured by State management of railways, citing the better work of the Oudh and Rohilkhand Railway and North Western Railway. He believed that this view really represented the Chamber's convictions, although in recent evidence before the Committee they have supported company management. He thought that the reason for the latter expression of opinion was that the Chamber's standpoint was altered in view of the political development in India.

5385. Regarding the raising of money Mr. Lalji agreed that a great deal of money must be found for railway purposes, and that railway rates must be such as to provide sufficient net revenue to meet the interest charges on the new capital as well as on the old. With reference to the suggestion of the Chamber that the rates for the carriage of luxuries should be high and those for necessaries low, Mr. Madan explained that this was not put forward as a proposal for raising a very large sum of money, but that as a matter of principle the Chamber held that articles of luxury should be charged higher rates than others. He allowed that it might be the case, as the Chairman observed, that rates had been increased less in India since the war than in any other country. He considered, however, that the point was that even if freights were now cheap, there was no reason why they should be increased unless working expenses and interest charges necessitated this. The Chairman remarked that he thought everybody would agree with this view.

5386. The witnesses said that they were not in a position to furnish precise illustrations of the indirect advantages secured to the State in such ways as increase of land revenue due to railway construction. Sir Vithaldas Thackersey mentioned that the land settlement is revised every thirty years, and that it is a special instruction to the revenue authorities that they should take into consideration the improvement due to railway facilities. He said that Government would doubtless be able to give details as to the extent of the improvements secured in actual cases.

5387. Turning to the written statement furnished by Sir Vithaldas Thackersey on behalf of the Indian Millowners' Association, the Chairman asked what cases Sir Vithaldas referred to when saying that many instances could be quoted where the maintaining of vested interests has prevented large parts of the country from being developed. Sir Vithaldas said he had referred specially to the instances mentioned in his speech in the Legislative Council, of which a copy was attached to his written statement. He urged that if railway facilities are increased, as they should be, vested interests must necessarily be affected. He thought an advantage of State management was that the State would not be deterred from making developments for such reasons, as the benefit on the one hand would more than counterbalance the injury on the other.

5388. He agreed with the Chairman that if a large number of branch line companies were permitted to come into existence there would be a tendency for the claims of these companies for protection of their interests to interfere with development. He urged,

however, that concessions to branch line companies would only last for 25 years, after which they could be purchased. He would be quite in favour of Government building all the branch lines from its own funds rather than entrusting them to separate companies, if he thought Government would be able to do so. He did not, however, believe that Government would be able to raise sufficient money.

5389. Speaking of the Broach block rates Sir Vithaldas admitted that the Railway was not wholly in fault, the Railway Board being also to blame for having supported the Railway's action. He claimed, however, that under the new dispensation effective popular control would be exercised over the Railway Board.

5390. Sir Vithaldas laid stress on the importance of purchasing in India stores required by railways. He thought that if the policy of buying stores in India were adopted this alone would enormously stimulate the development of the industries of the country as the railways are the biggest consumers of stores.

5391. The Chairman then referred to the proposed alternative of companies domiciled in India, if State management were considered impracticable, and observed that it would be no easy matter to persuade the railways to transfer their headquarters from London to India. He asked whether the example of the Bombay Tramways Company, where Indian investors bought out the English shareholders, did not suggest how the transfer of the domicile of, say, the Bombay Baroda and Central India Railway, might be effected. Sir Vithaldas thought the case was hardly a parallel, as in the Bombay Tramways case a large part of the shares had originally been allotted to Bombay, and the transfer to India was brought about largely by the demand for relief from the pressure of English Income Tax. No part of the Bombay Baroda and Central India Railway stock is held in India, and he did not see how the change of domicile could be effected except on the expiry of the company's contract. He said that he would not be disposed to use Indian revenues to pay a substantial amount to the company to induce them to abandon their interests in the railway for the next 20 years, though he would be ready to offer reasonably liberal terms if the financial position allowed of this.

5392. He agreed that, assuming that the Bombay Baroda and Central India Railway Company must exist for a number of years, it would be advantageous to appoint a local Advisory Board in Bombay. He thought this would be of great advantage both to local interests and to the company itself. There had been an Advisory Board in the case of the Bombay Tramways Company which had proved very useful even before it developed into a local board of direction when the company's domicile was transferred to India. Sir Vithaldas promised that he would try to obtain details, for the information of the Committee, with regard to the actual powers exercised by the advisory local Board of Tramways Company. He mentioned that it helped to raise capital in India even when the company was domiciled in the United Kingdom.

5393. Sir Vithaldas said that in his opinion money should be raised for railways preferably by borrowing, but he thought enough money would not be obtained in this way. He would then be willing to issue preference shares and only in the last resort to increase the ordinary share capital.

5394. He stated that he had no detailed information to enable him to quote more recent instances of the ill-effects of company management of railways than those mentioned in his Council speech of 1912, as he had not been in the way of receiving detailed information which would enable him to do so. The point he wished to emphasize was that Government should in future look at railways more from the Indian point of view than they had done in the past.

5395. In reply to Sir Arthur Anderson, Sir Vithaldas explained that he would not propose that branch line companies should be bought out by a lump sum after 25 years' operation. He thought a better arrangement to make would be that liberal terms should be given to assist branch line companies in their early stages, and that Government should obtain on the other hand convenient conditions to facilitate the purchase of the lines subsequently by means of terminable bonds.

5396. In answer to Sir Henry Ledgard, Sir Vithaldas said that he thought the amount which could be raised by borrowing would depend upon the circumstances at the time. India had got accustomed during the war to loans of greater magnitude than those which used to be regarded as normal. He did not however think that a loan of 30 or 40 crores could be floated. He thought perhaps about 10 crores might be obtained at 6½ per cent. Doubtless much more could be obtained at 7 per cent., but he deprecated the grant of a high rate of interest in view of the manner in which it would depreciate all other Government securities. He thought it best to obtain what could be got at 6 to 6½ per cent., and to obtain further moneys by means of liberalising the branch line terms.

P.S.—The Committee were subsequently furnished with a considerable volume (not reprinted) of supplementary information connected with the necessity for revising the railway risk note forms and conditions, and bearing on the question of undue preference being given to Europeans.

THIRTY-SIXTH DAY.

(Bombay).

Monday, 7th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. Goverdhandas I. Patel, B.A., Honorary Secretary of the Ahmedabad Millowners Association, was called and examined upon a statement which he had furnished to the Committee.

See Written Statement No. 50, Vol. IV., P. 176.

5397. Mr. Patel stated that he represented the Ahmedabad Millowners Association. He was the Honorary Secretary to that body and was himself a millowner. The Association had on its rolls some 75

members who were either millowners, factory owners or owners of such other concerns as were run by motive power; as, for example, iron factories, iron foundries, glass factories, and oil and flour mills. Mr. Patel agreed that the Association might well be called the Ahmedabad Manufacturers Association. It had been in existence for the last 30 years.

5398. Before Mr. Patel's examination proceeded, he handed to the Committee copies of a supplementary statement which had been prepared by the President of the Association and himself. This supplementary statement corrected some minor errors in the typing of the original statement which had been furnished for the Committee's consideration; these errors have been corrected, and the first written statement as reproduced in the volume of evidence stands as altered accordingly; but the supplementary statement contained additional matter also. In one important respect it modified the recommendation contained in the Association's first document. Mr. Patel explained that a rough sketch of the original document was prepared by a Sub-Committee of the Millowners Association, consisting of the President and himself, who had been authorised, at a general meeting, to formulate the detailed views of the Association and place them before the Indian Railway Committee. After this had been done the President was obliged suddenly to go to Bombay, and as the time for sending the statement of evidence to the Indian Railway Committee was short, the honorary secretary had to send the original draft to the Committee. The honorary secretary then went to Bombay and placed before the President the finished final copy of the statement which had been already sent to the Committee. The President and the honorary secretary discussed the whole sketch finally at Bombay and decided to submit the supplementary statement accordingly.

5399. Mr. Patel explained that the Association as a whole placed such confidence in the judgment of his President and of himself, who had been appointed to formulate their views, that, notwithstanding the important change made without further reference to the Association as a whole, the views finally placed before the Committee should be accepted as authoritative on behalf of the body. In the original statement it was represented that the Association considered direct State management of the railway system as an ideal provided the railway administration became a transferred subject in the hands of a Minister. In the second statement the Association recommended company management with a board of directors in India as an *interim* and immediate step towards that ultimate ideal. The final view, however, which was placed before the Committee on behalf of the Association, was that this *interim* step should be avoided if possible, and that an immediate demand should be made for direct State management as a transferred subject in charge of a Minister. Mr. Patel explained that the Association's recommendations regarding company management in India could not, however, be completely set aside as, in the event of its being impracticable to secure immediate State management under the conditions described, the Millowners Association would then prefer company management in India to company management in London, and their observations with reference to this scheme would in this event be apposite.

5400. Regarding the question of companies domiciled in India, the Chairman observed that at present the companies are domiciled in England. He asked how the English shareholders, who had put in their money under the control of boards of management in England, could be induced to transfer the control to India. The witness instanced the case of a concern, to which he and many others in India had subscribed over 95 per cent. of the capital, having its domicile in America. The Chairman pointed out that he had only given a case in which the company was domiciled in America and whose capital was held in India, but that he had not tried to show how the domicile should be shifted from one country to the other and on what terms. The witness thought that if there was no other alternative, Government should guarantee a higher rate of interest and thus afford some inducement to the shareholders to agree to the change; but the best way in his opinion would be to appeal to the sense of moral justice of the shareholders. They must be convinced that their interests would not suffer. If Government promised this, the shareholders might feel inclined to agree to the transfer of domicile. Sometimes, he said, a man might be induced to give away something without taking much advantage from the other party if he saw that there was justice in the transaction; the whole thing depended upon the temperament of those concerned. The Chairman enquired whether he would be prepared to give the shareholders a bigger share of the profits instead of increasing the guaranteed rate of interest. The witness said that if this were to be done it should be on a sliding scale and not simply based on a mathematical calculation; that is, if the profits ran to a certain figure, the shareholders would be entitled to so much per cent. and only beyond that to a higher share.

5401. Referring to the question of the renewal of contracts with companies, Mr. Patel said that he wanted the contracts to be ended as early as possible. He realised that the shareholders had made a bargain with the Secretary of State, and that they might desire to stick to it, but there was a limit to this. He said that no new share capital should be issued, as the English companies should be wound up as soon as possible.

5402. Asked what he meant by saying that the "question is very delicate in regard to the drawing of a line between partiality and active interest in the conscience of an individual," Mr. Patel said that a man might have a very large interest in one particular concern, but at the same time his conscience might be such that he would do justice in spite of his own interest. His contention was that, simply because a man was interested in an associated concern, he should not be debarred from having a seat on the Board of Management of a railway.

5403. Regarding the question of control by the Railway Board, Mr. Patel said that it was not satisfactory at present. There was no adequate representation of various national interests of the country. He had suggested a Board for a local company in his written statement, but now he did not want to press the case of a local company if it could be helped. He realised that the Railway Board had got to deal with technical questions like the vacuum brake, design of couplings, strength of bridges, etc. Technical matters would have to be dealt with by experts. The Board suggested by him would not be competent to deal with technical matters; on the contrary, they would be a useful body to represent public opinion. He would not want this Board to be all day and every day at Delhi, in fact, they would not be able to spare the time. There should be subordinate Boards, say, in Madras, Calcutta, Bombay, etc. There would be a higher or central Board like the Council of State in Delhi to which local Boards might refer questions. The result of this suggestion would be that the Railway Board would deal with technical questions as at present, and would consult the Board at Delhi, which should contain 12 members representing different interests from all over India, whenever any questions of policy or such things as the grievances of third-class passengers have to be decided. The local Boards need not contain more than six or seven members. Both the policy side and technical side must be represented in each Board. The opinion of these Boards would certainly carry great weight. It would be difficult for Railway Administrations to refuse to carry out the reasonable recommendations of such authoritative bodies.

5404. Regarding the question of finance, Mr. Patel admitted that the supply of funds for railway purposes previous to 1919-20 was far from satisfactory, but for the year 1919-20 he thought it was quite adequate. Ahmedabad did not get as good a service as it wanted. The merchants there were at a great

lose to get wagons and other commercial facilities. He did not admit that the whole trouble was due to the fact that the railway machine was not big enough to do its work; rather he considered the allocation of wagons was not wisely done. There were some 60 or 70 mills and factories in Ahmedabad. On account of coal shortage Government had appointed a coal transportation officer at Calcutta, who supplied the mills with coal under a special arrangement allotting a certain number of wagons every month for each mill. Under this system the mills were getting coal only very sparingly, just sufficient to run their machinery. Yet the railway company decided to take over the wagons already consigned to the mills for their own use and refused the mills their due. This was clearly the fault of the administration due to its high-handed policy.

5405. The Chairman pointed out that, if the railways did not get coal for their engines, they could not haul coal to the mills. The witness said that, if the railway authorities had approached the millowners, these would have been ready to say who had got a large stock and whose coal the railways could take. The railways did not do this, with the result that millowners had to purchase coal from the market at Rs. 30 per ton which they could have got at Rs. 7. The railways also might say that if they had their own coal they would not have to pay Rs. 7/8a. per ton, but only Rs. 3/8a., but the witness said that it was not their look out, and that the community should not be made to suffer.

5406. Referring to the recommendation made 13 years ago when the Mackay Committee reported, and said that railways ought to have £12,500,000 a year for capital purposes, Mr. Patel agreed that more could not be bought for £25,000,000 now than for £12,000,000 previous to the war. If £12,000,000 were too little before the war, the £17,000,000 provided in 1919-20 must be even less adequate. He agreed that more money was necessary. He would raise as much money as possible in India and then go elsewhere for the balance. The amount that could be raised in India would depend to a great extent upon the terms. The present time was not at all favourable to any large borrowing. After things had settled down, say, two years hence, he thought that about 30 crores could be raised in India on the terms of the present Bombay Development Loan. It would not be possible even then to raise this amount every year. He was in favour of raising money by preference and ordinary share capital and by debentures, but not by terminable bonds, because in the case of bonds it might or might not be convenient to pay up at any particular time. On the other hand, he admitted, there might also be the advantage of raising money cheaper later on, but on the whole he thought that it would not be wise to run the risk.

5407. In reply to the Chairman, Mr. Patel said that as a policy of the future foreigners should not be given a hold on the management of the railways. He would not deprive the English shareholders all of a sudden of the privileges which they now enjoy, but gradually he would. Government should take over the management of the G.I.P. Railway in 1925, when its contract will expire. In the case of the B.B. & C.I. Railway, whose contract has still 20 years to run, Mr. Patel said that its Board should be transferred to Bombay at once, as it would be difficult to find suitable members to represent Indians to sit in London. This, of course, would depend upon the pressure exercised by Government. He said that he wanted to be fair to the English shareholders. In the first place he would ask them to move the Board to India, and then add more Indian members, and gradually enlarge it. The result would be that a good many English members would resign. In their places Indians would be appointed. As an inducement to the shareholders of the Company he would be ready to give them better terms than at present for the remainder of their contract.

5408. With reference to his observation in the written statement that railway rates might be raised under pressing circumstances, Mr. Patel said that he was himself running a mill. Wages had gone up considerably, and the prices of materials also had gone up. Consequently, he had to charge more for what he sold. The case of mills was not on all fours with that of railways, as the latter did not make economies which they might by buying in the cheapest market. Assuming that the railways financed themselves as best they could, he agreed that, as prices had gone up the rates and fares should be increased. The railways have, as a fact, already increased the rates by about 20 per cent., which he did not consider as too small a figure. The Chairman pointed out that in America the rates had gone up by 80 per cent., and in the United Kingdom by 112 per cent. The witness admitted that in India rates had not been put up to such an extent as this.

5409. Referring to the question of block rates, the Chairman observed that the Committee had heard all about the Broach affair. Nobody defended what had been done, and it had been put a stop to; he asked Mr. Patel to give any other instance. Mr. Patel referred to the case mentioned in his written statement regarding the inequality of rates from Ahmedabad to Madras direct and Ahmedabad to Madras *via* transhipment at Dadar (Bombay). The explanation given by the B.B. & C.I. was that the local rate from Ahmedabad to Bombay was in competition with the sea, and eventually the through rate was reduced. The Chairman remarked that this sort of thing was not a special crime of Indian railways as it happened all over the world. The witness said that had such a thing occurred in America the railways would have been asked to pay a rebate for a certain number of years. At least, that was his experience with the Southern Pacific and Salt Lake lines.

5410. Mr. Patel did not admit that the railways had not at present got the necessary money for providing more siding accommodation for the small stations near the villages which have got large quantities of raw materials for despatch. All that was wanted was greater economy by the railways. The Chairman asked the witness to give the Committee some concrete instances where the railways managed extravagantly. He made a general statement that all posts above Rs. 300 should be paid on a lower scale than at present. In this connection Mr. Hiley asked whether it would be possible to reduce the salaries of employees. Mr. Patel said that he would not reduce, but that he would gradually replace them by others of the same capacity who would cost less. In reply to Mr. Hiley, Mr. Patel said that he would get rid of his own mill staff if cheaper men of the same capacity could be had.

5411. Mr. Patel agreed with the Chairman that the Advisory Board suggested by him would be very useful in discussing questions such as the terms and conditions of Risk Notes.

5412. With reference to his recommendation that at least 60 per cent. of the higher and subordinate posts over Rs.200 should be given to Indians, Mr. Patel said that, if there were two men, Indian and Anglo-Indian, with the same qualifications, he would prefer an Indian, but that, if the latter's qualifications were superior, he would certainly appoint the better man. In his opinion, the railways were paying higher salaries than other business concerns for corresponding work.

5413. Referring to the witness's observation in the supplementary statement in reply to the question about the impartiality of the local boards, "that it would be wise to remain silent over this in view of its all round applicability," Mr. Purshotamdas asked him to explain. Mr. Patel said that various classes and races are included in this; it applied as much to other people as to Indians. In this connection, the Chairman remarked that there was nothing in the questionnaire to suggest that this question referred only to Indians. On the contrary, the Committee had a question raised before it in Calcutta whether an English manager of a jute mill would be prejudiced in favour of his own mill if he were a director of the

Eastern Bengal Railway, and one witness agreed that it was not fair to say that the question suggested any reflection on Indians.

5414. Regarding the selection of members for the Boards in India, Mr. Patel said as regards representation of commerce and industries, that Government should first of all invite nominations from Chambers of Commerce and other influential bodies and the nominated persons should elect one or two representatives. Government should not have the right of final choice, but would only have the right of deciding what bodies should be consulted.

5415. As regards the representation of third-class passengers, the Social Service Leagues and the Servants of India Society might be asked to nominate, seeing that there was no other alternative; he believed that this would give general satisfaction to all.

5416. As regards the representative for the development of indigenous industries, the local Government should be asked to nominate certain members and a Committee of these persons might select one or two representatives.

5417. Mr. Patel said that there was no intermediate class accommodation on the B.B. & C.I. Railway. He did not agree that intermediate and second classes should altogether be abolished on Indian railways, although he believed that this had been done in America.

(*P.S.*—When returning the draft copy of the foregoing record to the Committee, Mr. Patel stated that it had been read and approved at a meeting of the Managing Committee of the Association on the 27th February, 1921.)

Mr. G. W. HATCH, I.C.S., Chairman of the Bombay Port Trust, and Mr. J. R. REYNOLDS, C.I.E., Manager of the Port Trust Railway, were called and examined upon statements which they had furnished to the Committee.

See Written Statements Nos. 51 & 52, Vol. IV., P. 179.

5418. Mr. Hatch stated that in the case of the Bombay Port Trust the Chairman is a whole-time paid officer appointed by the Government of Bombay. He has 16 colleagues who are appointed each for a term of two years. Of these nine are nominated by Government and, under the Port Trust Act, must include three Indians. Among the nine are usually included the Municipal Commissioner, the Collector of Customs, the Director of Royal Indian Marine, the General Officer Commanding, Bombay, and of recent years, the Agents of the B.B. & C.I. and G.I.P. Railway Companies. The other seven trustees are representatives of different interests, five being nominated by the Bombay Chamber of Commerce and two by Indian Associations decided upon by Government; the Indian Merchants' Chamber and Bureau and the Indian Grain Merchants' Association having last been selected for this purpose. Shipowners as such have no separate representation from that afforded to them through the nominees of the Chambers of Commerce.

5419. As regards railway working, Mr. Reynolds stated that the Port Trust railway does not make through rates with the other railways. It is, however, a railway under the Indian Railways Act of 1890, owns its own goods rolling stock, and is a member of the Indian Railway Conference Association. Mr. Hatch explained that the Port Trust does all the usual work of similar bodies in connection with harbour work, including pilotage. It does all the handling of goods in the dock premises except as regards the stevedoring between ships and the wharf and has fixed rates of wharfage charges according to the classes of goods. The Port Trust does not give special favourable rates to large over small consignments.

5420. Mr. Reynolds explained that, by agreement with the railways serving Bombay, these quote the same rates to the docks as to their own terminal stations in Bombay. There are no special import and export rates as such, the rates charged for up-country traffic to and from the docks being the same as those for similar traffic to and from Bombay for goods of local destination or origin. From the charges recovered by the railways a share is allowed to the Port Trust, so that in effect a railway company gets less for itself for carrying goods to the dock than to the town, but, on the other hand, in the case of goods coming to the docks, the terminal work and facilities are provided by the Port Trust. The Port Trust has hitherto made an extra terminal charge, but has been endeavouring to get the railways to agree to the abolition of this and to give the Port Trust, on the other hand, a larger share out of the rate charged by the railways whether this specifically includes a railway terminal or not. Mr. Reynolds stated that the average length of haul of goods over the Port Trust railway is about three miles.

5421. In reply to the Chairman, Mr. Hatch stated that there are no shareholders in the Port Trust. Charges levied are designed to cover only working expenses, debenture interest, and a reserve fund. The principal source of income of the Trust is the wharfage charges. The dock wharfage charges were revised in April, 1917, and the Bunder scale of charges in October, 1919; dock dues on vessels, which are, however, relatively trifling (about 5 per cent. of the total dock revenue), have also lately been modified. The effect of the last revision of the dock dues on goods was estimated to give an all-round increase of about 25 per cent. The charges on some classes of goods, however, were not increased. The Port Trustees are inclined to think that a somewhat higher charge should be made for dock dues on vessels. At present the dock dues on vessels amount to Rs. 5 lakhs and the wharfage charges over Rs. 50 lakhs per annum.

5422. The Chairman observed that the charges levied at the English ports had been increased as much as 100 per cent. or even 150 per cent. since the war started. Mr. Hatch stated that there was no need for any such increase in the case of Bombay. The main increase in expenses was due to higher cost of labour, which had gone up by at least 75 per cent., but there had been a great expansion of business, and this enabled the Trustees to avoid a great enhancement of charges. The Port Trust was fortunate in that the dock accommodation had been practically doubled when the Alexandra Dock was opened in 1914. Normally this would have not been fully utilised for some time, but, owing to the outbreak of war and the great increase of Government traffic, it had been fully utilised practically from the outset. Government receive certain concessions in the way of special rates, freedom from port dues, etc., but normally they pay full charges. Their operations were so large during the war, and the profits of the port were so high, that it was decided in 1917 to give Government a rebate of 25 per cent. on the charges levied.

5423. The Chairman drew attention to the statement in Mr. Hatch's written evidence that, from 1899 to 1920, the trustees had raised about Rs.11 crores on debentures, the rate of interest being 4 per cent. until 1916, when it was raised to 4½ per cent., and again to 6 per cent. in 1919. In 1920 the rate was increased to 6½ per cent. (free of income tax). In addition the Government had advanced to the Trustees Rs. 138 lakhs during 1916, 1917, 1919 and 1920. The written statement mentioned that it was practically impossible to borrow in India at a good rate in 1909 and 1910. Mr. Hatch explained, however, that this was hardly accurate, as though it was thought advisable to raise money in England in those years, it was found towards the end of each of those years that the Indian market offered better

facilities than had been anticipated, and a sum of money was also borrowed in India. Mr. Hatch promised to furnish the Committee with a memorandum showing in detail the conditions and success attaching to the various loans which had been raised. The Chairman said he would be glad to have this in view of the suggestion that in the case of railways at least it had been found that the Indian market in some cases was more favourable before the war than the English market, and that there had been cases of paying more in London for money raised contemporaneously.

5424. Mr. Hatch mentioned that the Bombay Development Loan which had recently been placed on the market was a loan issued by the Local Government of Bombay in which the requirements of local bodies were incorporated. Mr. Hatch had no doubt as to the wisdom in present abnormal conditions of borrowing in advance in this manner, and approved of the action taken by the Local Government. He was not prepared to say whether it would have been equally wise for Government in normal times, for instance, before the war, to have borrowed in advance at times of easy money. He thought this would savour of Government's undertaking banking business. Mr. Hatch said he was under the impression that the recent Development Loan was intended to tide over the requirements of at least two years, but he was not certain whether Government might not decide to issue a further loan in the current year.

5425. Of the amount raised by the Development Loan, the Port Trust had asked for nearly Rs.1 crore for which it would pay 6½ per cent., as well as be liable for income tax, that is, the Trust obtained the money on the same terms as those at which it had been borrowed by the Local Government. In the case of the money advanced to the Port Trust, this was repayable by them in 30 years. The Port Trust had a special sinking fund in connection with this and each of its other debenture loans. So that, theoretically, by the time the loans mature for payment, the Port would be a Government-owned asset free from debt, supposing there were no borrowings in the meantime.

5426. Mr. Hatch stated that the presence of the two railway agents on the Board of the Port Trust facilitated the maintenance of good relations and co-operation with the railway companies. The Port Trust had not specially considered the question whether it would be advantageous to introduce in India a unified control over the railway and port administrations, as the Chairman remarked had been done by the Ministry of Transport in the United Kingdom. Supposing, however, that there was a central control exercised, for instance, from Delhi, over both railways and the ports, he had no doubt that it would be advantageous that the same authority should co-ordinate the requirements of both. He admitted that the docks are really terminals of the railway communications at the water side. He was unwilling, however, to express a definite opinion as to the extent to which any central control would be desirable.

5427. Turning to Mr. Reynolds' statement, the Chairman asked whether the Port Trust Manager's work is mostly connected with the operating or the commercial aspect of the railway. Mr. Reynolds explained that it was commercial in the sense of their having constant dealings with the public in connection with the receipt and handling of goods, but not in the sense of dealing specially with railway rates quotation. The local rates which the Port Trust fix on wagon loads do not vary very much. He did not think that the question of dock rates and charges has much bearing on competition with other ports; there was little question of competition at all. He thought the traffic is consigned in accordance with the most convenient marts. In one case, that of traffic in manganese, he had been told by a company that unless the Bombay charges were reduced, the traffic would be diverted to Calcutta. It did not work out accordingly in practice.

5428. The Chairman asked whether Mr. Reynolds had any figures about the manganese traffic of Bombay port for last year. Mr. Reynolds said that he could not remember the exact figures. He, however, explained that until a year or 18 months ago, when the manganese came to Bombay, it used to be dumped on the ground and then taken by carts to the docks. Since the war stopped wagons became available and everybody rails manganese into the docks. He did not think that the railway charges are prohibitive. The wagon load rate charged by the Port Trust was Rs.12.

5429. With regard to the relative advantages of working under Boards in India and in England. Mr. Reynolds said that from his own experience he thought it would be much more convenient to work under a local Board. His experience of the Port Trust Board is that things can be settled quickly. Though he had not dealt directly with the Company's Board when on the Bombay Baroda and Central India Railway, he was well aware that references frequently took a long time to dispose of. He did not see much difference except in point of size between a railway and a port trust from the management point of view, and thought a Board on much the same lines as that of a Port Trust might very well be entrusted with the administration of a railway. Of course, so long as the company existed, it must manage its own business. He was speaking of a scheme for management of these railways under direct State control. The Chairman suggested that there appears to be a certain amount of difference between the case of a railway and a port, in that there is less scope in the case of the port for variations based upon the character of the services rendered. For the use of port facilities the rates are fixed and are not dependent on the volume of traffic offering, whereas the classification on railways differs for small from that for large consignments. Traders constantly ask for special rates, and a large part of the time of the Traffic Manager is devoted to the discussion of such matters, which hardly arise in the case of a Port Trust.

5430. Mr. Reynolds did not entirely agree that there is much difference between the two cases. As regards the amount of time devoted to discussing such things as the need for larger engines, improved facilities of one kind and another, he thought there is a good deal of this kind of thing in the case of a Port Trust as well as of a railway administration. He could not agree that the operation of a Port Trust is less complex than that of a railway. He agreed with the Chairman that if, as he had proposed, the Agent of one railway were placed on the Boards of other local railways, it would put an end to a certain amount of competition. He thought, however, that it would do good by the interchange of ideas and experience.

5431. Touching on the question of the attendance of heads of departments at Board meetings, Mr. Reynolds said it would be to the advantage of railways to employ competent experts on their staff and to call them to Board Meetings when their opinion is required. The Chairman suggested that it would hardly be acceptable to a railway agent, if, when he made his recommendation on a question of policy, the heads of departments were to press their own views upon the Board of Directors. Mr. Hatch explained that differences of opinion between, for instance, himself and the head of one of the Port Trust departments might be carried as far as committee meetings, but not before the Board of Trustees. The Chairman agreed that this seemed to be about as far as such differences could appropriately be carried.

5432. In answer to Sir Arthur Anderson, Mr. Hatch promised that he would endeavour to furnish figures for the years 1919 and 1920, showing month by month the traffic in manganese inwards to the port,

stocks at the port and shipments from it, distinguishing the firms concerned. The Chairman explained that somewhat conflicting information had been given to the Committee by others about the volume of the manganese traffic.

5433. In reply to Mr. Purshotamdas Thakurdas, Mr. Hatch stated that the Port Trust has to obtain the sanction of the Local Government to works whose cost exceeds a certain fixed limit. No difficulty had been experienced in dealing with the Local Government in such matters. There had been no interference on the part of the Local Government with the detailed control of the port, nor any attempt to exercise any undesirable political influence. Replies to references made to the Local Government are received without undue delay. With reference to the suggestion that under State management officers would be transferred and there would be no continuity, Mr. Hatch stated that as far as the Port Trust is concerned, only the Chairman is a Government servant, and the practice hitherto has been to leave one man in the post usually until retirement from the service.

5434. Mr. Hatch stated that so far as his experience went he had not seen any cases of undue partiality on the part of a Trustee, or cases of any Trustee voting more in accordance with his personal interests than those of the port administration. Matters of policy were settled at Board meetings and Trustees did not subsequently attempt to interfere.

5435. Mr. Hatch said that in the statement promised by him with reference to the Port Trust loans, information would be given as to the extent to which these had been floated at a premium and the extent to which they had been over-subscribed before the war.

5436. Regarding the question of the employment of Indians, this occasionally cropped up in connection with selections for particular appointments. The Port Trust employs a large number of Europeans, especially in posts such as those of pilots, berthing masters, dredger masters, and the like to which Indians had not hitherto taken kindly. The superior staff on shore were also mostly Europeans, though Indians are now to some extent replacing Europeans. Mr. Hatch stated that he believed that the Trustees would accept the policy that no sharp division should be made between Europeans and Indians, but that appointments must be determined solely on the ground of efficiency. There had been no such evidence of dissatisfaction on the part of the Indian members as to lead to divisions on such questions being put to the Board.

P.S.—Mr. Hatch subsequently furnished the following statements for the Committee's information:—

Statement of loans raised by the trustees under the Bombay Port Trust Act VI. of 1879.

Description of Loan.	Amount.	Rate of Interest.	Average Rate of Issue.
Debenture Loans (Unguaranteed)—	Rs.		Rs.
1892 (30 years)	61,61,000	4 per cent.	100- 4-2
1894 (30 years]	11,51,000	,,	107- 5-0
1896 (30 years)	10,25,000	3½ per cent.	104- 6-6
1899 (30 years)	35,00,000	4 per cent.	97-10-8
1900 (30 years)	12,50,000	,,	97- 5-4
1901 (30 years)	12,50,000	,,	99- 5-0
1902 (30 years)	13,50,000	,,	100- 9-0
1903 (30 years)	16,00,000	,,	103- 8-3
1904 (60 years)	36,50,000	,,	104- 8-6
1905 (60 years)	35,00,000	,,	104-10-3
1906 (60 years)	15,00,000	,,	102- 8-8
1906 (30 years)	6,00,000	,,	102- 0-5
1907 (60 years)	44,00,000	,,	98- 9-9
1908 (60 years)	75,00,000	,,	96-15-10
1909 (30 years) *Sterling*	75,00,000 = *£500,000*	,,	96- 9-0
1909 (60 years)	40,00,000	,,	98- 2-0
1910 (30 years) *Sterling*	75,00,000 = *£500,000*	,,	95-10-0
1910 (60 years)	56,00,000	,,	101- 1-0
1911 (60 years)	75,00,000	,,	102- 6-0
1912 (60 years)	1,10,00,000	,,	102-11-5
1913 (47 years)	14,35,876	,,	100- 0-0*
1913 (60 years)	80,00,000	,,	102- 1-0
1914 (60 years)	88,25,000	,,	100- 8-1
1914 (30 years)	38,75,000	,,	99-14-3
1915 (45 years)	10,00,000	,,	100- 0-0*
1915 (60 years)	55,00,000	,,	100- 0-0*
1916 (20 years)	25,00,000	4½ per cent.	95- 5-1
1919 (10 years)	38,50,000	6 per cent.	101- 4-11

* Wholly taken up by Trustees for fund investments.

BOMBAY PORT TRUST.

Statement of Manganese Ore shipped from Bombay during the years 1919-20.

Months.	J. Finlay.	S. Syndicate.	M. B. Kaisha.	T. Morrison.	King, King & Co.	D. Narayan.	C. I. Mining.	Graham & Co.	K. M. Nathoo.	Total.
1919.	Tons	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
January ...	11.450	4,500	—	1,500	—	—	2,300	1,000	—	20,750
February ...	11,150	1,250	—	5,233	—	—	—	—	—	17,633
March ...	9,368	6,618	1,000	8,767	5,000	—	—	1,000	—	31,753
April ...	10,132	5,682	—	—	—	—	5,000	—	—	20,814
May ...	2,800	500	—	—	3,500	—	500	—	—	7,300
June ...	5,700	1,000	1,000	—	1,040	—	—	—	—	8,740
July ...	13,750	1,400	—	1,300	293	—	750	—	750	18,243
August ...	10,750	1,200	1,500	—	9,500	2,500	1,500	1,735	—	28,685
September ...	10,800	4,350	—	1,900	2,850	—	—	—	—	19,900
October ...	9,450	2,500	1,300	4,500	2,000	—	500	—	—	20,250
November ...	7,750	3,108	2,600	1,750	4,100	—	—	—	—	19,308
December ...	7,158	10,763	3,700	9,100	1,000	2,040	—	—	—	33,761
Total ...	110,258	42,871	11,100	34,050	29,283	4,540	10,550	3,735	750	247,137
1920.										
January ...	14,284	2,000	—	4,000	8,413	3,460	—	—	—	32,157
February ...	5,385	2,500	—	—	4,552	750	2,750	—	—	15,937
March ...	8,450	2,750	—	3,100	1,750	—	14,250	1,000	—	31,300
April ...	8,550	1,000	—	4,329	8,525	2,000	4,950	1,800	1,000	32,154
May ...	7,000	1,000	1,800	3,840	5,000	—	1,500	—	500	20,640
June ...	2,300	4,000	4,000	5,160	1,400	1,700	6,050	657	—	25,267
July ...	500	4,340	1,250	2,800	—	—	1,050	—	—	9,940
August ...	5,546	5,720	—	3,100	4,892	2,500	—	—	2,488	24,246
September ...	7,887	7,710	—	6,500	567	—	2,500	—	—	25,164
October ...	11,100	4,880	400	9,100	5,650	500	7,500	—	—	39,130
November ...	12,765	4,099	3,895	7,400	3,541	4,250	1,000	—	—	36,950
December ...	18,996	8,320	2,893	23,407	15,800	2,900	4,500	600	1,000	78,416
Total ...	102,763	48,319	14,238	72,736	60,090	18,060	46,050	4,057	4,988	371,301

A

A.—*Statement showing the approximate Manganese Ore stocked in Bombay by the different Companies during the year* 1919-20.

—	C.P.P. Syndicate.	Killick Nixon & Co.					Turner Morrison & Co.	King King & Co.	W. & A Graham & Co.	Mitsui Bussan Kaisha.	Total.
		Shivarajpur.	Bamankua.	Pani.	Central India Mining Co.	D. Laxmi Narayan.					
1919.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
January ...	38,500	2,400	2,200	2,450	18,500	4,600	10,956	15,000	797	3,636	99,039
February	32,000	850	3,300	5,200	18,500	4,600	6,312	10,000	1,071½	3,636	85,469½
March ...	29,400	850	2,100	3,900	18,500	4,600	3,649	12,649	66¾	2,636	78,350¾
April ...	16,000	3,000	500	3,400	14,200	4,600	4,815	9,630	174	2,985	59,304
May ...	19,850	6,000	2,550	4,800	14,600	4,600	6,541	9,983	680	3,787	73,391
June ...	21,000	6,800	4,500	3,800	15,800	4,600	6,541	8,348	1,140	3,490	76,019
July ...	16,850	8,000	5,000	3,500	15,700	4,600	6,479	10,000	1,335½	4,493	75,957½
August ...	18,700	8,800	5,000	3,500	17,300	4,600	7,705	8,884	624	6,304	81,417
September	29,600	5,900	5,000	1,500	25,000	4,600	6,919	14,115	1,264¾	10,651	104,549¾
October ...	34,800	5,900	5,000	2,950	28,000	4,600	6,191	15,448	1,918	11,423	116,230
November	45,800	2,800	3,800	6,200	28,000	4,600	8,774	12,170	3,125¾	9,309	124,578¾
December	36,700	1,000	1,300	2,300	28,100	4,600	1,646	10,650	3,224¼	6,284	95,804¼
Total ...	339,200	52,300	40,250	43,500	242,200	55,200	76,528	136,877	15,421½	68,634	1,070,110½
1920.											
January ...	26,500	5,000	2,500	240	27,200	1,900	2,484	10,928	3,224¼	6,284	86,260¼
February	20,800	2,600	2,200	2,850	25,700	2,400	6,817	3,384	3,398	6,536	76,685
March ...	14,700	1,750	2,200	3,000	11,400	2,400	8,002	4,052	2,452½	6,836	56,792½
April ...	7,750	4,600	1,600	3,000	7,800	2,300	6,541	1,791	657¼	6,836	42,875¼
May ...	1,250	6,000	600	5,600	6,300	2,000	4,058	Nil.	657¼	5,036	31,501¼
June ...	330	3,200	600	5,200	2,300	800	3,735	Nil.	Nil.	1,036	17,201
July ...	6,870	7,500	600	4,050	2,100	1,300	5,377	788	74	Nil.	28,159
August ...	22,400	4,900	600	5,000	6,900	5,200	12,453	7,651	, 256	2,294	67,654
September	21,500	4,300	100	4,450	6,700	3,500	15,129	7,628	439¼	3,594	67,340¼
October ...	28,600	6,600	100	4,800	6,600	5,600	21,206	8,100	798¾	5,691	88,095¾
November	35,600	8,800	100	5,250	12,300	7,900	25,150	9,770	1,108	1,751	107,729
December	37,500	4,600	100	6,650	9,700	3,900	10,593	4,452	1,450¼	2,576	81,521¼
Total ...	223,300	59,850	11,300	50,090	125,000	39,200	121,545	58,544	14,516	48,470	751,815

B

B.—*Statement showing the quantity of Manganese Ore railed into Bombay by the various Manganese Ore Companies during each month of the years* 1919 *and* 1920.

—	Turner Morrison & Co.	Mitsue Bussan Kaisha.	Killick Nixon & Co.					King King & Co.	James Finlay & Co.	W. & A. Graham & Co.	Total.
			Shivrajpur.	Bamankua.	Pani.	Central India Mining Co.	D. Laxmi-Narayan.				
1919.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
January ...	—	3,636	2,002	146	—	—	—	2,781	38,500	797	47,862
February ...	355	3,636	501	1,065	—	—	—	—	32,000	1,071½	38,628½
March ...	2,413	2,636	1,125	269	—	—	—	—	29,400	66½	35,909½
April ...	1,166	2,985	2,925	469	2,025	605	—	339	16,000	174	26,688
May ...	1,725	3,787	2,545	2,509	605	1,053	—	1,478	19,850	680	34,282
June ...	—	3,490	2,275	2,417	95	848	—	824	21,000	1,140	32,089
July ...	1,239	4,493	926	—	2,673	1,597	—	1,913	16,850	1,335½	31,026½
August ...	1,226	6,304	1,670	—	278	4,542	—	5,409	18,700	624	38,753
September ...	1,134	10,651	198	—	1,820	8,438	—	8,986	29,600	1,264½	62,091½
October ...	3,772	11,423	—	—	3,428	442	—	4,302	34,800	1,918	60,085
November ...	4,332	9,309	—	—	3,282	—	—	1,225	45,800	3,125½	67,073½
December ...	2,230	6,284	—	1,442	924	—	—	1,735	36,700	3,224½	52,539½
Total ...	19,592	68,634	14,167	8,317	15,130	17,525	—	28,992	339,200	15,421½	526,978½
1920.											
January ...	4,062	6,284	3,230	591	883	301	1,203	2,611	26,500	3,224½	48,889½
February ...	4,332	6,536	—	—	2,883	—	189	2,964	20,800	3,398	41,102
March ...	4,285	6,836	1,323	—	477	—	—	4,096	14,700	2,452½	34,169½
April ...	3,339	6,836	2,290	—	461	—	—	3,319	7,750	657½	24,652½
May ...	1,017	5,036	1,118	—	3,295	—	—	2,213	1,250	657½	14,586½
June ...	3,318	1,036	2,318	—	965	92	—	168	330	—	8,227
July ...	8,042	—	4,036	—	2,327	3,553	1,165	3,187	6,370	74	28,754
August ...	10,176	2,294	2,777	—	2,732	2,414	3,477	6,863	22,400	256	53,389
September ...	9,175	3,594	3,211	—	2,665	2,585	696	3,232	21,500	439½	47,097½
October ...	15,177	5,691	3,575	—	2,635	8,737	3,499	7,156	28,600	798½	75,868½
November ...	7,943	1,751	4,144	—	2,524	4,704	1,443	4,979	35,600	1,108	64,196
December ...	11,543	2,576	4,104	—	2,742	1,792	2,261	8,638	37,500	1,450½	72,606½
Total ...	82,409	48,470	32,126	591	24,589	24,178	13,933	49,426	223,300	14,516	513,538

THIRTY-SEVENTH DAY.

(Bombay).

Tuesday, 8th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Sir M. VISVESVARAYA, K.C.I.E., was called and examined upon a statement which he had furnished to the Committee.

See Written Statement No. 53, Vol. IV., P. 180.

5437. The witness stated that his last appointment was that of Dewan or Chief Minister of Mysore, in which capacity he had served for six years. Originally he was an Engineer by profession and a member of the Institute of Civil Engineers. He had served under the Bombay Government as Superintending Engineer, and, for four years as Sanitary Engineer to Government. He had also worked as Consulting Engineer for some time to the Hyderabad State. He had been Chief Engineer in Mysore and Secretary to Government in the Railway Department before becoming the Dewan of that State.

5438. The Chairman observed that, in his written statement, the witness laid stress upon the importance of the railway system of the country as its greatest asset, the outstanding railway borrowing amounting to nearly Rs. 366 crores or 65 per cent. of the total public debt. In this connection the Chairman

remarked that, if the position before the war was considered, the importance of the railway asset would seem even greater as a large part of the whole debt had been incurred for railway purposes.

5439. The main point on which the witness desired to lay stress was the necessity of provincialising the Railway administrative system in the manner summarised in his written statement. The Chairman briefly reviewed the position of other countries in this matter. He observed that, in the case of Germany, Prince Bismarck, shortly after the Franco-Prussian War, did his best to bring the German railways under a unified control. More than 25 years ago the railways of Hesse were amalgamated with those of Prussia, and about the time of the war the State of Baden came to terms and its railways also were about to be combined with the Prussian system. The first thing the Germans did after the war was to bring the railway system under a central control. The Chairman believed that this had been decided upon because it was realised that the local administration of railways was a mistake. The witness thought that Germany had not settled down to any regular system yet, that central control was no doubt a necessity during and immediately after the war, that the present temporary arrangements cannot be said to represent the permanent policy of the German Government, and that what was wanted in India was an arrangement similar to that which existed in Germany before the war. In South Africa, the Chairman remarked, when the South African Union was formed, the separate railway systems of Natal, the Orange River Free State, the Transvaal and Cape Colony were unified. In the case of the United States, he observed that recently, although all the railway companies have their charters from the separate States, the Central Government at Washington practically took over almost all powers of control. The witness urged that in this case certain powers still remained with the local Governments, and under the scheme proposed by him he thought the relative positions of the Government of India and the provincial Governments would be generally similar to that now existing in America.

5440. Again in Canada, the Chairman observed, those railways which belong to the State, are managed as one block though they extend from the Atlantic to the Pacific, and the whole control of the private railways is in the hands of one body, the Canadian Railway Commission. In France also, the railways are being brought under a more central control. The witness observed that before the war, over 90 per cent of the railway mileage in Germany and over 80 per cent. in Austria-Hungary and Italy were owned and worked by the State. The Chairman said that at the moment he was not considering the question of State as against private management, but rather the question whether State managed railways should be administered as a single concern or as a number of separate concerns. With reference to the witness's preference for the latter, he said that his personal view was frankly at variance with that of the witness as he held strongly (he could not, of course, say how far the other members of the Committee would agree with him), that a unified control of the railway system is a necessity. He observed that the railway system of India is a small one as compared with that of the United States, where there are 250,000 miles of railway. In the United States practically the only powers left to the individual States are of the nature of police powers, the local Governments have no control over policy and very little indeed over rates.

5441. The witness agreed that the tendency in the United States, as worked out in the Act of last year, was to reduce the powers of local Governments and to centralise more in the supreme Government. The local Governments were left rather with the relics of larger powers previously exercised. But this he thought was a part of the post-war policy, which cannot but be regarded as temporary. In none of the belligerent countries had railways yet settled down to a permanent working arrangement.

The Chairman thought it would be correct to say that the position was that the people of America were perfectly satisfied to have the railways controlled from Washington, though the local politicians were not so well satisfied. In the case of Prussia, the Chairman observed that there had been 21 local directorates, and day to day management was directed not from Berlin but from the headquarters of these directorates. In reply to the Chairman, the witness said that he thought on the whole that, although the boundaries of provinces in India are determined by political considerations, these would also be the best for the purpose of dividing the railways in accordance with his proposals. He did not see why railways should not be managed effectively under his scheme. Even the smallest Indian States had found it to their advantage to operate their own railways. The Chairman observed that the East Indian Railway, for instance, running from Calcutta to Umballa, passes through Bengal, Bihar, the United Provinces and the Punjab, and he inquired whether the witness thought it would be satisfactory to cut this line up into four lengths, each controlled by the province concerned. The witness explained that he would have the ownership of each length vested in the local Government concerned, and that it was not necessary to maintain centralised ownership to secure a co-ordinated management of the whole. He considered it necessary that the railways, which are the greatest asset of the country, should be in the hands of the Government and under the supervision of the people. He did not think there would be any real autonomy until the railways were brought under such control and used to promote trade and industry and local enterprise. This, in his opinion, implied that the railways should be owned and managed by the respective provinces.

5442. The Chairman observed that he could not see why the railway asset which had been provided by money raised on the credit of India as a whole should be vested in, for instance, Bihar or Madras. The witness replied that he had already met this objection in his written statement, where he had observed that with the asset would also be handed over the liability for the corresponding portion of the debt, and the whole responsibility would then fall upon the local Government.

5443. He emphasised that in his written statement he had admitted that the railways fulfil the purpose of transportation fairly well, but their effect on trade, industry and internal development has not been all that could be desired. He agreed that the Chairman correctly summarised his views in saying that the development of industry was too big and widespread a problem for the Government of India to be capable of taking charge of it from headquarters, and therefore that it was important that it should be handed over to the several provinces to ensure the best use of railways for the development of the country.

5444. The Chairman said that the question whether the control should be vested in the Central or the Provincial Government might be regarded as a political one not covered by the terms of reference to the Railway Committee. The witness, however, considered that the political and economic aspects of the question were inseparable. He was not concerned with such purely local aspects of the question, for instance, as whether railways should be a reserved or a transferred subject in the provinces.

5445. The Chairman asked whether it would not meet the witness's views if something on the lines of the Prussian system of railway councils were introduced. Under that system there was a central council at headquarters comprising representatives of all the principal interests—trade and others affected by the railways—this council meeting twice yearly to deal with large questions of railway policy; while at the provincial headquarters there were local councils similarly constituted to deal with matters of local concerns. The witness replied that these proposals would be tantamount to what he had put forth in his written statement provided the addition is made that

the railways should be owned by the provinces or States as they were in Germany before the war.

5446. In support of his proposal for provincialising railways, and his statement that beneficial effects had accrued from following such a policy in Germany, the witness at this stage read the following extracts from "Industrial Germany," by W. H. Dawson:—

(1) "One of the most important factors in the development of industry, the opening up of the home markets and even to some extent the promotion of foreign trade, has been the wise use made of the railways."

(2) "Nearly a generation has passed since all the great traffic lines were acquired by the State and worked for the State's advantage."

(3) "When the Constitution of the Empire was adopted in 1871, it was contemplated that the railways, though in the ownership of different States, would be administered on a uniform basis as part of a co-ordinated system, and that every State would subserve its own convenience to that of the new Imperial Federation."

(4) "The Federal Governments are required to administer the railways of the country as a uniform system in the interests of the general convenience, and in furtherance of this idea to construct new lines where necessary."

(5) "The Central Railway Office organises and controls the rolling stock and equipment of the railways and serves as the centre from which administrative and technical improvements are initiated, weighed, and when desirable, *pressed on the railway administrations of the various States.* There is also a continuous exchange of rolling stock between the various administrations, but the smaller States will not agree to hold even this part of the railway system in common."

(6) "Associated with the Central Railway Office are a series of district advisory councils or committees composed of representatives of all the great economic interests chiefly concerned in the transport system—industry, agriculture, commerce, shipping, etc."

(7) "For the rest each State manages its own lines, and, as far as possible, regulates its policy according to what it conceives to be the best interests of its own population and territory."

(8) "The State railways are also useful in another way, for they purchase the whole of their building material and rolling stock from private firms, and none of the work goes abroad, and little even from one Federal State to another. It is also an excellent feature of the system of contracting that, as far as possible, work is given out in such a way and at such times as may tend to equalise employment. It has been computed that the German State Railways afford as much employment to the iron, steel and engineering trades as shipbuilding does to English industry."

5447. In the course of the reading of these extracts the Chairman observed that some of them seemed to point towards the advantages of centralisation, whereas others were in favour of the witness's personal views. The witness agreed that the quotations furnished evidence in support of central control in some matters and decentralization in respect of others. On the whole they exactly described what he wanted for the Indian system, namely, independent ownership by States (or Provinces) and a unified or co-ordinated system of operation for the whole country.

5448. With regard to the experience of Germany, the Chairman pointed out that it was because of the jealousy of the Prussian and Hohenzollern influence that the German States resisted Prince Bismarck's efforts, which were directed towards the centralisation of railway control in the Imperial Government. But now that these interests no longer predominate the principle of centralisation of control had been adopted.

5449. The witness thought that the conditions in Germany were far from settled and the centralised control cannot be regarded as a permanent arrangement. He agreed that the degree of control to be exercised by the Central Government is really the question at issue. He considered that in such matters as fixing of rates and fares the provincial Government should have full powers so far as rates are matters of local concern. In regard to through rates and fares on the trunk lines they should have a voice, although the ultimate controlling authority would have to be vested in the Central Government. The witness agreed with the Chairman that, in the case of, for example, Kathiawar, where there are some six local lines each managed independently, there ought to be some co-ordinating authority.

5450. The Chairman said that it seemed to him that the witness's proposal for transferring the railway loan to the charge of the provincial Governments involved almost a revolution. Taking the case of one of the least advanced provinces he thought it would be a heavy burden to impose upon it the responsibility for the whole cost of the railways running through it. The witness did not see that there would be any question of undue burden, since the asset would vest in the provincial Government as well as the responsibility for the debt. The Chairman suggested that difficulties would arise if the Government of India were to hand over the property to others and still be responsible, as they must be, to those who had subscribed to their loans. He asked what would happen if one of the Governments did not meet its share of the obligations of the Central Government. The witness thought that this case could be provided for by legislation reserving to the Central Government the right to resume the property in the event of any such failure.

5451. The Chairman drew attention to the statement in the witness's written evidence that the Government of India Act of 1919 has already empowered provincial Governments to raise loans for such purposes as promoting new railway projects and construction. He thought this was hardly accurate in view of the fact that the control of railway administration is still a central subject under the Imperial Government. The witness admitted that in the recent orders and pronouncements regarding provincial borrowing, railways had not been specifically mentioned but provincial borrowing for irrigation had been expressly provided for. The principle being the same in both cases, it only needed extension to railways by an executive order of Government.

5452. The witness was in favour of the abolition of the Railway Board, and the substitution in its place of a Minister or Member of the Central Government who should be responsible for railway administration together with that of ports, harbours and shipping, much on the lines of the responsiblity of the Minister of Transport in Great Britain. He would have a central advisory council more or less as under the Prussian system, and similarly in each province there should be an advisory board. The Chairman observed that the real difference between himself and the witness appeared to hinge on the question of the ownership of the lines by the provinces. The witness stated that the railways in the several countries mentioned by the President were owned by companies. In Germany before the war, the individual States owned their own railways. In India the railway property and railway debt might be similarly distributed by provinces. Unified administration can be maintained in India without centralised ownership. On the continent of Europe, through trains were run through independent countries from Ostend to Brindisi and from Paris to Constantinople. He thought a co-ordinated system

of working could be maintained much more easily in India where the provinces are under the political control of the Central Government.

5453. Turning to the suggestions made by the witness for the utilisation of railways as an aid to the internal development of the country (and waiving the question of whether the control should be central or provincial), the Chairman said he thought that the demand for the purchase of rails, locomotives, etc., in India was only natural. He suggested, however, and the witness agreed that it would not be wise to start the manufacture, for instance, of locomotives in Lahore far from the iron and coal centres. The witness said that he would not have everything manufactured in every province. Each should manufacture the articles for the production of which it was best suited. The point he wished to urge was that the railways should do all they could to promote industrial development. It was done in Germany, as was explained in the extracts which he had read to the Committee. The witness did not anticipate there would be any jealousy between the different provinces in respect to the allotment of manufactures as proposed by him.

5454. The witness laid stress upon his opinion that local universities should be equipped to provide the highest training needed for the various departments of the railways. He did not accept the statement which had been made by some witness to the Committee that Indians do not take as kindly to mechanical as to civil engineering. They had not taken to it solely because they had not been given the necessary facilities and encouragement. Mechanical engineering was a subject, instruction in which had only recently been introduced in India, and even now there is a lack of facilities for satisfactory instruction in that subject. He did not believe that Indians have any inherent lack of capacity for that kind of work or that it would not appeal to them as much as any other. He had had personal experience which indicated the contrary. It was necessary that facilities should be provided both for instruction and for practical training and also that there should be adequate scope for employment. The witness said that in the case of the Mysore gold mines Indians are not employed in mechanical engineering work. He had personally tried to start a training school when he was Dewan of that State, but failed to get support from the mining interests concerned. On the general question of the pay of European as compared with that of Indian officers the witness said he did not want to make any remarks. The point which he wished to emphasise was that Indians have been given no proper opportunities of employment in the higher posts. He realised that at the present time the standard of salary is set by the European staff in view of the preponderating number of them employed. He thought that in the fulness of time, if Indians are properly trained, the standard of pay might be reduced naturally owing to the greater supply of trained Indian engineers.

5455. He considered that railway schools are necessary to train also subordinates, foremen, mechanics, accountants, etc., and that workshops should be thrown open to all eligible young men without charging heavy fees and without distinction of race or creed. He mentioned that the instructional facilities available in the Universities and engineering colleges of Calcutta, Bombay, Madras and Roorkee were very limited. One of the advantages of obtaining railway materials in the country is that the workshops producing them would be available for the purpose of practical instruction. He was insistent that more rapid progress in such matters in future than there has been in the past must be secured. He thought that these were considerations with which the Railway Board had not hitherto concerned itself. In the case of Mysore the Government had some of their staff trained through the good offices of the Madras and Southern Mahratta and South Indian Railways. In Mysore there were very few Europeans among the subordinate staff of the railway. Both European and Indian staff had been employed there on an equal footing on construction as well as on open line work.

5456. The witness considered that the Railway Board had overcentralised all authority and paralysed local initiative and effort. He thought it absurd that they should be required to deal with such trivial matters as the grant of special leave to a railway employee outside the provisions of the ordinary leave rules. The Board should be relieved of all unimportant work and should be set free to attend to important matters of railway policy such as standardisation and the equipment of trunk lines. He thought the Board is at present autocratic in its methods, perhaps because it has no time to go into details of questions as it should do.

5457. Asked what action he would recommend in connection with companies whose contracts have still many years to run, the witness said he would offer the shareholders favourable terms to surrender their interests in the railways. He was not, however, against companies working in the provinces under the provincial control desired by him. In the case of such a line as the Bombay, Baroda and Central India Railway, which runs through three provinces, he would not object to a joint administration provided the ownership of the line was divided as suggested. Provincialisation of ownership and control was absolutely necessary. He thought that, until such time as the railways could be grouped in the manner desired by him, some temporary arrangement might be made to give some powers of control to provincial Governments. The Chairman remarked that he thought it would be extremely difficult to devise a satisfactory scheme; he would prefer that the witness rather than himself undertook the responsibility.

5458. The Chairman drew attention to the specific instances quoted by the witness in his written statement of the refusal of the Government to permit the construction of certain short circuiting lines which were required in the public interests because of the desire to protect the revenues of existing railways. He thought it wrong policy to recognise spheres of influence, and considered that the central authority should have power to overrule objections to new construction based on such grounds. He thought that a reasonable amount of compensation might be allowed in some cases, but, broadly speaking, he considered that respect for spheres of influence should not be allowed to restrict railway development in a country like India, which could profitably construct and use a vastly larger railway system, and where the bulk of the railway capital belonged to the State. He observed, quoting from the same work which has already been cited, that even parallel lines were allowed in Germany:

> "Every existing railway is also required, in the interest of through traffic, to allow new lines to join on to it—of course, at their own expense—and no new right to object to the construction of parallel or competing lines is recognised."

5459. Sir Arthur Anderson asked with reference to the three specific instances mentioned by the witness, namely, the non-construction of a link of 110 miles between Nanjangud and Mettupalaiyam, of 300 miles linking up Shimoga on the Madras and Southern Mahratta Railway with Mangalore on the South Indian Railway, and the short distance of 24 miles between Bangalore and Hosur, whether it was not a fact that these projects had been shown to be very expensive and unprofitable. Sir Arthur laid stress on the difficulty of finance and on the fact that other more promising projects had to wait. The witness expressed dissent and urged in this connection that the Mysore Durbar had itself offered to finance the whole cost of such portions of these lines as would lie within its own State, and in the case of the Nanjangud-Mettupalaiyam link part of the cost, and in that of the Hosur-Bangalore link the whole of the cost of the work in British territory also. Sir Arthur urged that it was unfair to say that there had been any refusal on the part of the Railway Board to discuss these projects; they had been discussed inside out. The witness agreed that they had been much discussed, but never in a satisfactory manner as far as the Railway Board's attitude was concerned; the correspondence had pursued a very unsatisfactory course.

5460. In this connection, the witness mentioned that he as Dewan of Mysore had had occasion in July, 1915, to complain to the Railway Board specifically with regard to the delays and difficulties in railway construction and working and railway development generally within the State; the need of more effective supervision of State interests in the railway lines at present worked by the Madras and Southern Mahratta Railway Company; and of developing the incomplete railway system of Mysore by providing the much needed natural outlets towards the south and west which had been long contemplated by the Durbar. These matters which were supported by definite evidence were discussed in a meeting at Simla between the witness, the President of the Railway Board and the Resident in Mysore. The witness urged that the Mysore Durbar was an important State which lies at one point within as little as 15 miles from the sea board to which it still has no access. To go west or south of the State, one has to travel over a long circuitous route towards the eastern portion of Southern India.

5461. The witness stated that in the matter of financing local railways, the Mysore Durbar had used the railway cess as a security for the loans raised for railway purposes. He thought that a considerable sum of money might be obtained for provincial railways by the development of that method of finance, though he did not consider it suitable for the construction of trunk lines. He emphasised that he saw no objection to the existence of a number of companies working their own lines within the provincial boundaries. He thought that a railway loan designed to produce the money needed for the trunk lines could be satisfactorily floated. He believed that people interested in industries would readily subscribe to it within reasonable limits. He mentioned that in the case of Mysore only a few months ago a loan to the extent of nearly a crore of rupees had been raised. The witness thought that his views with regard to the possibility of raising money for railway purposes were equally applicable in the case of Bombay as that of Mysore.

5462. The witness was decidedly in favour of separating the railway finances from those of the Government of India. He considered, however, that the Finance Minister might reasonably claim something more than the amount necessary to meet the interest charges on the railway loan. He considered that in the present state of the Indian finances, it would be necessary to count on some revenue contribution from the railway system. He thought that this might be obtained by means of a sur-tax or a percentage charge upon the gross receipts of railways rather than in the form of a share of the railway net revenues.

5463. Questioned further with regard to the control of rates and fares if the railways were provincialised as desired by him, the witness explained that in the case of through rates and fares the Central Government would pass orders in consultation with the local Governments concerned.

5464. The witness thought that the bad treatment of the lower class railway passengers of which numerous complaints had been made to the Committee could be stopped only by exercising stricter control over the railway staff. He considered the railway administrations and the Railway Board very lax in such matters. He instanced the occurrence of constant thefts at the Bangalore City Station. The Mysore authorities had made every effort to secure an improvement but had failed and the malpractices still continue. Greater energy should be shewn by the Railway Board in this matter. He thought that local advisory councils would help by ensuring closer attention to such things.

5465. In reply to Sir Arthur Anderson, he admitted that corruption, of which there were complaints on the main line railways, was also not unknown on the Mysore State Railway. It was a kind of thing which might happen in any country and could only be checked by constant vigilance on the part of the superior railway staff. He did not wish to dwell upon such matters, but alluded to the belief which prevails that some of the higher railway officials share in the profits made by their subordinates.

5466. The witness considered that the existing railway mileage is most inadequate and that considerable extension will be necessary. He laid stress in this connection on the far higher mileage per head of the population which exists in other countries than India. He was not prepared to say that he would construct no more railways until the existing lines are brought up to an adequate standard of capacity. He thought that in many places it would be better to have imperfect railways rather than have none.

5467. In answer to Sir George Godfrey who suggested that difficulties might arise in the quotation of through rates of particular commodities; for instance, in the case of coal, if the Government of the Central Provinces were to press for the quotation of a high rate on the line running through these provinces, it would have the effect of increasing the price of coal in Bombay. The witness emphasised that all such matters would have to be settled in consultation with the Central Government who would be the final authority to deal with them. He did not believe that the local Governments would be permitted to manipulate railway rates so as to ensure the routing of traffic in their own interests for example by the imposition of block rates in some cases.

5468. He thought that there should be special officers employed on railways to ensure more attention on the part of railway officials to the travelling public. He observed that, generally speaking, passengers were treated better on the Continental, English and American railways than in India. He admitted that he usually travelled as a first or second class passenger in those countries. Sir George Godfrey, speaking from his experience as travelling in the second and third classes, said that it seemed to him that it depended very much on what one paid for, and that he had suffered considerably when travelling in the lower class on the continent. The witness said that he believed that the Indian and European railway subordinates are equal sinners in the matter of inconsiderate treatment of the lower class passengers. The trouble was that nobody could be found to listen to complaints, the Railway Board dealing with them in a negligent and autocratic manner.

5469. In answer to Sir Rajendra Nath Mookerjee, the witness said that the reduction of rates of pay in the case of engineers to which he had referred in answer to the Chairman, must be a natural course, being simply a fall in the market rate owing to the greater supply. He realised that for some time to come a large percentage of European engineers must be employed in the country. He thought it not unreasonable that they should be given something in the nature of overseas allowance for a limited time.

5470. In answer to Mr. Hiley, the witness stated that he would give the Central Government authority to enforce its wishes with regard to such matters as standard of equipment on railways, through rates, etc., in connection with which otherwise there might be a difficulty. So long as they were exercised in the interests of the country as a whole, he did not think that the Provincial Governments would object to the exercise of such powers by the Central Government.

Mr. D. B. TILAK, M.A., was called and examined upon a statement which he had furnished to the Committee.

5471. Mr. Tilak stated that he was a student of railway economics, and had been studying Government reports in connection with railways and other matters for some ten years past. By profession he was a merchant engaged in export and import business. He had closed his business to visit Europe,

and had recently travelled in Holland, Belgium, France, Italy and Spain. He had just returned to India.

5472. The Chairman remarked that some of the expressions used by Mr. Tilak in the memorandum furnished by him to the Committee were couched in somewhat more emphatic language than is customary in such documents. Mr. Tilak expressed regret if he had used too forcible language. He said that he was at a disadvantage in that he had not previously had occasion to prepare documents of this kind.

5473. Questioned with reference to his observation that the British Boards of Directors have made purchases in the London market, patronising and encouraging British industries, in spite of the fact that many of the orders could have been advantageously placed in Germany and America without regard to the costs which the taxpayer has during the last 70 years ungrudgingly paid, Mr. Tilak explained that this statement was not based on his own personal knowledge, but that he had been told that rolling stock, for example, had been bought at a higher cost in England than it might have been obtained for on the Continent. He admitted that somebody else had told him this, but he believed that that person himself had the information at first hand. The Chairman suggested that it might sometimes be wise, notwithstanding a small extra cost being involved, to place a repeat order with suppliers who have previously been dealt with and who have given satisfaction, or who were in a special position to understand the kind of goods required. For example, an order for ten additional engines of a type of which a large number had previously been furnished might wisely be placed with the same manufacturers even at some extra cost. Mr. Tilak agreed that in certain cases it might be prudent not to go to the cheapest source of supply. He thought it would depend very much on the extent of the difference in the quotations and would be a matter more or less of individual judgment. The Chairman suggested that it was hardly fair to say that the Railway Companies judged dishonestly if in such circumstances they gave the benefit of their orders to British manufacturers. Mr. Tilak explained that he did not wish to ascribe dishonesty. He admitted that it was a mistake to make so specific a charge against the Companies when he is not in a position to substantiate it by actual examples.

5474. With regard to his opinion that English market conditions for the supply of capital are worse than those of the Indian Money Market, Mr. Tilak mentioned that, except in the last two months, the Bank rate in England was higher than the Bank rate in India, and that the rate of British Treasury bills was higher than the rate of Indian Treasury bills by about ½ to 1 per cent. The flotations of Preference shares in England were made even at a higher figure than 8 per cent., while in Bombay there had scarcely been any at the rate above 8 per cent. He admitted that there are Preference shares and Preference shares. The Chairman observed that the Bombay Government had recently paid 6½ per cent. free of Income Tax for the Bombay Development Loan, whereas big corporations in England had been borrowing recently at 6 per cent. *not* free of Income Tax. He said he did not think this bore out Mr. Tilak's opinion. Mr. Tilak explained that in his appreciation the Indian market is easier than the English; he thought the American market is better. In that connection the Chairman mentioned that the Pennsylvania Railway, which is the biggest railroad in the world, had paid last year as much as 7½ for borrowed capital, with the security behind it of a railway property larger in extent than the entire Indian railway system.

5475. Examined with reference to his statement that Indians are eager to subscribe capital for railway purposes, Mr. Tilak explained that this was based on conversation with friends of his, people of financial standing. He placed before the Committee a statement showing the extent to which he thought capital could be raised in India to buy out the existing companies' interests. The Chairman observed that it was clear from this that, roughly, some Rs. 2 crores a year might be required. He did not regard this as a very large sum. Quoting again Mr. Tilak's statement that "I can affirm with authority that with judicious handling these means can provide in India capital to the extent of at least Rs. 200 crores," Mr. Tilak laid stress upon the experience gained during the war, when it was shown that India was able to subscribe much larger capital sums than had previously been thought possible. It transpired in the course of his examination that this estimate was based on a prospect of the money being subscribed within a period of 10 or 15 years. The Chairman explained that he had understood that to be a question of something like Rs. 200 crores being raised offhand. Mr. Tilak said that he did not mean to convey that impression.

5476. The Chairman mentioned in this connection that Sir Vithaldas Thackersey had expressed the opinion that about Rs. 10 crores could be got now, and other evidence had indicated some such figure as representing the probable amount that might be secured by an annual loan in India. The Chairman observed that, in another part of his written evidence, Mr. Tilak had indicated that Rs. 200 crores was not the total amount he had in view. Rs. 200 crores represented debenture capital, there being also Rs. 50 crores share capital, and Rs. 10 to 15 crores native State capital. Mr. Tilak agreed that his estimate was of the nature of a prophecy, but urged that one can only make arrangements for the future on an appreciation of the present. He admitted that circumstances might conceivably alter greatly during the 10 or 15 years which he had in mind, but he thought that a start might very well be made at once to raise the necessary capital, and that, in his estimate, allowance has been made for such changes.

5477. Questioned with regard to the basis of his observations regarding the partiality shown to Europeans in the supply of coal wagons, Mr. Tilak referred to the evidence already placed before the Railway Committee by other witnesses. He was not in a position to give independently precise instances to substantiate the accusation. The Chairman observed in this connection that, since evidence bearing on this subject had been tendered to the Railway Committee in Calcutta, a letter had been received from the mining engineer to the Railway Board giving figures showing that, whereas Indian firms control 15 per cent. of the total coal output, they have received orders for some 30 per cent. of the total quantity of coal supplied to Indian railways. He suggested that this did not bear out the accusation of unfair treatment of Indians. He asked Mr. Tilak whether he really thought it justifiable to make statements involving questions of discrimination between the two races without being in a position to furnish concrete evidence in support of them. Mr. Tilak admitted that he should have been able to substantiate his charges, or else should not have produced them.

5478. Referring to the increase of rates and fares in India, the Chairman stated that the evidence received by the Committee had shown that these had gone up at most by about 30 per cent. since before the war. He mentioned that in England passenger fares had been increased by 75 per cent., and the best estimate that could be made with regard to goods rates indicated that these had been increased by 112 per cent. (the figures quoted by Mr. Tilak being now out of date). In the United States, the Chairman said, passenger fares had been increased by 75 per cent. and goods rates by an estimated average of 81 per cent. Mr. Tilak thought that the increase of 30 per cent. in India would represent as much as 95 per cent. if the effect of exchange were taken into account. The Chairman said that he could not discuss the exchange question in detail, but he did not understand its bearing on the point at issue. The Chairman said that at most it would only affect railways in respect of that portion of their expenditure which represents payments made in

England for materials. Mr. Tilak still held to his view, stating if the rates were reduced to rates in gold currency the rise is apparent as not less than 95 per cent.

5479. Mr. Tilak explained that, in recommending the handing over of Indian railways to Indian companies, he knew he was advocating a measure which is contrary to the general Indian opinion in favour of direct State management. He stated that, in addition to the reasons furnished in his written memorandum in favour of this view, he thought it would be a sound experiment if the authors of any new scheme tried to apportion interest to capital, to labour, and to the Government. In an upheaval of this kind, if there were clashing interests all representing their own case, that would be a sort of check and caution against any one-sided view.

5480. In answer to the Chairman, Mr. Tilak said that he agreed with the view to which expression had often been given that it is well to have company management as a buffer between the railway administration and the State. He said that he held the buffer argument to be of value, provided an Indian company is used and not a foreign one.

5481. Mr. Tilak explained that he had, in his written evidence, suggested that an Indian company should raise money to buy out the English companies' interest in the State railway property. He said he had not suggested outright buying of the Government interest, but only a working arrangement. He thought that the Indian company should have the power of re-investing profits as further capital to the extent of at least three-fourths of the total Government holding. He thought that a working company owning rolling stock and the State owning the railway would be useful as a buffer.

5482. With reference to Mr. Tilak's willingness "to allow" British capitalists to subscribe to railway loans, provided the management was wholly Indian, the Chairman observed that it did not seem much of a privilege to accept money from anybody willing to offer it when money was badly required. Mr. Tilak observed that a good deal would depend on the circumstances of the borrower. He believed that the position of the Indian railway system, and particularly its scope for development, is such that it has a unique position as compared with other railways. By "unique position" he meant that the earning capacity of the Indian railways (both latent and the existing) is far greater than in European countries. The Chairman asked whether the average Indian would prefer to pay 6½ per cent. for borrowed money to an English lender than, say, 7½ per cent. to an Indian. Mr. Tilak agreed that it is a question of the cheapest market, but thought there are other considerations which must be taken into account besides the rate of interest paid. He would not offer even to Indian subscribers any better terms than are necessary to attract a sufficient subscription of Indian capital.

5483. In connection with his recommendation that the companies should be completely controlled by Indians, notwithstanding his readiness to accept the subscription of English capital, the Chairman suggested that permission to contribute was not likely to be worth much if the subscribers were precluded from having any share in the control. Mr. Tilak explained that he did not mean to suggest such complete exclusion of persons who subscribe a substantial part of the capital.

5484. Turning to Appendix No. 4 attached to the memorandum of evidence, the Chairman observed that Mr. Tilak had made a comparison between various railway systems on the basis of capital expenditure and density of traffic. He observed, and Mr. Tilak admitted, that if one railway has a mountainous route on which only small train loads can be worked, it cannot fairly be compared with another running through a flat country on which heavy train loads can be hauled. In such cases, it would only be natural to expect the latter line to earn better profits. Mr. Tilak observed that any statistical comparison of the results of two railways is extremely difficult to make, but that as this had been attempted in the questionnaire he had to carry the comparison further. He admitted that he had to leave out certain factors bearing on the matter.

5485. The Chairman observed that another factor which had been omitted was the important one of rates charged for the service rendered; obviously if there are two railways charging different rates, other things being equal, the one which charges a higher rate would give the greater profit. Mr. Tilak agreed that it was practically impossible to make effective comparisons of the kind, but said he had made different comparisons on such data as he considered best, and that comparisons have to be instituted on similarities and not differences; if differences were to be considered only, no comparison would be ever possible.

THIRTY-EIGHTH DAY.

(Bombay).

Wednesday, 9th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.
Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. RAMJI BHARMAL, c/o Messrs. BHARMAL SHRIPAL AND CO., Bombay, was examined upon a written statement which had been furnished by the Grain Merchants' Association, Bombay.

See Written Statement No. 54, Vol. IV., Page 182.

5486. Mr. Ramji Bharmal said he was a member of the Managing Committee as well as of the General Committee of the Grain Merchants' Association, as whose representative he was giving evidence. The Association is confined to Bombay and has about 300 members. It has been in existence for the last twenty

years. The Managing Committee comprises about 33 members.

5487. The witness explained that the written statement which had been submitted on behalf of the Association, had been drawn up by a special Sub-Committee which had been formed for the purpose, and had then been approved by the full Committee of the Association.

5488. The Chairman observed that the Grain Merchants' Association are of the opinion that railways owned by the State should be managed directly by the State. Referring to one of the arguments adduced in support of this view he enquired what was meant exactly by the reference to rules being framed under company management which are detrimental to the interests of the merchants. The witness explained that this referred to the practice of the railway companies disclaiming responsiility for loss of, or damage to, goods, on the ground that, under the rules, they are not accountable until the goods have been booked and a railway receipt has been granted. He stated that goods brought to the railway station lie there sometimes for months before receipts can be obtained, as the railway companies would not issue receipts until wagons are available for the despatch of the goods. Sir George Godfrey enquired whether it is not the case that merchants are allowed for their own convenience to bring the goods to the companies' premises and leave them there at their own risk. The witness said it was for the convenience both of the merchants and the Railway Company. It suited the Company by helping them to know what quantity is available for despatch, and also whose goods should be booked first; it thus saved detention of wagons and unfair allotments.

5489. The Chairman said that he could see that the remedy for such a complaint might lie in the supply of additional rolling stock, but he did not understand how responsibility for the existing state of affairs could be ascribed to railway companies any more than to railways under State management. The witness stated that, in his opinion, if the railways were managed by the State, better use would be made of wagons belonging to other companies upon the line. He stated that, for instance, wagons coming with coal to Bombay are not adequately used, but are returned empty, notwithstanding the fact that they might be used for the carriage of goods locally awaiting despatch. He agreed that, if the Great Indian Peninsula Railway could be handed over at once to State management, this would not imply a supply of additional rolling stock at once, but he thought it would use more efficiently wagons belonging to other railway administrations. He drew the Chairman's attention to a legal decision which he held showed that merchants are entitled to claim damages from railways for goods lost or injured under the conditions alluded to. The Chairman asked him why, if such a decision existed, they did not take claims cases into Court sufficiently frequently to make companies realise that it is useless for them to repudiate liability. The witness agreed that, even under State management, complaints of merchants could not be met in every case.

5490. As an instance of the undue attention and prominence given to foreign trade at the expense of indigenous trade, the witness quoted the rates for carriage of grain from Cawnpore to Bombay,* which are only slightly higher than those from Jalgaon to Bombay,† although the distance in the first case is about double that in the second. The Chairman stated that similar cases frequently occur on State managed railways and in other countries besides India. He thought probably the railway administrations might be able to give reasons justifying such quotations. He asked in what way such grievances would be redressed under State management. The witness explained that merchants could bring pressure to bear on railway administrations through the Legislative Council. If this could not be effectively done through the Legislative Council in Bombay he would suggest reference to the Imperial Legislative Assembly. He thought that Government would look more to the general development of industries in the country than private companies could be expected to do.

5491. The Chairman observed that, under the Reform Scheme the administration of railways remains a central subject under the Imperial Government, and that, even in the case of the North-Western Railway which is under State management, the Government of the Punjab has no more control over it than the Government of Bombay has over the Great Indian Peninsula Railway. The witness was satisfied that matters would be better under State management. He was convinced that railways might do better with the rolling stock available than they do at present. He admitted, however, that railway men, even those employed by companies, who had devoted their lives to railway working might understand it better than himself.

5492. As regards the accident mentioned in the written evidence, in which several deaths and cases of injury were occasioned by passengers having to travel on the footboards of the train owing to the carriages being overcrowded, the witness stated that this had happened about six months ago on a train from Thana to Bombay. He agreed that it was due to the fact that the railway was not using sufficient carriages on the suburban trains. The Chairman asked how any railway, whether State or company managed, could supply enough carriages if it did not possess them. The witness, however, thought that there are enough carriages available at present. Under company management they are used for such things as special trains for the Poona races instead of for the benefit of the ordinary travelling public.

5493. Questioned regarding the Association's statement that there would be a large saving to the State under State management of the share of the profits which at present is paid to the railway companies, the witness thought the amount involved might be about 2 crores of rupees annually. The Chairman assured him that, over a series of years, the Companies' annual share of profits had only been about half a crore of rupees, although in the last year or two it had been considerably higher. The witness agreed that the figure might be smaller than he had thought, but he considered even half a crore of rupees a substantial sum.

5494. The witness urged that representatives of Indian opinion should have a voice in the control of railway management. He would like to see a representative body at the seat of the Central Government to deal with matters of all-India concern and large questions of railway policy, with smaller bodies at the provincial headquarters to deal with matters of more local interest. He agreed that representatives of public opinion and of different commercial and local interests would not be of much use in dealing with technical questions, such as locomotive design, signal systems, and the like, and agreed that, instead of abolishing the Railway Board, what is really wanted is that some such body as the Board should be entrusted with the executive control of the railway system, but should be controlled and guided as to policy by a representative council.

5495. Touching upon the recommendation of the Association that there should be committees of Indian commercial people to act as arbitrators in disputes regarding rates and fares, the witness agreed that it would be unreasonable that such committees should comprise commercial representatives only. He thought it would be fair if they comprised an equal number of representatives of commerce and of railways under an impartial president.

5496. The Association had recommended that, in future, railways should be placed in charge of an Indian Member of Council. The witness did not agree that this would be impracticable at present, even if the questions dealt with are largely technical. He thought that even now Indians possessing sufficient training and experience could be found for such an appointment.

* Rs.0 9-8 per maund. † Rs.0 8-8 per maund.

5497. The Association considered that the past policy of the Government had been shortsighted in refusing to pay more than 3½ to 4 per cent. for money required for railway development, which had thus been strangled, notwithstanding the fact that, on the whole, the railways were earning 6 per cent. or frequently more.

5498. The Association were opposed to a general increase of railway rates, but considered that articles of luxury should be charged higher than articles of necessity, such as foodstuffs, coal, etc. In this connection, the witness said he thought that such things for instance as imported packed provisions, motor-cars, machinery, and manganese ore, might pay higher charges than at present levied. Sir George Godfrey observed that the Association's statement was inaccurate in implying that coal is not at present charged at a much lower rate than other commodities.

5499. The Chairman drew attention to the fact that, whereas the increase in Railway rates in India has only been about 30 per cent. on the average since before the war, it has been no less than 112 per cent. in England, and about 80 per cent. in America in the same time. He suggested that India should consider herself lucky in having had to face only so small an increase. The witness urged that conditions are different here from those of the countries mentioned, to which the Chairman agreed observing that the difference was in fact reflected in the figures quoted.

5500. In answer to Sir Henry Burt the witness said that the practice of railways of accepting goods before the issue of railway receipts and allowing them to be stored at the risk of the owners, on the railway premises was not solely for the convenience of the owners of goods. He considered it also a convenience to the railway administration. Unless goods were brought to the railway premises the allotment of wagons could not be decided.

5501. Mr. Purshotamdas Thakurdas said that, as time was short, he would not ask any questions, but proposed to ask the witness to furnish for the Committee's information specific instances in respect of various statements made throughout the written evidence of the Grain Merchants' Association.

5502. Sir George Godfrey drew attention to observations made in the course of the Association's evidence to the effect that railway rates are altered without consulting the trading interests concerned, the cases of coal and grain having been mentioned as cases in point. He asked whether the witness was aware that the Railway Board had consulted the coal trade before recently altering the coal rates. The witness said that he did not know of this: his Association had not been addressed when there were alterations in the grain rates. Sir George emphasised that those concerned in the coal trade had been duly consulted by the Railway Board. The witness could hardly expect a reference to be made regarding coal rates to the Grain Merchants' Association which is not particularly affected by alterations in the rates for coal.

Mr. A. C. RUMBOLL, C.I.E., O.B.E., Agent, G.I.P. Railway accompanied by Mr. C. A. HAWES, Chief Auditor and Mr. A. M. BELL, Carriage and Wagon Superintendent, was recalled and further examined.

See Written Statement No. 46, Vol. IV., P. 158.

5503. Mr. Rumboll stated that he had been to some extent mistaken, as had been believed by Sir George Godfrey, when last speaking to the Committee on the subject of the introduction of mechanical couplers on the Indian railways. He explained the case which was briefly that in 1918 the Loco. and Carriage Committee of the Railway Conference Association passed a resolution to the effect that a nickel chrome steel coupling or a high tensile steel coupling capable of withstanding a breaking strain of one hundred tons be adopted. The resolution was passed by the Conference with the remark that it was open to doubt if the limit of breaking strength of 100 tons allowed sufficient margin for the future development of broad gauge railways in the matter of train loads. When this recommendation went to the Railway Board they asked the Locomotive and Carriage Superintendents' Committee certain questions. The replies, which were confirmed by the subsequent Conference, recommended that, if the mechanical coupler were to be adopted, investigation should be made in other countries as to how the change had been made. That investigation had already been carried out and the report had been submitted to the Railway Board who, in a letter dated the 21st December, 1920, to railway agents, said that "the correspondence tends apparently rather to emphasise the necessity for the introduction of a central automatic buffer coupling. This question has been under consideration for some time, but has been delayed by difficulties in getting the papers printed for circulation. The Railway Board hope, however, to be able to address the railway administrations further on the subject of central coupling." Mr. Rumboll said that he wished to explain to the Committee that he had not been quite accurate in what he said with regard to the general acceptance by railways of the introduction of the automatic coupling. The Chairman summed the matter up by saying that although the Conference did not use the phrase "automatic coupler" in Mr. Rumboll's judgment their statement of essential conditions implied that the coupler must be automatic, and the Railway Board agreed with him in that interpretation.

5504. As an illustration of the practical power of the Railway Board to order the introduction of improved appliances on the railways, even if they have not, strictly speaking, legal powers under the contracts, Mr. Rumboll mentioned the correspondence connected with the provision of the stronger coupling which they are now putting on their stock, in which case the Board had given definite orders to the Agents of the three State Railways and had forwarded copies to the Company Railways with the request that similar appliances should be adopted for new rolling stock. Personally, Mr. Rumboll thought that the Railway Board should have gone further and made the request, which he regarded and treated as practically tantamount to an order, apply to old stock as well as to new. In this connection Mr. Rumboll explained that Mr. Bell, the G.I.P. Railway Carriage and Wagon Superintendent, had attended the meeting in order to furnish the Committee with further information connected with the question of the introduction of automatic coupling. Mr. Bell showed some photographs illustrating how the substitution of the automatic coupling had been effected in Australia. He had made a rough estimate of the cost of equipping the broad gauge rolling stock in India with the improved coupler, and believed that it would cost about Rs.3 crores if the mechanical coupler were introduced, a figure which would be diminished by the credit on account of the scrap value of the buffers and couplings replaced. It would cost about Rs. 4 crores to introduce the latest standard tensile steel draw-gears and couplings. Not only would the former measure be cheaper but it would have the result that for all time the railways would be in possession of a better and stronger coupling device. He thought that it would take about three years to carry out the substitution on the G.I.P. Railway. This would only be possible if the company were allowed to work to a settled programme. The G.I.P. Railway's share of the total cost would perhaps be about Rs.25 lakhs.

5505. In reply to Sir Henry Burt, Mr. Rumboll explained that the extent to which full advantage

could be secured from the use of the automatic coupler would be controlled by the engine power available. The G.I.P. Railway would not need to reduce the load of its trains on the gradients, but would simply attach more engine power to haul them over such sections. Mr. Rumboll stated that between Itarsi and Bombay at present trains of from 37 to 40 wagon loads are hauled. This will be considerably increased. Mr. Bell explained that the programme of substitution of the automatic coupler would be carried out in three years, the first of which would be devoted to the preparation of the wagons and the accumulation of material; in the second and third year progress would be made with the actual attachment of the new couplings and strengthening of such wagon under-frames, perhaps some 25 per cent. of the total, as would need this. The expense could be reduced by the expedient of permanently close coupling two four-wheeled wagons as twins, a proposal of which Mr. Rumboll felt disposed to approve.

5506. Mr. Rumboll handed in for the information of the Committee, papers relating to the Itarsi-Nagpur and Harbour Branch extension capital grants, to which allusion had been made during his examination on the 4th February (see Annexure A.).

5507. Mr. Rumboll also handed in a statement prepared by the Chief Auditor of the Company relating to the finances of the G.I.P. Railway undertaking. This is reproduced as Annexure B. hereto. Subsequent informal discussion between Mr. Hawes and the Secretary to the Committee showed that there was some doubt as to whether the figure of £24,736,310, shown in the Statement as the amount of annuities paid off to the end of March, 1920, represented the actual redemption of capital by the State. The information at Mr. Hawes' disposal did not permit of this being solved, and he advised that it should be referred to the Government of India, Finance Department, for settlement.

5508. In reply to Sir Henry Ledgard, Mr. Rumboll stated that owing to the insufficient railway facilities and also to the development of trade, it was not possible to carry goods as expeditiously as formerly, say, ten years ago. A sum of Rs.40 crores in the next ten years would be required to bring his line to a state of efficiency. He did not think that he could spend the money much quicker. Mr. Rumboll stated that in recommending a capital expenditure programme of Rs.4 crores per annum for ten years he had to consider the difficulty of carrying out work without interfering with traffic moving on the railway. He considered that the amount mentioned would be wanted to provide for works necessitated both by arrears of the past and developments in future.

5509. In reply to Sir Arthur Anderson, Mr. Rumboll stated that in the case of a local Board being set up in India to assist in the management of a railway controlled by a London Board, he thought that it might be entrusted with powers to deal with establishment questions up to a certain limit, and also might have some power to sanction works. He did not think that the powers of sanction of the local Boards should be increased in the event of Indian subscribed capital being enhanced.

5510. In answer to Sir Henry Burt, Mr. Rumboll stated that he would have no objection to the institution on the G.I.P. Railway of an Advisory Board to which the Agent would be required to refer matters of certain kinds instead of being free to refer them or not at his discretion. He said that he would welcome any means of getting into better touch with public opinion. In this connection the Chairman remarked that from the papers received from the Eastern Bengal Railway Administration it seemed clear that all the information which should be placed before the Advisory Committee was actually placed before them. They thus had it in their power to investigate matters of general interest if they so desired.

5511. Mr. Rumboll agreed that the Central Railway administrative machinery might be so constituted as to provide a Consultative Council for dealing with questions of railway policy on which there should be representatives of Indian and European opinion as well as of Government, with an executive branch to control the ordinary routine of administration and management. Mr. Rumboll laid stress on the necessity of avoiding the evils attaching to political control as experienced in other democratic countries. He was satisfied that the Railway Board does require to be brought more into touch with public opinion than it is at present. He said that he would prefer Indian representatives on any Board of Control to be elected by such bodies as Chambers of Commerce rather than by the Legislative Councils.

5512. Asked how he would secure suitable representation of the travelling public, and particularly of the third-class passengers, Mr. Rumboll agreed that these would have to be represented on any Central Council which might be set up. He thought the suggestion which had been made to the Committee of asking for nominations from such bodies as the Servants of India Society, for which he had a high regard, was a good one. He did not attach much importance to the existing passengers' associations which are not really representative bodies, some of them existing only to look after the interests of suburban passengers, and others representing practically only individual effort.

5513. Sir Henry Burt enquired what the practice of the G.I.P. Railway Company is in respect of the quotation of special rates to assist Indian industries. Mr. Rumboll stated that he had prepared for the information of the Railway Board a detailed statement showing what had been done in this direction. Generally speaking, he said that the G.I.P. Railway Company gives reasonable facilities in such matters. He instanced the grant of special rates for local industries from Cawnpore, Ahmedabad and Katni; for cement and lime traffic there were special schedule rates, as also for cotton piece goods from mills in the Central Provinces. He considered that Indian industries got all reasonable assistance from the administration. He confirmed the information given to the Committee by the Chairman of the Bombay Port Trust that in India there are no such things as special export and import rates as distinguished from the rates to and from the port towns for merchandise for local consumption; for example, Bombay City received raw cotton at exactly the same railway rates from up-country as those at which cotton was carried to Bombay docks for export.

5514. In reply to Sir R. N. Mookerjee, who drew attention to the evidence given by the representative of the Grain Merchants' Association during the morning complaining that for grain from Jalgaon to Bombay a rate of 8a. 3p. a maund is charged as against only 9a. 8p. a maund for similar traffic from Cawnpore (Generalganj) to Bombay, about double the distance, Mr. Rumboll explained that the Cawnpore railway rate is determined by the East Indian Railway quotation for similar traffic to Calcutta. The answer to the complaint, if it were to be met, would be not a lowering of the Jalgaon rate, but an increase of the Cawnpore rates. The low rate from Cawnpore has to be quoted in order to secure the traffic; if a higher rate were charged this would mean that the traffic would be lost altogether to the G.I.P. Railway Company. It pays the railway better to secure the traffic at the relatively low rate of 9a. 8p. than not to get it at all, and the profit on it helps to enable the railway to quote only 8a. 3p. from Jalgaon to Bombay. As regards the quotations for matches, to which Sir R. N. Mookerjee drew attention in connection with complaints made to the Committee that imported matches are carried cheaply as compared with Indian manufactured matches, Mr. Rumboll thought that it would be necessary to go into other considerations affecting the manufacture of matches in India before it could be stated that their failure to compete with imported matches is attributable to

the railway rate policy. He thought that the wood from which they are made necessitates their being relatively expensive. He said that he believed there are some, but not many, special rates quoted for matches from the ports.

5515. Mr. Rumboll agreed that the difference between owner's risk and railway risk rates is in general too great, and there might be something in the complaints made in this connection. When special rates were asked for the owner's risk condition was sometimes attached. Lower railway risk rates were not given because they were not asked for, and would probably not be used if granted.

5516. Mr. Rumboll said that the railway would be equally willing to quote a little higher rate than the ordinary owner's risk rates in order to meet the requirements of persons who wished to consign their goods at the company's risk, and referred to the cotton rates where this had been done. He admitted that the existing system practically forced people to book at owner's risk though he urged that, if approached, the railway is not unreasonable in such matters. He thought that, if the railways were adequately represented on the tribunal, there would be no objection to the adoption in India of a similar system to that proposed in the United Kingdom, and which the Chairman said was meeting with the general acceptance both of railways and of the commercial community, under which a tribunal would settle the conditions applicable respectively to the owner's risk and railway risk notes, and also fix the difference between the two rates, corresponding roughly to the value of the insurance which is furnished under the railway risk conditions.

5517. Sir Henry Burt asked whether it is not the case that without increasing the maximum charges for the traffic, against which there is a certain amount of public feeling, a considerable extra revenue could be obtained merely by putting up the special rates for traffic to and from the port towns. Mr. Rumboll stated that this had already been done to a considerable extent though he was of opinion that still more could be done in some directions though not in respect of all classes of goods. He said that, for example, the rates from Nagpur are determined by the B.N. Railway competition, and if that railway would agree to put up their rates to Calcutta, the G.I.P. Railway would do so for the Bombay rates. In the case of the Cawnpore area, where the G.I.P. Railway competes for traffic with the East Indian Railway, the existence of river competition for traffic to Calcutta could not be overlooked. Mr. Rumboll said that, in in the case of traffic from Nagpur, the cotton trade gets the benefit of low rates secured by competition between the railways.

5518. Mr. Rumboll considered that, if there were no dearth of funds, it would be best if the branch lines could be built by the main line companies. He did not think that there was any validity in the suggestion which had been made by some witnesses to the Railway Committee that branch lines, when constructed by the main line companies, are often built to too high a standard. He knew that such an impression prevails but he did not think that it was well founded.

5519. In answer to Sir R. N. Mookerjee who enquired with regard to the admission of Indians to the higher posts in the Locomotive and Carriage and Wagon Workshops, Mr. Rumboll stated that the only reason why Indian officers are not employed in the workshops is that they do not offer for such employment. Excepting the Parsee community he considered that the Indian is not inclined towards mechanical work. The railway allowed the use of their workshops for the practical training of students from the Technical Institute in Bombay. There are plenty of apprentices for the lower grades, but educated men do not come forward for practical training to fit them for employment in the upper grades in the workshops. Mr. Rumboll defended the practice of giving Indian apprentices lower rates of pay than Anglo-Indians or Europeans, on the grounds that the pay given to apprentices is merely of the nature of a subsistence allowance during their period of training and that the standard of living of the Indian apprentice is less expensive than that of the Anglo-Indian or European. He stated that once they are trained, Indians and Europeans would receive the same rates of pay for work of the same kind.

5520. In answer to Mr. Hiley, Mr. Rumboll expressed the opinion that the Indian public would have a full say on railway matters through the medium of the Legislative Assembly particularly in connection with the discussion upon the railway budget. He was anxious to avoid the introduction of politicians on the Railway Boards of control.

5521. Mr. Rumboll stated that in his programme of works he regarded the Bombay suburban electrification scheme as one of great importance in view of the manner in which it would increase the capacity of the railway and would give better service to the suburban passengers. The scheme had been approved and detailed estimates are now being prepared. An application had been made for a grant of Rs. 15 lakhs for expenditure next year, but the administration had been told that they should expect nothing and should incur no liabilities except so far as necessary to pay the engineers who are engaged on planning the details of the work. He regarded the electrification together with the extension of the suburban quadrupling, as the remedy for the existing congestion in local traffic and overcrowding of suburban passengers. Mr. Rumboll urged that the fact that the railway proposed to spend up to 80 per cent. of the gross revenue during the coming year on working expenses, renewals and maintenance, shows that they are making an ample provision to carry out arrears of renewals. In this connection he produced a diagram illustrating the state of affairs connected with renewals on the G.I.P. Railway. In reply to the Chairman he stated that the increase of the operating ratio from about 65 to 80 per cent. is partly due to the increase in cost of labour and stores but very largely to the provision for making up arrears of renewals.

5522. On behalf of the Honourable Mr. Sastri, who was detained in Delhi as a Member of the Council of State, Mr. Purshotamdas asked whether there were any special posts reserved for Anglo-Indians and Europeans on the G.I.P. Railway, and, if there were no posts reserved for them, how Mr. Rumboll would explain an advertisement which appeared in The "Times" of India on the 2nd February, calling for applications for certain posts only from Anglo-Indians and Europeans. Mr. Sastri had been informed that there were many qualified Indians who would be ready to apply if given a chance. Mr. Rumboll explained that he had not seen the advertisement and could not therefore say what the conditions were under which it was issued. There were no posts reserved for Anglo-Indians or Europeans as such, but in some grades the Railway had fixed a proportion beyond which it considered it undesirable at the present time to employ Indians in such posts as those in question; he thought that the advertisement must have been issued because the approved percentage for Europeans and Anglo-Indians was not worked up to. The fixed percentage would be increased according as the capacity of the Indians to undertake such work is improved. He admitted that the effect of the policy of the administration is that, even if more qualified Indians are at present available for the posts in question, they could not be employed, that is, that the efficiency of the Indians is taken anyhow for the present as being fixed at a certain point.

5523. Regarding his view that the public interest is best served by running railways primarily as business undertakings, and consequently that they should be managed by Companies and not directly by the State, Mr. Rumboll said that he would not have quite the same objection if railways were to be managed on the lines on which the Bombay Post Trust is administered at present; but he doubted whether it would be possible to manage railways on similar lines, seeing that

the financial questions involved are very much bigger. Government is ill-fitted to carry on a business undertaking directly. The Department of Posts and Telegraphs was not a business undertaking, being merely an executive department of a very different kind from a railway which is a commercial concern and has to deal with business propositions. Though the Postal Department had to pay its way and make a certain profit, it is not on a par with railways. It does not quote special rates, alter its time-table, negotiate with individuals and public bodies for new facilities, and so on. The railways could not be administered, like the Port Trust, by persons interested in them, namely, by the commercial community and the public.

5524. Asked to explain what he meant by the statement that "a Department of Government is compelled to act on political opinions which may be transient and shared only by a minority," Mr Rumboll cited the following as an illustration. The introduction of an Intermediate Class was imposed on the G.I.P. Railway by Government against their strong opposition. The result was that in the Poona Mail, for instance, it could no longer accommodate the third class passengers who were formerly carried at 3 pies per mile, in addition to the Intermediate which had to be added, and therefore the passenger who desired to travel by that train had to pay at the rate of 4½ pies. He considered this a fair example of the way in which Government might be persuaded by a small body to the detriment of the whole. Mr. Mr. Purshotamdas pointed out that in the present case, it was at worst only an error of judgment on the part of Government and that Boards of Directors of certain companies might similarly make an error of judgment. Mr. Rumboll thought that Boards are less liable to this than Government.

ANNEXURE A. (Paragraph 5506 above.)

Copy of letter dated 9th February, 1921, from the Chief Auditor and Accountant, G.I.P. Railway, to the Agent:—

No. General L./3/33.

Victoria Terminus Annexe, Bombay,
9th February, 1921.

The Agent, G.I.P. Railway.

Dear Sir,

Indian Railway Committee, 1920.

You will recollect, when giving evidence before the Committee, you referred to the tabulated statement at page 5 of the statistics, copy of which was handed by you to the Chairman to be put in with your evidence. The Chairman, when scrutinising this statement, asked that we might furnish him with further remarks regarding the difference between the grants asked for and those actually sanctioned for the Harbour Branch Extension for the financial years 1912-13 and 1913-14, and, secondly, that this tabulated statement should be completed on the assumption that Rs. 10,00,000 a year would be sanctioned for the Itarsi-Nagpur and Harbour Branch Railways, respectively, for the future years, until the works were completed, based on the latest construction estimates.

2. With regard to the first point, I have to state that the Railway Board did not give any reasons for cutting down the amount asked for in the July Preliminary Forecast for 1912-13. . . . As regards the reduction in 1913-14, I find from your office files of correspondence . . . . that the Rs. 14 lakhs reduction was sanctioned by the Agent for the December Schedule of Demands on the representation of the Chief Engineer, who required the amount to be transferred to the Capital Works of the main line for the quadrupling between Thana and Kalyan. . . .

3. As regards the second point, I attach hereto copy of the statement as given at page 5 of the statistics, but which I have completed, based on the construction estimates as shown in the latest financial review for 31st September, 1920.

4. You will notice that, in completing the statement, I have assumed that we will get Rs. 10,00,000 a year, and will spend Rs. 10,00,000 a year on each of the constructions. On this assumption the Itarsi-Nagpur Railway will be completed in 1925-26, and the Harbour Branch in 1922-23.

5. You will also see from the foot-notes that interest for the period from 1st April, 1920, is calculated at 6½ per cent., i.e., the rate which is applicable for interest on overdrawn capital at the present time. The interest paid to Government in the case of the Itarsi-Nagpur Railway will then have amounted to Rs. 1,51,11,136, and in the case of the Harbour Branch, Rs. 14,92,103.

GREAT INDIAN PENINSULA RAILWAY.

(Incorporated in England.)

ITARSI-NAGPUR AND HARBOUR BRANCH EXTENSION RAILWAYS' CONSTRUCTIONS.

Statement showing grants asked for, Grants actually sanctioned, Modified grants as stood at the end of the year and expenditure against the same year by year to 31st March, 1920, and the further estimated grants and expenditure from 1st April, 1920, to the probable date of completion of the Railways assuming that Rs. 10,00,000 a year for each construction is sanctioned and expended and also the total amount of interest that will have been paid to Government and charged to the general net Revenue account of the G.I.P. Railway undertaking.

Years.	Itarsi-Nagpur Railway construction.						Harbour Branch Railway Extension.					
	Grants asked for.	Grants actually sanctioned.	Modified grants as stood at the end of the year.	Expenditure.		Interest paid to Government and charged to the G.I.P. Ry. undertaking.	Grants asked for.	Grants actually sanctioned.	Modified grants as stood at the end of the year.	Expenditure.		Interest paid to Government and charged to the G.I.P. Ry. undertaking.
				For the year.	To the end of the year.					For the year.	To the end of the year.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1908-09	—	—	9,83,000	9,79,262	9,79,262	13,426	—	—	—	—	—	—
1909-10	58,50,000	27,50,000	21,07,000	20,82,198	30,61,460	64,600	—	—	—	—	—	—
1910-11	66,00,000	40,00,000	50,69,000	48,51,643	79,13,103	1,86,277	—	—	—	—	—	—
1911-12	95,40,000	60,00,000	43,26,000	43,23,782	1,22,36,885	3,55,963	—	—	—	—	—	—
1912-13	83,00,000	62,00,000	46,32,000	43,52,516	1,65,89,401	5,17,912	15,00,000	6,00,000	6,00,000	7,48,097	7,48,097	8,037
1913-14	53,37,000	25,37,000	38,25,000	39,79,228	2,05,68,629	6,99,261	27,02,000	13,02,000	7,49,000	7,02,276	14,50,373	43,123
1914-15	54,41,000	35,00,000	32,50,000	33,47,365	2,39,15,994	8,38,107	11,58,000	11,00,000	3,86,000	3,73,901	18,24,274	61,915
1915-16	53,82,000	(*a*) —	33,10,000	30,56,409	2,69,72,403	9,45,853	30,00,000	19 00,000	19,00,000	18,80,859	37,05,133	95,067
1916-17	20,00,000	3,00,000	3,97,000	3,29,497	2,73,01,900	10,33,676	16,00,000	7,00,000	1,64,000	35,420	37,40,553	1,51,077
1917-18	1,00,000	1,00,000	1,34,000	84,420	2,73,86,320	10,43,516	2,00,000	2,00,000	30,000	(*c*) - 29,176	37,11,377	1,48,913
1918-19	3,00,000	3,00,000	- 1,84,000	(*b*) -4,32,676	2,69,53,644	10,39,253	2,00,000	2,00,000	- 1,00,000	(*c*) - 59,139	36,52,238	1,47,903
1919-20	3,65,000	3,65,000	3,32,000	2,65,700	2,72,19,344	10,26,095	50,000	—	- 69,000	(*c*) - 72,917	35,79,321	1,43,908
1920-21	10,00,000	10,00,000	10,00,000	10,00,000	2,82,19,344	10,49,541	10,00,000	10,00,000	10,00,000	10,00,000	45,79,321	1,52,877
1921-22	10,00,000	10,00,000	(*d*)	10,00,000	2,92,19,344	11,32,655	10,00,000	10,00,000	(*d*)	10,00,000	55,79,321	2,38,849
1922-23	10,00,000	10,00,000	(*d*)	10,00,000	3,02,19,344	11,97,655	10,00,000	10,00,000	8,94,940	8,94,940	(*e*) 64,74,261	3,00,434
1923-24	10,00,000	10,00,000	(*d*)	10,00,000	3,12,19,344	12,62,655	—	—	—	—	—	—
1924-25	10,00,000	10,00,000	(*d*)	10,00,000	3,22,19,344	13,27,655	—	—	—	—	—	—
1925-26	10,00,000	10,00,000	5,19,436	5,19,436	3,27,38.780 (*e*)	13,77,036	—	—	—	—	—	—
						1,51,11,136						14,92,103

Note :—Interest calculated at 3½ per cent. per annum on the Capital drawn up to 31st March, 1915, at 4½ per cent., per annum from 1st April, 1915, to 31st March, 1918, at 5½ per cent. per annum from 1st April, 1918, and at 6½ per cent. from 1st April, 1920, onwards.

(*a*) In April, 1915, the Railway Board sanctioned a grant of Rs. 50,00,000.

(*b*) Credits due to heavy return of stores, *i.e.*, from Itarsi-Nagpur to Nagpur Remodelling.

(*c*) Due to rents collected and sale proceeds of demolished buildings of Musjid properties of Harbour Branch Extension.

(*d*) This is assuming we shall get Rs. 10,00,000 a year from 1921-22 and that we shall spend the full amount.

(*e*) Amount of construction Estimates as shewn in the latest Financial Review for 30th October, 1920

Note regarding the Harbour Branch Railway Construction.

1913-14.—Lapse in grant due to late receipt of material.

1914-15.—Lapse in grant due to anticipated land debits not being raised in 1914-15 for which money had been asked.

ANNEXURE B.

(Paragraph 5507 above.)

Secretary of State's interest in the G.I.P. Railway proper as on 31st March, 1920.

	£
Purchase cost arrived at according to the mean market value in London of such shares of stock during three years immediately preceding the expiration of the period of twenty-five years or the period of fifty years as the case may be, *vide* Purchase Act	34,859,218
The Debentures and Debenture stock taken over from the old Company, *vide* Purchase Act	5,922,350
Total	40,781,568
Less—Amount paid to end of March, 1920, by annuities	24,736,310
Balance of purchase cost	£16,045,258

The London "Times" of 19th January, 1921, shows the following quotations :—

Annuity Class A (1948)	9⅞
„ Class B (1948)	13 1/16, ⅛, ¼
3½ % Debentures	53⅛, ¼, ⅜, and

The "Daily Telegraph" of 19th January, 1921, shows that the 3 % Guaranteed stock was quoted 86–89

CLASS A consists of those annuitants who elected to receive their annuities in full.

CLASS B consists of those who elected to receive their annuities less a sum to be deducted for providing a sinking fund.

Position prior to amalgamation (*on 30th June*, 1900).

	Capital raised.			Capital expenditure.		Total.
	G.I.P. £	I.M.R. £		G.I.P. Rs.	I.M.R. Rs.	Rs.
Capital created by shares ...	20,000,000	3,000,000	Capital expenditure	28,31,88,026	10,06,92,219*	38,38,80,245
Capital created by debentures ... £ 5,672,350			*Add*—Other Govt. lines—			
Khandesh Extension 250,000			Dhond Manmad Rly.	1,15,84,316		
	5,922,350	4,935,681	Wardha Coal Rly.	49,96,326		
	25,922,350	7,935,681	Khamgaon Rly.	5,22,150		
			Amraoti Rly. ...	4,49,915		
						1,75,52,707

Position after amalgamation (*from 1st July*, 1900, *to 31st March*, 1920).

Advances by the Secretary of State	2,200,000	300,000	Capital expenditure	26,40,55,902	2,35,26,606†	28,75,82,508
Debentures raised by the Company	3,500,000	—			Total Rs.	68,90,15,460
	5,700,000	300,000				
	£6,000,000					

Indian overdrawn capital ... Rs. 19,45,28,399.

* This was I.M. Expenditure up to the date of the amalgamation.

† This was I.M. Expenditure from the date of the amalgamation to 31st December, 1910. After 31st December, 1910, the I.M. Railway accounts were not kept separate.

M. HAWES,
Chief Auditor and Accountant.

Bombay, 8th February, 1921.

Rai Sahib CHANDRIKA PRASADA was called and examined upon a personal statement furnished by him to the Committee, as well as with reference to the written evidence of the Indian Economic Society, which had nominated him as its representative.

See Written Statements Nos. 55 & 56 Vol. IV., P. 185/195.

5525. The Rai Sahib stated that he also had been requested by the All-India Hindu Sabha, the All-India Railwaymen's Conference and the United Provinces Zamindars' Association to represent their views to the Committee, and that he was in a position to do this in a general manner.

5526. Referring to the Rai Sahib's statement that, as a matter of fact, companies often draw their officers from the Government service by offering them tempting emoluments, the Chairman asked why they do this. The witness did not think it was done for the normal reason that induces people to pay higher salaries to certain employees, that is, on consideration of merit. He thought that in the case of railway companies they are more ready to pay higher salaries as the money does not come out of their own pocket. Asked why, in these circumstances, they did not also pay extravagant salaries to all classes of railway servants, he explained that this might be because it did not suit them, as it would involve paying away too much. The Chairman said he could not understand why this consideration should operate in the case of an engine driver if it is not applicable in the case of a railway Agent. He mentioned that in England and America the salaries of the chief officers on the large railway systems amount frequently to double or treble the sums paid in India. The witness pointed out that the economic conditions in India were quite different to those obtaining in England and America.

5527. The witness drew attention to the disparity between the rates of pay of the highest and the lowest railway officials. In this connection, the Chairman drew attention to the statistics of salaries furnished in the witness's evidence, and asked where the figures had been obtained from, as he felt very doubtful as to their accuracy. The witness explained that he had drawn the information from reliable official sources. He was unable to say for what exact appointment the Belgian railways pay the equivalent of Rs. 469 per mensem; but he said it was the highest railway official in that country. In support of the statement that

the minimum pay per month on the Indian State railways is still as low as Rs. 7, he mentioned that he had recently been advised that, on the Jodhpur-Bikaner Railway, which is a railway owned and managed by an Indian State, there are employees who get as low salaries even as Rs. 6 per mensem. The Chairman suggested that this was hardly a strong argument in favour of State management. The witness observed that he was not satisfied with State management as it at present exists in India.

5528. The witness furnished seven tabular statements giving the financial history of Indian railways from 1848-49 to 1918-19 in support of the figures quoted by him that at the end of the year 1918-19 there was an outstanding debit of Rs. 297·97 crores against the railways, while the loss on account of the late Guaranteed companies alone amounted to Rs. 332·75 crores, the difference of Rs. 34·78 crores having been made up by the net profits of the State railways. He stated that he obtained the figures from the report of the Select Committee of 1884, and had completed them by the addition of figures compiled by himself for subsequent years from authoritative records. The Chairman expressed surprise that there had been a net profit in the case of the State railways, partly counterbalancing the loss on the company-managed lines. He said he had been under the impression that the State railways had been less profitable than the guaranteed lines.

5529. The witness considered that India had made a bad bargain in its railway business, and that the railways had been developed too rapidly. The Chairman observed that in Canada, with a population of only 8,000,000, there are more miles of railway than in India, with a population of 300,000,000; and that the Canadians think it good business to pay a large sum annually in taxation in exchange for the benefits of an adequate railway system. He suggested that the average ryot is far better off to-day than he was twenty years ago, and that this must be ascribed in part at least to the benefits of the railway system. The witness stated that, on the contrary, ryots are much worse off to-day than they used to be. The Chairman observed that this only showed the unreliability of books which he had used as his source of information.

5530. Referring to the witness's opinion that the goods tariff would be greatly simplified if all the railways were managed by the State, the Chairman observed that Germany was generally regarded as affording the most successful instance of State management. He remembered reading an article by a German specialist, who alluded to the fact that the Austrian goods tariff is contained in seven folio volumes of many thousands of pages, and that there was no such compilation in Germany, because it would want not a book but a library if it were undertaken. The Chairman observed that he had never known a country in which the goods tariffs were simple, and did not believe that a simple tariff is in fact attainable. The witness adhered, however, to his opinion that under State management there would be a great simplification of the tariffs, observing that at the present day every one of the large railway administrations in India had six or more large volumes of tariffs, which made up a library by themselves. With one State management, separate tariffs would be unnecessary.

5531. The Chairman questioned the witness with regard to his recommendation that provincial governments should be entrusted with the working and management of existing lines and the regulation of rates and fares for passengers, goods and other traffic. He asked how simplification of tariffs could be attained if a number of different Governments controlled rates and fares. The witness explained that the Central Government would have a uniform tariff and that local governments would deal only with matters of domestic concern. He did not agree that there would be any difficulty in quoting suitable rates for local requirements, while rates for through traffic or for inter-provincial traffic might be arranged by the Central Board acting in consultation with the Provincial Boards. He considered that specially low rates should be quoted for nascent industries, and thought that any loss which might be caused by the quotation of such favourable rates should be borne by the railways and be compensated for by railway profits accruing in other cases. The witness recognised that the provincial revenues would have to be liable for their share of the interest on the railway debt before the provinces could make the surplus profits which he had alluded to as improving the provincial finances. He did not consider that there would be any difficulty in devising a suitable scheme to regulate the financial interest of the provincial governments in the railway system and the division of profits of the railways. He added that this might be arranged between the Central Government and the provincial governments, by mutual agreement on an equitable basis, as the case may demand. As an example, he cited the case of the division of the land revenue between the two Governments.

5532. The Chairman observed that, so far as he was aware, the witness was alone in practically recommending a reversal of policy and the reintroduction of the system of Government control of railways through consulting engineers which was in force prior to the creation of the Railway Board. The witness was of opinion that all the powers of the Railway Board should be vested in a Select Committee of the Legislative Assembly *minus* such powers as may be transferred to the provincial governments. The witness explained that he did not contemplate that technical matters would be dealt with by the Select Committee; these would be entrusted to experts employed under its control. He saw no reason to anticipate difficulty in the settlement of questions of policy and matters relating to rates and fares by a Committee chosen from the Legislative Assembly. He thought the Committee would comprise selected persons who might or might not include railway experts, and that they should be capable of dealing with such matters.

5533. With reference to his statement that the powers reserved in the contracts of some of the companies working Indian railways do not make as much provision for the exercise of Government control as used to be exercised by the Board of Trade in England, the Chairman asked for further particulars. It transpired that the witness was under a misapprehension with regard to the control of rates and fares by the Board of Trade. The Chairman explained that that Board had never exercised such control. The witness said he understood from the English Railway and Canal Traffic Act of 1888 that important changes in goods rates on the railways in England could not be made without the sanction of the Board of Trade or Parliament, and he thought a similar procedure was necessary for India, so that it might not be possible, without the sanction of the Legislature, for the railway administration materially to change their rates and fares or for the Railway Board to authorise a change in the maxima fares, as they did in 1917. The witness further mentioned a case in which the Railway Board had altered the maximum passenger fares in India without ascertaining public opinion. He agreed that in this respect his complaint was really against the Government, who had exercised their control, in his opinion, unwisely. He was aware that the alteration of fares was made to reduce traffic, under war conditions, but observed that it still remains in force.

5534. With regard to the increase in rates and fares which the Chairman said the Committee had been advised did not exceed 30 per cent. on an average, the witness said that in some cases the increase was far higher than that. As an example, he instanced the abolition of intermediate class accommodation by mail trains on the East Indian Railway in 1917, thereby forcing passengers, who wished to travel, into the second class with a consequent large increase in the fares paid by them. The witness maintained that this was a fair example of an effective increase in charges. He said that, on the Oudh and Rohilkhand Railway, the third class fares had been increased as much as 75 per cent. in

some cases in 1917, an observation which the Chairman suggested did not seem to show the advantage of State railway management. To this the witness repeated that he was criticising State railway management as at present conducted as well as company management, and desired that it should be remodelled.

5535. The witness approved of the suggestion that, to ensure that the Railway Minister should know what the people of the country require, there should be a Council representing different commercial and other interests. He thought that a representative of the third class passenger traffic might easily be obtained on the nomination of the Legislative Assembly.

5536. In his written statement the witness laid stress upon the policy which had been laid down, that the extension of railways in India should not involve additional taxation. Asked whether in fact they had done so, he said that he considered that they had involved at least indirect taxation. He referred in this connection to the levy of Income Tax, and to the occurrence of deficits in the general Budget. He quoted a Budget speech made in 1901 or 1902 by the late Mr. Gokhale, which showed that some 20 items of new taxation had been imposed between the years 1880 and 1900 or thereabouts, and thought that these taxes might not have been imposed if railway expenditure had not been increased so largely. He maintained that if railway expenditure had been less rapid in the past, Government would not be faced by its present difficulties in financing railways and securing their improvements. The Chairman observed that very few Indian witnesses had given evidence in this sense; on the contrary, they had urged the improvement and extension of the railway system.

5537. The Chairman said that he did not think it necessary to go into the question of owner's and railway risk rates, as he believed that the railway companies generally were ready to agree practically to what the witness had recommended.

5538. Regarding the special quotation of port rates, the Chairman mentioned that evidence given to the Committee showed that there are no such things as special port rates in India, that is to say, that there are no preferential rates for traffic to the ports in India for shipment, over the rates applicable to traffic in goods for local consumption at the port towns themselves, though such discriminations were common in other countries. The witness admitted that by ports in his written statement he meant port towns.

Mr. A. C. RUMBOLL, Agent, Great Indian Peninsula Railway Company, accompanied by Mr. C. A. HAWES, Chief Auditor, was recalled and further examined.

See Written Statement No. 46, Vol. IV., P. 168.

5539. Referring to the case in which the Railway Board had required the Great Indian Peninsula Railway Company to re-introduce the intermediate class, which had been mentioned by Mr. Rumboll in the morning's evidence, Mr. Purshotamdas Thakurdas suggested that it is proper that the decision in such matters should rest with the Government of India. Mr. Rumboll expressed the opinion that railways are really in better touch with the requirements of the public in such matters and with the capacity of the railways to meet them than the Government authorities at a distance. He admitted, however, that Government should be in a position to enforce its views in matters affecting the public convenience. The point which he wished to make, however, was that the controlling machinery should be such that Government is not liable to be influenced by a minority, so as to enforce the adoption of measures which are contrary to the interests of the greater number of the people. He wished to emphasize that the particular decision to which he referred was the result of the agitation of a section, and that compliance with it had inflicted hardship on others. He admitted that the Government of India ought to be in a position to express its views with authority to the railway administrations, but considered that the Railway Board can do so even under the existing system. Mr. Purshotamdas suggested that there were cases in which the Railway Board had made recommendations which the railway companies had, however, been able to resist. Mr. Rumboll stated that he was not aware of any such cases.

5540. He said that if there were a local representative body in Bombay charged with the duty of looking after railway matters he would be much more inclined to attach respect to its judgment than to that of a distant body at Delhi. He anticipated that he would normally be able to secure an agreement between his own views and such a body as this. He did not think that the time had come for the establishment of subsidiary boards with definite powers of action in India, notwithstanding that he recognised that there is a strong public feeling in favour of local management on the part of Indians. He said he would give no specific powers to such a Board unless it represented some share of the capital invested in the railway system. He was prepared to meet the requirements of the case by utilising an Advisory Committee.

5541. He considered that an advantage of the Home Boards being situated outside India is that they are less liable to the pressure of undue local influences. He thought that, apart from the financial advantage, the principal administrative advantage of the retention of the companies' boards is that they serve as a buffer between the State and the railway administration. He thought that the railways are more likely than other departments to be subjected to the attack of political pressure of a kind which he regarded as undesirable. He did not think, for example, that the post office, which is a State-managed concern is so liable to this. Mr. Purshotamdas suggested that if Mr. Rumboll's views were correct, it would really be necessary for the State to be protected on all sides by a ring of "buffer" companies. Mr. Rumboll stated that he thought that, in the case of railways in a country such as India will probably become in a few years' time, it is very desirable that they should be safeguarded against the bad influences of democratic Government. He quoted as examples the cases of Switzerland, France and South Africa, which had democratic Governments, and said that in these countries the financial side of the railways had been jeopardised. Mr. Purshotamdas asked why, if such a buffer was not required between the Government of Bombay and the Port Trust or between any other department and the central Government, it was required in the case of the railways in India. Mr. Rumboll said that he did not say it was absolutely necessary, but he considered it useful. He was afraid that the Indian public had not made a sufficient study of this question and were not able to appreciate what was going on in other countries where the experiment had been tried.

5542. Mr. Purshotamdas observed that an objection raised by Mr. Rumboll to the establishment of railway companies' Boards in India is the frequent changes of the European representatives upon them. He suggested that, if it is a choice, as appeared, between management by Boards in London, on which there can be no Indian representation at all, and management in India by Boards on which there will be European representation, though this may be liable to frequent changes, clearly the latter is the lesser evil of the two. Mr. Rumboll, however, expressed the opinion that, taking all things into consideration, the balance of advantage is in favour of the retention of the Boards in London, notwithstanding the disadvantage, which he admitted, of the lack of Indian representation upon them. He maintained this view notwithstanding the widespread dissatisfaction in India with the existing state of affairs and the prevailing sentiment of the

Indian public, whether well or ill-founded, to which Mr. Purshotamdas drew attention, on the subject of the "drain" from India. He considered that the London Boards must be maintained so long as money is raised in the United Kingdom. Mr. Purshotamdas observed that the Committee had the authority of so eminent an authority as Sir Marshall Reid for the view that no importance need be attached to the London Boards from the financial point of view.

5543. Referring to the fact that some 95 per cent. of the total capital invested in Indian railways is that of the Indian taxpayer, Mr. Purshotamdas suggested that it is unreasonable that Indians should not be represented on the Boards to which the management is entrusted. Mr. Rumboll asked whether the people of India are prepared to send representatives to sit on the London Boards. Mr. Purshotamdas remarked that they rather want the Boards located in the same country as the railways which they manage.

5544. Regarding the suggested increases in railway rates, Mr. Rumboll stated that his present recommendation was that the maximum rates should practically be what they were before the Great Indian Peninsula Railway Company was taken over by Government. The Great Indian Peninsula Railway Company had lowered their maxima at the instance of the Government at that time.

5545. With regard to the machinery for adjusting disputes between the public and the railways, Mr. Rumboll agreed that the existing provisions of the Railways Act are too complicated. Referring to his suggestion that there should be a provision in the companies' contract leaving the decision on question of undue preference to the Secretary of State for India, he assumed that this power would be delegated to some authority, probably the Railway Board, in India. He had no objection to the introduction of a tribunal on which both railway and commercial interests would be represented under an impartial Chairman.

5546. Mr. Rumboll stated that reserved accommodation exists on the Great Indian Peninsula Railway Company in the third class for Anglo-Indians and Europeans, but not in the suburban service trains. Mr. Purshotamdas enquired, with reference to information given to the Committee elsewhere, whether within Mr. Rumboll's experience any charitable Hindus had offered to provide a waiting room or similar convenience for the travelling public on the railway premises. Mr. Rumboll said that he had no experience of such a thing, though he had known of wells being provided, and of dharamsalas outside station limits being put up at the cost of charitably-disposed persons.

5547. With regard to railway refreshment rooms, he stated that small rents are recovered from the refreshment room contractors, who cater for the upper class passengers. In the case of the caterers, only a licence fee is charged, but no rent for accommodation.

5548. Mr. Purshotamdas enquired whether, seeing that the Government of India, that is to say, the Indian taxpayer, owns so large a percentage of the railway capital, it is not contrary to their interests that there should exist competition for traffic between two railway systems. Mr. Rumboll thought that to some extent the taxpayer gains by means of this competition, and that the emulation which it entails leads to better facilities for carriage and public convenience. He emphasised that in speaking of competitive rates it must not be forgotten that these are often based on river or road competition. The Great Indian Peninsula Railway rates from the competitive area in the United Provinces is governed largely by the fact that there is river competition with the East Indian Railway Company. He considered that it would be disadvantageous from the public point of view if the Great Indian Peninsula Railway ceased to carry to Bombay any of the traffic for which it competes with the East Indian, as it would mean that additional facilities would have to be provided on the latter line. He said he would be sorry to think that such competition would cease even if the State managed all the lines. He said that, if it were necessary, Government could provide for the prevention of what Mr. Purshotamdas described as "cut throat competition" by a suitable provision in the railway contracts, though he did not personally think that it made any mistake in omitting to do this.

5549. He expressed the opinion that, notwithstanding their relatively small stake in the railway systems, the companies do put forth their best efforts in the interests of the economical and efficient administration of the railways. They would no doubt welcome an increase in their interest, but he had never noticed any lack of attention on the part of his home Boards to the interests of the railway system.

5550. Questioned by Sir Rajendra Nath Mookerjee whether the directors often come out to inspect their line, Mr. Rumboll stated that the chairman came last year, the managing director had come out this year, three years ago another director was out, and they expect another next year.

5551. In answer to Sir Henry Burt, Mr. Rumboll handed in for the information of the Committee copies of the following correspondence connected with the refusal of the Government of India to accept the Tata Industrial Bank's proposal for the financing of certain railway projects. In this connection Mr. Rumboll explained that there was no official letter from the Government of India, as the decision communicated by the agent of the railway to the bank had been arrived at in a personal interview with the Railway Board.

Copy of letter dated 23rd January, 1920, from the Tata Industrial Bank to the Agent, G.I.P. Railway Company:—

> We understand that the railway will shortly require large sums of money for the electrification scheme which has been decided upon and also for the renewals of their wagons and locomotives. We write to say that we should be pleased to assist in the financing of these or any similar projects. The actual terms and details of the loan or loans could be arranged later but we may say that we suggest that the railway should issue bonds carrying a fixed rate of interest and free of Income Tax for periods from 5 to 20 years.

Copy of letter dated 14th February, 1920, from the Agent, G.I.P Railway, to the Tata Industrial Bank:—

> In acknowledging with thanks the receipt of your letter dated the 23rd ultimo, offering financial assistance in the event of this administration being in need for prospective railway projects, I beg to inform you that the matter was discussed with the Railway Board at Delhi, on the 27th idem, but the Government of India are not in favour of railway companies raising money outside the budget.

THIRTY-NINTH DAY.

(Bombay).

Thursday, 10th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

SIR A. R. ANDERSON, Kt., C.I.E., C.B.E.
SIR H. P. BURT, K.C.I.E., C.B.E.
SIR G. C. GODFREY.
MR. E. H. HILBY, C.B.E.
SIR H. LEDGARD.
SIR R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
MR. J. TUKE.

MR. T. RYAN, C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

Major-General Sir H. F. E. FREELAND, K.C.I.E., C.B., D.S.O., M.V.O., Agent of the Bombay-Baroda and Central India Railway Company accompanied by Mr. W. P. PECHEY, General Traffic Manager, and Mr. W. C. MORLEY, Chief Auditor, was called and examined upon two statements which he had submitted to the Committee. (P.S.—General FREELAND also subsequently furnished the Committee with a further Note which has been recorded with the written statements referred to above, and upon which he was not orally examined.)

lee Written tatement No 57, Vol. IV., P. 197.

5552. General Freeland explained that he would be at Ajmere during the greater part of March, and, if so desired by the Committee, could re-appear before them at Delhi without any inconvenience. He subsequently added that the General Traffic Manager also could conveniently accompany him to Delhi on a later occasion if the Committee wished him to do so.

5553. The Chairman explained that he did not propose to examine General Freeland at length upon the paper furnished by him relating to the provision of funds for railways. He proposed to send this to the Railway Board with the request that the Board would advise the Committee whether it might be accepted as an accurate presentment of the case, and could be used for subsequent reference as an authoritative document. General Freeland stated he had no objection to this action, and he thought that the paper would be found to be accurate.

(*P.S.*—The result of the reference to the Railway Board was to show that the memorandum may be taken as generally correct, though possibly open to discussion as regards some minor details.)

5554. Turning to his other paper, regarding proposals for the construction and management of railways, General Freeland agreed with the Chairman that his scheme followed the lines of the Indian political development, in proposing an immediate advance, with the idea of making further progress later on.

5555. With reference to the suggestion that the Government of India might argue that railways alone would not form a big enough charge for a special Member of Council, General Freeland said that the gross railway earnings are roughly equal to all the other Indian revenues, while the net railway receipts are equal to the land revenue. He thought that though it would seem that one-half of the revenue is entitled to at least one-seventh of the management, the argument had been used, and that this was the reason why he added Ports, Shipping, and Posts and Telegraphs to establish an unquestionable title to the whole time of a Minister. He considered that Posts and Telegraphs are after all a small concern as compared to railways. In his opinion the charge of railways should be detached from the Commerce and Industry Department.

5556. He understood that there is some idea at present of re-distributing the portfolios amongst the Viceroy's Executive Council with the result that one of the Members might be entrusted with a number of the separate functions at present exercised by the Commerce Department, together with the Board of Industries, which is temporarily under a separate Member of Council, and that railways should be added to these charges. He considered that railways alone are important enough to be in charge of a single Member. He had no objection to the same Member being also in charge of shipping, and saw in this advantages from the point of view of co-ordination. He thought the case for such co-ordination was much stronger than that for bringing Posts and Telegraphs or other communications under the same Member of Council. Sir Rajendra Nath Mookerjee mentioned that he understood the idea of the Government of India was to transfer at an early date some of the subjects now in charge of the Commerce Department to the Department of Revenue and Agriculture, dealing with the others as indicated by General Freeland.

5557. General Freeland considered that the Minister in charge of Railways or Communications should have the support of a strong council representing official and commercial opinion of all parts of India.

5558. He thought that the control of the Finance Department should cease once an allotment of funds had been made for railway purposes, and that the Railway Department should control its own expenditure. The Chairman asked whether General Freeland was of opinion that the Finance Member should still have a voice in the question whether funds should be devoted to renewals which in ordinary practice would be recognised as necessary beyond question and as having the first claim to attention. General Freeland explained that he wished a regular programme of work to be drawn up and funds to be provided to carry it into effect, and that thereafter there should be no more control by the Finance Department. He took it that a programme of that sort would be discussed in Council and that decisions would be arrived at on the basis of general experience to start with. He thought it was a good idea wholly to separate Railway and General Finance. The Finance Department should provide capital and receive interest as debenture-holders without interfering as to how it is spent and how profits are earned. He considered, however, that the Finance Minister's opinions should have great weight, and that Government must discuss the programme and say how much money should be spent on railways. The Chairman emphasised that a commercial firm

does not even discuss the question whether money should be spent in replacing worn out plant, but that this is taken as a matter of course. General Freeland agreed that if this is not done, and if revenue is increased by postponing renewals which ought to be carried out, it means that Government is living on its capital just as a private land-owner would be doing who allowed his property to fall into disrepair, or who cut down and sold his timber to secure an income.

5559. Sir George Godfrey suggested that the Finance Department do not prohibit any particular renewals being carried out. They only say that railways must cut their coat according to a prescribed amount of cloth. The Chairman thought that, as in practice, standing charges, like wages, must obviously be met, the Finance Department do in fact prohibit the execution of renewals when they grant less money than is necessary to enable all railway requirements to be met. The witness held the opinion that the Finance Minister should interfere neither with the expenditure on revenue account nor with that on account of capital once he had agreed that a certain grant should be allotted. He laid emphasis on the association of capital and revenue expenditure in the case of most large open line works, the cost of which is usually divided between the two heads, but agreed that once the basis of allocation of expenditure had been established, it is a matter for accountants to determine the actual division between capital and revenue in any particular case.

5560. The Chairman referred to the unusual distinction maintained in India between " special " and " ordinary " revenue expenditure. Sir George Godfrey agreed that the distinction is hardly a genuine one, the only difference being that what is known as " special programme " revenue renewals could be deferred for some time, whereas ordinary day to day repairs could not. He agreed that the one in the long run is as essential as the other, and could not ultimately be avoided. In reply to Sir Arthur Anderson, General Freeland stated that the Finance Department did not interfere with the provision of funds for ordinary maintenance purposes.

5561. He said, however, that that Department frequently adopts different figures for the estimates of gross earnings and expenses from those prepared by the railways. The Finance Member discusses the estimates with the Railway Board, and not infrequently adopts a higher figure especially in respect of earnings. He admitted that they might have some reasons on their side as they had often made a better guess than the Railway Board, having doubtless a wider outlook in some way. He thought, however, that the railways are on the whole likely to be better judges of the probable amount of the working expenditure necessary. The Finance Department had on occasions adopted also a higher figure for working expenses than that put forward by the Railway Board, in order to accord with their higher estimate of earnings, but this is not always done. Mr. Morley mentioned that in the current year difficulty is being experienced owing to the refusal of Government to grant the extra sum of Rs. 154 lakhs which had been asked for over and above the budget grant. An addition of 127 lakhs had, however, been sanctioned. He would be unable to meet current expenses in March unless he gets additional funds, and had applied urgently for the necessary balance. Sir George Godfrey observed that he believed other railways are in the same case this year. The same sort of thing had happened before, but should be regarded as on the whole exceptional.

5562. The Chairman drew attention to the diagrams submitted by General Freeland illustrating his recommendations for the reorganisation of the central control of the railways. It was decided to consider the statement headed Stage I. Dealing with the portions of that diagram which refers specially to the railway organisation, and disregarding the suggestions connected with Posts and Telegraphs and Inland Waterways, etc., the Chairman observed it was proposed that there should be a Minister in charge. General Freeland said that he had assumed it to be unlikely that a railway man of adequate experience and capacity could be found in India who would be acceptable in all respects to Government for this post. He would prefer to have a technical railway man if he could be obtained and attracted by a suitable salary, and in that case the Minister would be the President of the Executive Council or the Railway Board under the proposed scheme. There would be a Vice-President to act during the Minister's absence. There would be two distinct organisations under the Minister, namely, the Executive Board charged with the day to day administration and executive work of the railways at headquarters; and on the other side a consultative body or a Council including representatives of the various interests served by railways.

5563. General Freeland admitted some difficulty in the selection of a suitable person to represent the travelling public or the ' man in the street ' who is not adequately represented by any of the existing special organisations. He agreed that there should be such a representative on the proposed council. He was inclined to think that on the whole it would probably be best to obtain such a representative from the Legislative Assembly. With reference to the suggestion that this member might be undesirably influenced by political interests, he thought that this apprehension need not be entertained as, even if it were so, his voice would be only that of one amongst several. He thought that on the whole it would be better to obtain this representative from the Legislative Assembly than through the nomination of such a body as the Servants of India Society, as had been suggested by another witness to the Railway Committee.

5564. With regard to the Railway Administration Report which the Chairman observed contains an immense quantity of figures, but very little of the ultimate comparisons for which the figures are required, General Freeland said that though he could not speak as to the personal use made of the report by the Members of the Railway Board, he was inclined to think that the report is really not made much use of by them. The Chairman said that he had had to work out for himself any generalisations which he thought necessary. General Freeland observed that comparisons between the statistics of different lines are always apt to be fallacious, unless made with full knowledge of special local conditions.

5565. Turning to the Executive Railway Board proposed under General Freeland's scheme, the Chairman observed that it is proposed that the representative of Finance and Accounts should not be a member of the Board, but only an adviser. General Freeland stated that he thought there were advantages in the existing arrangement by which the Finance Department is represented by an adviser who is not a full member of the Railway Board. He agreed, however, that, if the control of the Finance Department were considerably reduced, it would be better that the Finance expert should be an ordinary member of the Executive Board.

5566. He agreed also with the Chairman that at the Government of India headquarters the commercial side of railway working had hitherto been rather in the background, and that it might be advisable, under the proposed organisation, to have two traffic members instead of one, one dealing specially with transportation questions and the other with the commercial side of railway business.

5567. General Freeland said he did not think there had been an undue amount of interference in general on the part of the Railway Board with the railway administrations except on the financial side, and that railways had exercised very considerable freedom. He admitted, however, that restrictions in establishment matters were too numerous. He said the limit of Rs. 250, above which all new appointments required the sanction of the Government of India and of the home Boards, is under consideration, and is likely to be raised.

5568. He agreed that, theoretically at least, the power at present enjoyed by railway administrations to charge, for instance, one man three pies and another eight pies for the same service, which follows from the wide range between the prescribed maximum and the minimum, is strikingly noticeable, but he did not think that in practice it was a matter of much importance, as no railway could possibly use the power in such a manner as suggested without being immediately pilloried.

5569. Asked who, on the proposed Executive Board, is to put his mind specially to the development of the Indian railway system as a whole, for instance, who would consider the steps necessary to secure the very large expansion of railways in India which had been recommended by the Mackay Committee, General Freeland thought that this would be a matter for the engineering and traffic members jointly. He said that he believed that the Railway Board has no expansion programme or policy, but emphasised that, in the absence of a reasonable expectation of the necessary funds being provided, it is useless to endeavour to frame one. On reconsideration he agreed with the Chairman that there should probably be a special member of the Board in charge of development questions. He thought that, with a Board such as he had proposed, the constant exchange of views and meetings between the members would result in the formulation of a definite policy of expansion.

5570. He considered that continued service on the Board, which was, in his view, necessary, would best be provided by abolishing the existing five years' limit to the appointments on the Railway Board, which he regarded as entirely arbitrary. He thought that, having regard to the climate of Simla in summer, and of Delhi in winter, there is no reason why an official should retire at the age of 55, and considered that, subject to the right of the Crown to remove any unsuitable member at any time, appointments to the Board should imply tenure of office up to the age of 60.

5571. He thought the right men could be obtained for appointments on the Board if salaries were suitably increased, and if Government went into the open market for them. He would prefer to appoint men who knew India and were conversant with local conditions, but to get a really good man he would readily go out of India on occasion. He agreed with the Chairman that Indian knowledge would probably be less necessary in the case of persons dealing with financial and accounts matters than in the case of operation specialists.

5572. The Advisory Council should meet periodically. He thought in practice it would be best for it to meet twice yearly, about the beginning and the end of the cold weather. He did not think that the members of the Council, who would generally be senior persons who had made their mark, could be expected to travel to Simla or Delhi during the hot weather.

5573. He considered that the members of the Advisory Council might either be nominated by local bodies such as the Chambers of Commerce or by the Legislative Assembly. He would not restrict the choice rigidly to one or the other. He would prefer, in the case of members selected by local bodies, that they should be nominated for the consideration of Government rather than that Government should be required to appoint any person selected.

5574. He thought the Advisory Council should not consist of more than, roughly speaking, about a dozen. He recognised that the objections to a large council would be somewhat less in the case of an advisory board than in the case of one having executive authority. He did not lay great stress upon it, but thought that a very large council tends to become too much of a debating society.

5575. He expected that the members of the Legislative Assembly, knowing that matters had been discussed by the Advisory Railway Council, would generally be disposed to accept the views of that Council as having been framed after full consideration of public interests.

5576. He thought that the members of the Advisory Council would not expect to be paid salaries. The posts should be ones of dignity, and he thought the members would readily accept them and would only expect to be paid their expenses, and perhaps to be allowed a free pass over the railways.

5577. If some important questions in connection with a port came up for consideration, General Freeland would ask the Port representative and also the Agent of the Railway concerned to come up and meet the Advisory Committee. The members of the Executive Board might also be present to give expert advice on any points that might arise. If there were nothing touching engineering, the engineering member of the Board need not attend, and similarly in other cases.

5578. The Chairman drew attention to the difference shown in General Freeland's proposed organisation between the nature of the control exercised over the Agents of company-managed and State-managed railways, the former being shown in dependence both on the Executive Railway Board and on the Company's Home Board of Directors, while the latter would be directly responsible to the Executive Railway Board only. General Freeland, to explain his views, mentioned that he was opposed to State railway management as at present exercised, and thought that, except in the case of frontier lines, which should remain directly under State management for military reasons and because the expenditure on them is determined by non-commercial considerations, the State railways should be placed under company management. He thus would prefer to hand over the Oudh and Rohilkhand Railway and the Eastern Bengal Railway to companies. Considering that company management is on the whole best, he said that if he were organising the Indian railway system *de novo* he would not think it necessary to interpolate anybody corresponding to a board of directors between the Agent of the State Railway and the Executive Railway Board. He explained that, equally in the case of the agents of State railways as of the company agents, their powers of sanction in matters of subordinate establishment and works should be increased, and that in both cases the agents should have the assistance of local advisory committees comprising representatives of commerce, industry, banking, etc. Such committees should be formed at up-country centres as well as at the railway headquarters. General Freeland agreed that it would be best to have a local board of directors exercising powers if this were practicable, but he did not pursue the matter because he did not consider it to be so. He understood that some of the witnesses who had appeared before the Committee had expressed themselves as being in favour of local boards of direction. With reference to his suggestion regarding the organisation of the main line companies' boards of directors, General Freeland said that he was not in a position to say how far the appointment of Government director was useful. The Chairman observed that this official had a general power of veto which had never been exercised. The witness agreed that, from the suggestion that there should be two directors sufficiently young and physically fit for the purpose of touring in India and who, on return to London, would be able to keep the board in London up-to-date in regard to local conditions, it might be fairly inferred that he does not regard the other directors as being up-to-date. He agreed that the opinion of a man who had just returned to London from India should carry great weight with the other directors, and that the opinion of the man who is on the spot should carry greater weight still. The Chairman said that it appeared to follow from General Freeland's views that the most desirable state of affairs would be one in which the recommendations of the agent in India would be approved, that the next best would be that in which the views of the directors who had most lately been in India should be adopted; and the last would be that under which the majority of the board should be left to decide matters. General Freeland mentioned, as an example of the difficulty

experienced by him, the case regarding the siting of the locomotive workshops for the B.B. & C.I. Railway. It was necessary to make proposals for establishing workshops elsewhere than at Parel where they are unduly crowded, and he had great difficulty in finding conclusive arguments in favour of any one of the two or three places which appeared suitable. He had to put up a letter of a somewhat indefinite nature, and considered it most desirable that there should be upon his board of directors someone at least who had had recent local experience in India to assist them in coming to a decision. He agreed that the opinion of directors who had no Indian knowledge would not be of much use in deciding such matters as this.

5579. The witness expressed himself as unwilling to give an opinion on the question whether it is advantageous or disadvantageous as had been variously represented to the Committee by others, that the Boards of Directors of the English companies have direct access to the Secretary of State in London.

5580. With reference to the question of the grant of assistance by the B.B. and C.I. Railway to indigenous industries, regarding which complaints had been made to the Committee, Mr. Pechey said that it had always been the policy of the company to give assistance in such matters, and when the Railway Board had circularised railways on the subject they had been able to put up a statement of assistance given to various cases. He handed in for the Committee's information a list of concessions (numbering in all 43) made to local industries. These were instances in which concession rates below the ordinary class rates had been allowed for such commodities as bones for bone mills, cement, lime, sulphuric acid for a chemical company, and the like. An instance specifically quoted was that of the grant of a special rate of Rs.—/4/5 per maund for bones carried to certain bone mills at Agra, for which the class rate is Rs.—/14/5. Mr. Pechey stated that such concession rates are quoted both in the interests of the industry and of the railway. Questioned specially with regard to the case of the Ahmedabad Match Factory, in connection with which it had been represented to the Committee that Japanese matches can be sold cheaper in Delhi than matches manufactured at Ahmedabad, Mr. Pechey explained that the railway had quoted a special rate from Bombay to the principal up-country statons at a rate below that of the second class, matches being listed in the fourth class. The rates from Bombay would be applicable either to imported matches or to matches of local (Bombay) origin, as there are no special import and export rates as distinct from rates to and from the port towns. He thought that the rate from Bombay which was Rs. 2-11-11 per maund was a fair one; the complaint of the Ahmedabad Match Factory was that the same actual charge (not the same mileage rate) was levied for matches from Ahmedabad for the much shorter distance to Delhi. The railway, on the other hand, saw no reason for quoting the same mileage rate for the internal traffic. Actually the matches of Indian origin were sold cheaper than the Japanese matches. The reason why they did not find a market was, in his opinion, that they were bad matches and not that they were prejudiced on account of the railway rates. Mr. Purshotamdas urged that the point of the complainants was that they had no advantage from the fact of their geographical position being more favourable. Mr. Pechey stated that in 1917 a special concession rate of Rs. 2-2-11 from Ahmedabad had been quoted, and incidentally he remarked that it did not appear to have altered the selling price at Delhi. Recently the railway had cancelled most of the special rates from Bombay, including among others the special match rate quoted above, which had now become Rs. 3-7-2, so that at the present time matches from Bombay to Delhi are charged Rs. 3-7-2 per maund as against the special Ahmedabad rate of Rs. 2-2-11. Sir Rajendra Nath Mookerjee observed that the story told to the Committee by others omitted all mention of the reduction of the Ahmedabad rate made in 1917 and also of the subsequent increase of the rate from Bombay.

5581. Speaking of owners and railway risk rates, General Freeland thought that the difference between the charges under the two conditions is too great. He thought that it would be fair to have a difference corresponding roughly to the value to the consignor of the risk undertaken by the railways. It was difficult to decide what the actual difference should be. In practice a large volume of traffic does not travel at railway risk where there is the option of sending at the owners' risk.

5582. General Freeland said that he was not aware of the High Court ruling which had been referred to by a witness on the 9th of February to the effect that railways were liable for goods brought to the railway station but not booked, and for which no receipt had been given. He thought that if there were such a decision as this, the remedy of the merchants who considered themselves aggrieved was evident. The Chairman explained that in the case of the ruling to which reference had been made, the forwarding note had been stamped by the railway although the usual railway receipt had not been issued. Mr. Pechey stated that in such a case the railway would not repudiate liability for the goods. He thought that what the witness wanted was that the railway should give a receipt to the consignee. He thought that if the complaint was against the high-handedness of the company in refusing to be bound by a High Court decision, it should be easy for the complainants to secure redress.

5583. Reverting to the question of special reduction in rates for bones which had already been mentioned, Mr. Pechey agreed that when a special concession rate is quoted it is for the mutual benefit of the railways and the consignor. He considered that the B.B. & C.I. Railway sometimes carries traffic at a loss for the benefit of industries, citing as an example, the carriage of coal. When questioned further, however, he admitted that the railways would rather carry coal at the present rate than not carry it at all, even if those requiring it could obtain it by other means of transport. He urged, however, that the railway company does not look always to its own immediate profits when asked to allow concession rates, and recognises that it is sometimes wise to reduce rates to a non-paying level with a view to the future development of traffic. He did not think that there would be any difference between the attitude of State and company-managed railways in this respect, and stated that when asked to quote special rates he does not look at the matter exclusively from the company's point of view.

5584. In reply to Sir Henry Burt who drew attention to a complaint made that, in the case of the Guzerat Light Railways Company the B.B. & C.I. Railway Company refused to construct and work the line, General Freeland explained that the B.B. & C.I. Railway Company's Board and Messrs. Killick, Nixon & Co., came to a general understanding in 1913 that the former should work the branch lines when they were opened on the basis of actual expenses and also that it should be responsible for a rebate up to 5 per cent. of the capital of the line, the surplus earnings, if any, being paid half to B.B. & C.I. Railway and half to Messrs. Killick, Nixon & Co. On reconsidering the matter, however, the latter asked that the B.B. & C.I. Railway should agree to include the administration expenses of the branch line company and the payment of the 5 per cent. commission for raising capital before division. The railway objected to the latter proposal but agreed to the inclusion of the administration expenses in the net earnings before division. Thus, they split on the question of the 5 per cent. promotion money and the consequence was that they had themselves to construct the line and work it on a 5 per cent. guaranteed basis. The 5 per cent. promotion money referred to above, though usually allowed, was not a part of the branch line

terms, being a matter of negotiation between the two parties. The result of the working of the branch line was:—

	Deficit in thousands. Rs.
1915-16	113
1916-17	77
1917-18	107
1918-19	66
1919-20	54

5585. General Freeland agreed that ordinarily against these deficits there would have to be credited the earnings of the main line due to the interchanged traffic between the two lines. Mr. Pechey thought that these would have paid the dividend. Mr. Purshotamdas asked in the circumstances whether the main line company was justified in taking up the attitude they did, and whether a State line would have taken up a similar attitude, as this was one of the instances where the B.B. & C.I. Railway Company would not agree to what the Government of India wanted them to agree to. General Freeland said that the branch line project was considered by his Board, but they decided that it was not a project which was likely to be successful. Mr. Purshotamdas observed that he did not question the right of the railway to refuse to work the branch line, but only doubted whether the system which gave it the right should be maintained if it could be helped.

5586. General Freeland did not think that there were any other lines which the company had refused to work. At the present moment a great many new schemes are under consideration but they have all been practically abandoned because there is no money available. The Chairman observed that the branch line companies might undertake to finance the schemes. General Freeland thought that it was no use building additional branch lines when the main line was not able to carry its present traffic, as this would only make confusion worse confounded.

5587. With reference to the suggestion that the Indian railway system might be regrouped with advantage, General Freeland said that in his private opinion there was no doubt that it would be of considerable advantage from several points of view if the B.B. & C.I. could be grouped with the G.I.P. under one direction. The mileage of both the lines would come to about 7,000. He however did not mean that the two systems could be managed by one Agent unless there was to be a considerable change in the duties performed by him at present, but he thought that it was quite possible for one Board of Direction to do it. These two systems, if grouped, would go right through Central India, from the port of Bombay, and for a width of nearly 450 miles through the heart of India to the United Provinces. At present, both the lines run parallel to each other. It would be to the advantage of India as a whole if the two systems could be brought under one Board of Direction, as there would not then be so much difficulty in deciding differences due to spheres of influence. Moreover, this would lead to standardisation of equipment and interchange of facilities in several respects, and he could not help feeling that it was worth considering whether it would be feasible to amalgamate the G.I.P., when its contract expires in 1925, with the B.B. & C.I. Railway. He did not know much about Madras, but if similar conditions obtained there, regrouping might be attempted. On the whole, he thought that a good deal could be done with advantage to everybody by regrouping the existing Indian railway systems.

5588. In this connection, the Chairman remarked that the effect of having a large number of branch line companies would be that each line would claim a sphere of influence, and if successful in its contention would shut up an area against development from another direction. He asked General Freeland whether he would be in favour of increasing the number of small companies. General Freeland agreed that the larger the number of separate companies the more conflicting claims of spheres of influence there must be, and that this was an argument in favour of restricting the number of separate administrations in the country.

5589. Regarding the statement made to the Committee by Mr. Hebblethwaite that Messrs. Killick, Nixon & Co. would consider the question of restoring their Broach-Bombay steamer service if they were assured that the B.B. & C.I. Railway would not, as they had before, go to the length of putting on block rates, Mr. Pechey said that it had been said that his railway, by putting on block rates, drove the steamer company away from Broach. He did not think that this was a fact. The position briefly was this: When the railway saw that the steamer company were taking a large amount of traffic from the railway by sea, by quoting low rates and depriving them of a large revenue, they approached the Railway Board and asked for permission to have an exceptional classification in order to protect themselves. On the whole there were ten commodities affected, and only in four cases the railway put on block rates. Even had they not put on these high rates, he did not believe that all the traffic in the four commodities would have gone by sea. Assuming it did, it would have only meant 10,000 tons, or Rs.40,000 to Rs.50,000 earnings per annum to the steamer company. Mr. Pechey did not for a moment believe that because Messrs. Killick, Nixon & Co. did not get that amount of money they left Broach. In this connection, the Chairman remarked, and the witness agreed, that, having regard to the greatly increased cost of working steamers, less is heard of steamer competition to-day.

5590. Referring to the letter of the Railway Board defending their action in which they say "the contention that you should not do this is altogether opposed to the universally accepted policy which recognises that the unfettered freedom enjoyed by sea transport agencies in the quotation of rates entitles Railway Administrations to greater freedom when competing with water transport than is legitimate when competing amongst themselves," the Chairman asked whether there was any other instance, either in India or anywhere else, except that of Broach, where the protective measure adopted by the railway has not taken the form, not of reducing the railway rates to the level or nearly to the level of the water rates for the whole journey, but of putting on what is aptly called a block rate against the portion of the journey which has to be done over the railway to reach the steamer, which is, after all, the essential point of the Broach case. Mr. Pechey said that he had not heard of any similar case, but he thought that, looking at it purely from the business point of view, if the railway had power to deal with the case in this particular manner, so as to keep the traffic which was its own and which the competitor was trying to take away, instead of losing a large amount of revenue by putting on a special low rate, it would only be within its rights. The Chairman pointed out that theoretically the idea underlying all railways in England as also in India is that railways are a public high road and asked whether it was conceivably consistent with any view of a public highway that one user of the road should be charged tolls four times as high as another making precisely the same use of the road, because of what he intended to do with his wares at the end of the journey. Mr. Pechey said that they only put the case before the Railway Board and asked whether it was justifiable. He thought that, if the railway had charged as low as the water rate, Broach would not have got the traffic; the Chairman remarked that the public might, however, have got cheaper cotton.

P.S.(1).—General Freeland afterwards sent the following letter to the Committee:—

Letter dated 22nd March, 1921.

When I gave evidence before the Committee on morning of 10th February, 1921, I was questioned by one of the members as to the terms of working the Guzerat railways. I replied that the B.B. and C.I. Railway Company, though agreeing to all the other terms proposed by Messrs. Killick Nixon and Company, demurred at the proposed Commission for raising capital on the grounds that no attempt had been made to show the necessity of such Commission, and that with a five per cent. return on capital definitely assured by the terms which had been accepted, a further charge for raising funds could not be justified.

The negotiations, therefore, fell through and these railways have been worked by Messrs. Killick Nixon and Company ever since.

On further consideration, I am inclined to think that the question was put to me in order to show that the B.B. and C.I. Railway Company had thus shown their attitude towards the development of the country, and that if company management of railways were the best system for India the company would have encouraged these Guzerat railways by accepting any terms proposed for operation even though they entailed a potential loss to the operating agency.

I have had no further opportunity of reopening this question in cross-examination, but I desire to remove what may be a false impression in regard to the attitude of the B.B. and C.I. Railway Company towards new lines.

There are two special points to remember, namely, that it is for the general good of India to open up the country by railways, and that under the existing system of finance any loss in operation falls directly on the Railway Budget.

If then the investor is to be persuaded to come forward to provide money for railways at a reasonable rate of interest, it is very desirable to show that the results of working existing lines are favourable. Under these circumstances, however desirable it may be to open up the country with feeder railways, it is not sound to do so under the existing system of finance if the new lines can be shown to be in the nature of "suckers" instead of feeders to the main lines.

The payments made by Government as a rebate to the Guzerat Railway Company since 1914 have been:—

1915-16	... ...	Rs. 1,13,364
1916-17	... ...	Rs. 77,114
1917-18	... ...	Rs. 1,06,875
1918-19	... ...	Rs. 65,714
1919-20	... ...	Rs. 54,197

In my opinion, with a separate Railway Budget, the fairest and most acceptable means of encouraging feeder railway construction involve the acceptance by Government against the general revenues of the country of the responsibility for rebate up to a given percentage (say five) on the capital cost for a definite period of years (say five) and that the main line company should always operate such railways and undertake full responsibility for rebate or guarantee after the first five years have elapsed.

My reasons for making this suggestion are that, although new feeder lines can often be shown as a direct prospective loss to the main line company in the earlier stages of operation, the indirect benefits to the State (apart from railways) will undoubtedly accrue from the first moment of opening, and therefore any loss in working can fairly be debited against general revenues.

P.S.(2)—General Freeland also subsequently furnished the Committee with the following statement relating to the capital demands and budget grants of the B.B. and C.I. Railway.

B.B. and C.I. RAILWAY.

(Incorporated in England by Special Act of Parliament.)

——	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
(*a*) Amount asked for (July Forecast) Capital Expenditure	Rs. 1,61,50,000	Rs. 1,15,80,000	Rs. 1,96,64,000	Rs. 1,83,08,000	Rs. 2,21,61,000	Rs. 1,81,70,000	Rs. 33,30,000	Rs. 54,00,000	Rs. 1,13,06,000	Rs. 2,34,09,000
(*b*) Amount finally allotted	1,33,30,000	1,10,35,000	2,00,29,000	1,35,50,000	1,18,00,000	34,27,000	28,30,000	43,70,000	1,68,67,000	1,88,92,000
(*c*) Amount actually spent	53,66,342	1,10,35,801	1,24,71,180	1,17,62,433	60,51,984	20,33,676	24,90,509	63,99,567	1,07,07,845	—
(*d*) Amount lapsed (*b*)—(*c*)	−79,63,658	+801	−75,57,820	−17,87,567	−57,48,016	−13,93,324	−3,39,491	+20,29,567*	−61,59,155	—

* The excess is due partly to the payment of Rs.10,68,510 to the Eastern Bengal Railway for 125 wagons supplied in March, 1919 under the orders of the Railway Board communicated in their telegram No. 260 A Budget dated the 24th April 1919, partly to the adjustment of 4,06,290 rupees, being the cost of land at Grant Road handed over to the company as late as the 30th March, 1919, partly to larger payments for foreign lines freight on coal than were anticipated and partly to less issues of stores for Revenue purposes.

Sir H. A. LAWLESS HEPPER, Director of Development, Bombay, was called and examined upon a written statement which he had furnished to the Committee.

5591. Sir Lawless Hepper explained that he had recently been appointed Director of Development under the Government of Bombay. He had formerly been Agent of the Great Indian Peninsula Railway Company, which post he had only vacated in November, 1920.

5592. He said that the Development Department is not a board, but consists of himself as Director, with a staff. The appointment was established by special legislation, and the Director reports direct to the Government through the Member of Council in charge of the Department. His activities extend over the Bombay Island and the suburban area.

5593. The Development Department had recently raised large sums of money by borrowing, partly for works undertaken directly by the Department and partly to meet the requirements of the Port Trust and other local bodies. In the past, these bodies had raised the amounts required by them by means of separate loans; but it had been decided that in future their requirements should be grouped together and provided for by the Director of Development.

5594. Sir Lawless explained that a sum of Rs.419 lakhs had been earmarked for expenditure in the current year by the Improvement Trust, the Municipality and the Port Trust. The Development Department might finance any works necessary for the development of Bombay, by whatever local body undertaken. It was contemplated that the Department would borrow additional sums, and that it was in this expectation that, although the loan recently issued is repayable at par after 15 years, money had been lent to the Port Trust on conditions providing for repayment within 30 years. The question of issuing a loan for 1921-22 is under consideration.

5595. The witness explained that the Development Department had only looked ahead to the requirements of the following year, so far as relates to finance. It is difficult for local bodies to forecast their later requirements, and any information they could give would probably not be of much value.

5596. Sir Lawless explained that in railway management he did not desire competition in rates, and he agreed with the Chairman that there could not be much competition in facilities between railways in India. In speaking of competition in his written memorandum, he used it rather in the sense of "emulation" than of competition as understood in Great Britain. He considered that under State management there would be a tendency towards a dead level of mediocrity and less spirit of enterprise in the adoption of modern methods and equipment. He thought that there is a greater tendency to rivalry under railway company management and greater continuity of policy. With regard to the latter point, he agreed that the practice of transferring officers from one State railway to another is not of the essence of State railway management, as Government could alter it by a rule. He thought that it was prompted by the existence of different rates of pay on different lines. He did not think it possible to fix salaries directly with relation to efficiency on the State railways, and he believed that the practice of making promotions by seniority rather than by merit is one which it would be impossible to escape from in Government service.

5597. In this connection, the Chairman referred the witness to the recommendation made in the Sankey Commission's report that the coal mines in Great Britain should be handed over to State management. Sir John Sankey, who was the Chairman of the Commission, had stated that it would be impossible to do this, if Civil Service rules were to remain in existence, and that all Treasury control, ideas of promotion by seniority, and things of that kind should be got rid of. Sir Lawless Hepper did not regard this as a practical policy in India, and was convinced that, if the State took over the control of railways, they would fall to a lower level of efficiency.

5598. With reference to his opinion that Boards in London are necessary for the purpose of raising capital, Sir Lawless stated that he was aware that the Boards had not been used for this purpose for many years past. He agreed that they are not necessary to raise debentures on the guarantee of the Secretary of State for India. He did not, however, see why the companies should not be used to raise additional share capital. He realised that this would be very unpopular having regard to the prevailing Indian sentiment; but he thought that capital must be raised wherever it can be got. He did not think that there would be much opposition to money being obtained from England, if at the same time capital for railway purposes was borrowed in India. He considered that the facility existing for the exchange of views between the companies' Boards in London by means of periodical meetings of their representatives has been useful in a good many cases, for instance, in settling matters relating to scales of pay, in regard to which it was desirable that there should be some uniformity. He did not consider that agents in India are in as good a position to get into touch with each other.

5599. He considered that the Home Boards should send out one of their members fairly frequently to India, and said this had been done to some extent in the past, a director coming out every two or three years. In the case of the Great Indian Peninsula Railway Company, the Chairman or the Managing Director had usually come out. He agreed that the other directors would generally be wise if they were to follow the advice of the director who had thus acquired recent knowledge in India. He thought, however, that the other Directors would not be useless, as the Chairman suggested might be inferred from this opinion, as there are other special matters in which they can be useful. For instance, he thought that the Finance Member of the Great Indian Peninsula Railway Company's Board (who had formerly been Finance Minister in India) must frequently be in a position to give very useful advice; although not dealing with large financial questions, his advice should be valuable in connection with such things as the works programme, etc. He thought it preferable that the Members of the Boards of Directors with railway experience should visit India, from time to time, and did not attach the same importance to it in the case of the non-technical directors.

5600. The Chairman drew attention to Sir Lawless' reply to Question No. 8 (whether in the case of companies domiciled in India it is necessary to consider the possibility of otherwise suitable Directors being so actively interested in particular industries or areas as to prejudice their impartiality). The Chairman mentioned that that question had apparently given rise to misapprehension in some quarters as though it implied some distrust of Indian shareholders, whereas the question in no way suggested that Indians would be any more likely than Europeans to display undue partiality. Sir Lawless thought that the question would have to be carefully considered. The Chairman observed that in most cases Directors of Companies' Boards must be entrusted with something bearing on the work of the companies and might be suspected of liability to prejudice. In his own experience in England, there had not been cause for any suspicion of bias; he had in mind a case in which more than one member of a railway Board was a partner in firms doing large business with the railway every year, where there was no suggestion ever made of improper influence. Sir Lawless agreed that there was no reason why greater difficulty should be apprehended in India than in England; he considered that when making appointments of Directors, trustworthy people could be found who would be qualified to be Directors.

5601. He stated that he was not opposed to the idea of subsidiary Boards in India as these might strengthen the hands of the local administration and

keep the public in touch with the working of the railway. Except perhaps as regards establishment matters, the functions of such a Board should be advisory only to begin with. He thought that these Boards would help the Agent, particularly in dealing with matters relating to the control of labour. It was difficult to explain the local conditions to the Directors of the London Board. The Chairman suggested that this implied that, whereas the Agent is in touch with local conditions, the London Boards cannot be so. Sir Lawless stated that he had not gone in detail into the question of the limits of the powers which should be given to the local Boards in establishment matters. He thought they would be useful in dealing with certain questions of appointments.

5602. In his opinion, the head of the Indian Railway Administration should be an official of the status of a member of the Viceroy's Executive Council, with direct access to the Viceroy and Council on railway matters. He should have the qualifications of an administrator rather than of a technical man, and he should be assisted by technical officers for traffic (operative and commercial) for the locomotive carriage and wagon department and for civil engineering and for finance. He considered that these technical experts should be assisted by a staff of inspectors who would be free to go out and investigate particular problems and to report to the headquarters administration. He considered that the organisation should be a central one, belonging to India as a whole, and not attached to the headquarters of the provincial Governments. He considered that engineering inspectors from headquarters could fill the functions at present assigned to the Government inspectors in the various circles. He did not think that these Government inspectors are at present fully worked. As agent of the Great Indian Peninsula Railway, he had known of a Government inspector whom he had not seen for months together.

5603. Sir Lawless expressed the opinion that the functions exercised by the Railway Board do not extend to unnecessary detail; but he agreed that the limits within which railway administrations are allowed to create new appointments and to sanction works should be considerably increased. With regard to works, the Great Indian Peninsula Railway Company's Board already has powers to sanction up to Rs. 1 lakh in each case, and if the agent's powers were lower than that, it was due to the retention of the authority by the Board of Directors.

5604. Sir Lawless stated that he considered the renewals question on the Great Indian Peninsula Railway as very important. It was more important on the Great Indian Peninsula Railway than on the East Indian Railway, owing to the fact that the former has found it very difficult to obtain funds to meet "programme revenue" expenditure. Allotments had not been given in the past according to requirements. He was inclined to ascribe the difficulty in obtaining sufficient funds to the higher operating ratio on the Great Indian Peninsula Railway than on the East Indian. He considered that actually the grants are made abitrarily by the Railway Board. The Finance Department had in the past insisted on economies being effected by postponing essential renewals. He did not consider that the Railway Board could be blamed for having failed to secure an adequate provision for railway requirements, as the Board had not been accorded a proper status, or direct representation in the Viceroy's Council. Matters had now come to such a pass that he considered that it would be necessary to borrow capital sums to make up the arrears of renewals.

5605. Sir Lawless considered that it did not seem good business to pay off money borrowed at 3½ per cent. by fresh capital borrowed at 6 per cent., as the Government of India are doing at present. He did not think that these payments should be debited to the working expenses of companies.

In speaking, in his written statement, of maintenance having generally been provided for, because it was naturally a first charge on the revenue Budget, he explained that he meant "ordinary" maintenance as distinct from "programme" or "special" revenue maintenance. He admitted that the distinction between the two is really arbitrary.

5606. The Chairman drew attention to figures (not reproduced) given in an appendix to Sir Lawless' note, which showed that, on the 31st March, 1916, it was expected that there would be overdue for renewal:—

140 engines,
463 four-wheel coaching vehicles, and
2,634 goods wagons

on the Great Indian Peninsula Railway alone. It was agreed that the Railway Committee should ask the agent of the Great Indian Peninsula Railway Company to bring these figures up to date for the Committee's information. (P.S.—The figures subsequently obtained showed that the arrears on the 31st March, 1920, were:—

266 engines,
727 coaching vehicles,
3,098 goods vehicles.)

The witness agreed that the finance policy pursued by Government implied that these arrears had not been, as they should have been, charged against working expenses as they accrued; in other words, that money had been improperly applied as dividends, and that of these dividends the Budget had received almost the whole.

5607. In reply to Sir George Godfrey, Sir Lawless stated that, so long as he had been on the Great Indian Peninsula Railway, he had always pressed on the Railway Board the importance of providing adequately for renewals, and he believed that in no year had Government allowed the amount proposed by him in the Budget. He did not bring forward the whole arrears required to be made up, in any one year, as it would have completely wiped out the railway dividend, had so much been provided for at one time. He urged that the company had constantly been protesting against the inadequacy of the funds allotted, though he had never put the matter before the Railway Board precisely in the form of the observation that the net revenue of the railway was not in effect being honestly earned, having regard to the neglect to provide adequately for renewals.

5608. With regard to engine renewals, Sir Lawless agreed that boiler renewals had been attended to and that the engines might be in good working order notwithstanding that their normal life had been exceeded. In reply to the Chairman, however, he said that as a practical railway man, he would scrap these engines at the first opportunity and replace them by modern engines capable of drawing reasonable train loads.

5609. Sir Rajendra Nath Mookerjee emphasised that both Government and the company had been sharing the undue profits of the railway attributable to their failure to spend money on renewals in the past, and suggested that the proper thing would be to stop distributing all dividends now until the arrears are made up. Sir Lawless did not, however, consider this a practical proposition. He stated that he had been the author of the proposal referred to in Mr. Rumboll's evidence before the Committee for charging against capital any expenditure on renewals in excess of 8 per cent. of the gross earnings of the railway. He was aware that on the Bengal and North-Western and the Bengal Dooars Railways, which were the property of independently financed companies, renewal funds had been created during the war.

5610. With regard to the construction of branch lines, Sir Lawless stated that, if adequate funds could be made available, he would prefer these to be built by the parent lines.

5611. He said that in suggesting, in answer to Question No. 23, that the companies ought to be empowered to raise short term loans for dealing with accumulated arrears of renewals, he did not mean that the companies alone should do this. He thought it would be equally applicable to the Government of India.

5612. He considered that the most important renewals requiring attention were those of bridges

and track, because on certain sections of the Great Indian Peninsula Railway it would be impossible to use a modern engine, and have corresponding train loads, until these matters are attended to. The railway company has a programme of these renewals which ought to be carried out. He did not attach so much importance to this matter in respect of the branches, but thought it important that the main lines should be got up to a better standard. He stated that this had already been done on the line from Itarsi to Bombay and from Bhusaval to Nagpur and on most parts of the line from Kalyan to Raichur. The effect of improving the standard of the line as proposed would be to increase train loads from 700 to 1,000 tons, though loads up to 1,600 tons might be hauled.

5613. In his calculations Sir Lawless assumed that the track also would be strengthened. The present capacity of the Itarsi-Jubbulpore section is about 700 tons, and if bridges and track are strengthened 1,220 tons could be carried, as the capacity of the present heavy engine is 1,220 tons. The heavier classes of engine that are being obtained are intended for use between Bhusaval and Bombay and would not be sent to the Itarsi-Jubbulpore section.

5614. In reply to Sir Arthur Anderson he said that it would be fairly accurate to say that about two-thirds of the main line had been regirdered, but agreed with the Chairman that, because of the failure to complete the remaining third, full advantage could not be taken of the portion already completed.

5615. As regards the apathy of Government in the matter of the maintenance of the vacuum brake, Sir Lawless said that the Government Inspector of Railways has to certify every six months that the administrations have maintained the stock in a proper state, and he does this though the brake may be out of order. This was the reason why he suggested that the Railway Board should ask the Government Inspector specially to refer in his certificate to the condition of the vacuum brake. He did not consider that the position in regard to the vacuum brake equipment has arisen as a direct result of the war when material could not be obtained.

5616. He was strongly of opinion that the running branches of the Traffic and Locomotive Departments should be amalgamated into one operative department. He did not know whether this had been done on any other railway, but it is being introduced on the Great Indian Peninsula Railway. One of this railway's officers was placed on special duty to make enquiries in England, and Sir Lawless understood that this amalgamation is being carried out on many English railways. He described the way in which responsibility was shifted from the traffic to the locomotive and *vice versa* on the Great Indian Peninsula Railway in the matter of the number of wagons worked out of Bhusaval every day during the month. In fact he very often found it extraordinarily difficult to find out what the real reason of bad working was. The position of the loco superintendent should be considered as that of the veterinary surgeon whose business it is to look after the horses of the regiment but who is not responsible for the use made of them.

5617. In reply to Sir Arthur Anderson, Sir Lawless explained that the subsidiary Board referred to in answer to question No. 9 would be subsidiary to the English Railway Company, probably bear the name of the company to which it is attached, with capital raised in India. He considered that such an arrangement of two boards would be feasible if the Board in England were prepared to give up a considerable amount of control. He thought, however, that the local Board would in any case have to rely greatly on the Agent, to whom considerably increased authority would have to be delegated. He did not think that the subsidiary board scheme would be successful unless the Income Tax difficulty could be got over. The Board would be very useful in keeping the railway in touch with local commercial interests and in strengthening the hands of the Agent as well as in dealing with establishment questions.

5618. In reply to the Chairman, who drew attention to Sir Lawless' statement in reply to Question No. 27, that he was " inclined to doubt " whether the results of working the railways in 1919-20 and 1920-21 would be as good as those recently secured, Sir Lawless admitted that he had really no doubt on the subject as the results were certain to be less satisfactory.

5619. In reply to Sir Henry Ledgard, Sir Lawless stated that, though he had not recommended the appointment of an advisory board to assist the Railway Minister, and was personally opposed to such a body, he considered that, if it were brought into existence, it should advise the Railway Minister directly. He stated that he was in favour of the continuance of the company system of control, but would increase the powers of the local board in India according as the Indian subscription of the capital became greater.

5620. He was in favour of the separation of the railway finances from the general Budget. He said that he would not object to the appointment of a suitable body of financial advisers to assist the railway administration in dealing with the larger questions of railway finance, though he saw no reason why the expert staff, the creation of which he recommended, should not itself be made as strong as necessary on the financial side. He agreed that, by the appointment of an advisory financial council, the advantage would be secured of allowing local Indian opinion to feel that it had a constitutional way of influencing the Railway Board.

5621. With reference to his observations on the subject of pooling wagons, Sir Lawless said that there is no doubt that the partial pooling of wagons has resulted in a general deterioration of stock which could not be altogether accounted for by the difficulty of obtaining materials. The Chairman observed that in America, where pooling had been tried during the war, it was now being abandoned. Sir Lawless was, however, inclined to favour the pooling system and thought it should be given a trial. He considered that the difficulties might be surmounted by having a central controlling authority and making the staff connected with wagon inspection responsible to it.

5622. In answer to Mr. Hiley, who asked how, if the Railway Board is deficient in local knowledge, it discriminates between works in the allotment of funds, Sir Lawless explained that the Railway Board discusses the programmes of the railways with their Agents, and then decides. He admitted that the personality of an Agent was no doubt a great factor, and, in fact, sanction depended more on it than the Railway Board's particular knowledge of the works.

5623. In reply to Mr. Tuke he said that he had no objection to the suggested subsidiary companies which he thought would be useful if they could be introduced. He realised, however, that there were several difficulties, including that of Income Tax, for which he was not in a position to suggest a remedy.

5624. In reply to Mr. Purshotamdas Thakurdas, Sir Lawless stated that he was not aware of any other State Department in which Government found a " buffer " necessary for protection against political influences, nor was he aware of one in any other part of the world. Mr. Purshotamdas suggested that the buffer would only be useful in case Government was not itself strong enough to resist undesirable pressure. Sir Lawless considered, however, that the existence of the buffer would be useful even if Government were not so weak. The Chairman observed that he thought in every part of the British Empire, where railways are in the hands of the State, there really is something of the nature of a buffer between the political government and the railways, whether in the form of Commissioners, as in Australia and South Africa, or a company, as in Canada. Mr. Purshotamdas agreed that this might be the case, but observed that in these cases the " buffer " commissioners or companies are on the spot, and are available to people for consideration of local difficulties, which is not the case so far as the British Indian railway companies are concerned.

[The evidence of Messrs. A. V. Bilimoria and B. J. Padshah, representatives of Messrs. Tata Sons, Ltd., Bombay, was taken and will be found under Numbers 5625-5635 in the volume of confidential evidence.]

FORTIETH DAY.

(Bombay.)

Friday, 11th February, 1921.

Present:

Sir William M. Acworth (*Chairman*).

Sir A. R. Anderson, Kt., C.I.E., C.B.E.
Sir H. P. Burt, K.C.I.E., C.B.E.
Sir G. C. Godfrey.
Mr. E. H. Hiley, C.B.E.
Sir H. Ledgard.
Sir R. N. Mookerjee, K.C.I.E.
Mr. Purshotamdas Thakurdas, C.I.E., M.B.E.
Mr. J. Tuke.

Mr. T. Ryan, C.I.E. (*Secretary*).
Mr. E. R. Pole (*Assistant Secretary*).

The following members of the Executive Council of His Excellency the Governor of Bombay met the Committee for the purpose of giving expression to the views held by them:—

The Hon. Sir George Curtis, Kt., C.S.I., I.C.S.
" " Sir Ibrahim Rahimtoola, Kt., C.I.E.
" " Mr. M. H. W. Hayward, I.C.S.
" " Sir Chimanlal Setalvad.

Mr. E. M. Proes, Secretary to the Government of Bombay, Public Works Department, also was present.

5636. Before the proceedings commenced, Mr. Purshotamdas said that in Madras the Committee had had a discussion with the Government of that province including the Governor, the members of Council, and the Ministers. In Bombay, he understood that the Ministers were coming by themselves in the afternoon. He asked whether the views to be expressed to the Committee by the various hon. members would be their personal opinions or the opinion of the Government of Bombay; it was clearly for the Government of Bombay to take their own course. Sir George Curtis explained that the Government of Bombay had not yet been able to formulate their collective view as a Government, and it was only proposed at this stage to express personal opinions. He observed that railways are a reserved subject in charge of the Central Government except as regards certain feeder or branch lines which are controlled by provincial legislation, and that, as regards the latter matter, the Ministers would be coming to speak separately. They might also discuss other questions of railway policy. The Chairman said that the Committee had read the clause in the Rules under the Government of India Act which dealt with the powers of local Governments in respect of railways and that these are quite small; so that clearly the views of the Executive councillors or of the Ministers would be of the nature of advice only. The Committee could not express any opinions at present. The Chairman then asked Sir George Curtis to give the Committee the benefit of his personal views. Thereupon, Sir George read the following note:

" I set down below my personal views on the various questions raised by the Terms of Reference to the Railway Committee. My reasons for recording my personal opinion are that I have perhaps had greater opportunities of studying the matter than the ordinary official. In the early years of my service, I was at Ahmedabad, where the question of constructing feeder railways was first taken up by Sir Evan James. Later I was Postmaster-General, Madras, and therefore closely in touch with railway administration. Lastly, as Commissioner and member of Government, for the last ten years, I have been fairly closely in touch with questions affecting railway administration in and round Bombay, specially in so far as they affect the development of that city.

" (2) As regards question 1, I may say that I have no wish to alter the existing system of State management as applied to the North Western Railway. I merely note in passing that it seems to me anomalous that the management of the railway serving the big port of Karachi should be in the hands of officials resident in Lahore, 800 miles away, but my personal knowledge of local conditions is too small to enable me to offer any useful criticism.

" (3) As regards the Bombay presidency, we have to deal with three lines—the Bombay Baroda and Central India Railway, the Great Indian Peninsula Railway, and the Madras and Southern Mahratta Railway; the Indian offices of the two former are in Bombay, whilst that of the third, which is a very important one, is situated in Madras, 800 miles away. The managing offices are situated in London, and they are represented in India merely by agents. As I noted in 1917, while it is a fact that the members of the Directorate are generally gentlemen of long experience of India and in some cases of railway administration, yet it cannot be said, I venture to think, that they are in touch with the conditions of life in Bombay at the present moment. Bombay has changed enormously in the last ten years; it is changing much more rapidly than any other city of the same size in the world and it is impossible that gentlemen who left India perhaps 20 years ago and who have not been back for more than a month or so can be in touch with the various changes which are taking place in Indian at the present time. To illustrate what I mean, I will touch on the question of feeder lines. In my minute of 1917, I mentioned that the Bombay, Baroda and Central India Railway, through Sir William Bisset, had opposed the extension of feeder lines over their railways. Considerable exception was taken to these remarks by the Home Board. I was, however,

merely stating what is a fact. Sir William Bisset undoubtedly contended that the construction of feeder lines by local companies was an extravagant proceeding. The companies, he contended, had to pay a higher rate of interest for the money which they raised, and consequently the lines cost more than they would if they were constructed by the parent company. It is on this account that he opposed the construction of the Broach Jambusar Railway through a local company and induced the Secretary of State to give notice to the Ahmedabad Dholka Railway of his intention to purchase that line. It was due to his insistence that the Inchcape Commission of 1908 laid down that the best course was for the parent line to construct feeder lines. I have no doubt that from a financial point of view this is right, but from a political point of view it is wrong. In my humble opinion it is important to endeavour to induce the public of India to invest their money in railways. Even if that procedure be more costly than that of raising the money in England, I still think that on political grounds it is a sound course to follow. In other respects also, I am unable to believe that the treatment of the administrative questions by a Board domiciled in London can ever be satisfactory. Matters such as the settlement of strikes which involve concessions to large bodies of workmen can never, it seems to me, be satisfactorily treated by telegraph by a Board in England. Until quite recently the period required to get an answer by telegraph from England was a fortnight. It is not too much to assume that the further time required to ascertain the views of six or eight gentlemen living in various parts of England, would be at least a week. Therefore in urgent questions the time required in getting orders would be three weeks. It seems to me that this is incompatible with the efficiency of modern administration. Generally speaking, it seems essential that the Directorate of a railway company serving a big centre of commerce such as Bombay must be in touch with the commercial and industrial life of the city. For these reasons, I have long felt that the existing system cannot be supported.

" (4) The alternative system usually recommended is what is called State management. I could have dealt with this far more satisfactorily if I had been able to understand what exactly State management means. But this I am unable to do. What I gather however is that State management connotes a huge central office situated presumably at Delhi. The existing railway administrations will remain more or less as they are with their Indian offices situated as they are at present. Orders will be issued direct on various points of railway management to agents at headquarters of each administration. Funds for repairs, renewals and extensions will be provided from grants made directly from the State Budget every year. Popular control will be exercised by the representatives of the various areas in the Legislative Assembly to whom the member of commerce or industry or perhaps in course of time, Minister of Transport, will be responsible. The personnel in the upper ranks will be recruited for all India and be moved about from Province to Province as the exigencies of the service required.

" (5) It seems to me that this prospect is one which in Bombay must be looked upon with dismay and apprehension. It means that the whole of the control of the approaches to this big port would be in the hands of an organisation situated permanently in Northern India, and that questions affecting Bombay will be disposed of by an Assembly in which the representation from Bombay will be very much smaller than that of other Presidencies of larger population but of less wealth and commercial importance. What makes matters worse is that it is contended, I think, by my honourable friend, Sir Ibrahim Rahimtoola, at any rate, by other supporters of State management, that the question whether a railway is or is not financially prosperous is a matter of relative unimportance. Railways, it is said, are public utilities like municipal water works; no one considers whether municipal water works pay their way; similarly, no one ought to consider whether a railway pays its way. It seems to me that from a Bombay point of view this is a proposition which it would be very dangerous to accept. If State money is not to be granted for expenditure on lines which pay best, we in Bombay shall come off very badly. There will be a general scramble for funds with the coming of each financial year, and it will depend on the " pull " which representatives from each Presidency can exercise in the Assembly how much money will be devoted to railways in various parts of India. I have very little doubt, having regard to the solidarity of Provinces in Northern parts of India, that in this scramble Bombay would come off very badly indeed. Further, as I have noted, I was for some years in the Post Office at Madras. The Post Office is an all-India department, and a very large department indeed. I know we always felt that owing to our remoteness from headquarters we had far less chance of being heard than the Provinces which were close by, and we came off very badly in consequence.

" (6) As regards personnel, that matter also requires consideration. In the Post Office you will see Government management at its best, and even there I do not think the efficiency in management is as great as if the business were conducted by a private firm. There is, to my mind, no doubt that a Government servant is out of place in the management of a large business concern. He lacks personal interest and other qualities which make the employee of a private firm so much more keen in giving satisfaction to the public. Finally, the proposal to adopt State management implies, as I said, the establishment of a central office at Delhi entrusted with the management of all lines in this huge Continent. There is no parallel for a single office controlling the means of transport in such a huge area as India.

" (7) Advocates of State management often refer to Germany. No one disputes the efficiency of the management of German railways; but it is often forgotten that in Germany all important States have their own railways. Regulations that control the general working are devised in Prussia and applied elsewhere, but outside Prussia the other Provinces of the German Empire, such as Saxony, Bavaria, Baden, Wurttemberg, have their own Provincial railways. There is, it is true, a central body at Berlin which co-ordinates the regulations controlling the railways in Germany, but the finances are Provincial and the management is conducted by Provincial organisations also. There is nothing in the existing German system which can furnish an argument for the centralised system of management covering a Continent as big as India. For these reasons, it seems to me that the disadvantages inseparable from a system of State management, as I conceive it, are very serious indeed.

" (8) It remains to be seen whether there is any alternative. I think there is. I can see no reason why it should not be possible to draw up a system of management combining control by two Boards, one domiciled in England and one domiciled in India. The former Board would deal with financial matters, more especially the borrowing of funds on the London market. The latter would deal with the actual management of the line.

" (9) As regards the formation of the Indian Board, the President would be a railway expert appointed by Government, and there will also be representatives of the Home Board, who would

have to be paid adequate salary. The other directors would have to be appointed in the same way as the Trustees of the Port Trust, except that it would not be necessary to represent naval or military interests. It would be necessary to arrange in the event of the Indian Board borrowing money on the Indian market for the representation of Indian shareholders. I do not see why an arrangement of this sort should not answer. So far as the directors of Indian nationality are concerned, there would be no fear of want of continuity. On the contrary, the danger would be the other way. An Indian who was appointed to the Board of Directors would cling to the post till he was dead. As regards European directors, it might be admitted that changes might be frequent, but this is the case with other large companies, such as the Imperial Bank, the Bombay Electric Supply and Tramways Company, and so forth. In these companies attempts are made to minimise the evil by replacing a director absent from India on leave by another member of the same firm.

" (10) As regards questions 10 to 16, I have not personally had much experience of the Railway Board. Assuming that the system of company management is to continue, it is obvious that there must be some central control which should have a statutory basis, and proposals of the Minister of Transport in England which are now under consideration will furnish a useful model for adoption in this country.

" (11) As regards questions 17 to 33, I gather that experts are unanimous in thinking that the funds hitherto provided for maintenance and improvements have been inadequate, and that if lines are to be brought back to a reasonable state of efficiency the sum of 30 crores of rupees annually will have to be provided. The Inchcape Commission of 1908 estimated that a sum of 12 crores of rupees would be an adequate provision, so that there is a large increase. In order to provide this sum, I would urge that money should be borrowed both in London and in India. In view of the present disinclination of the public to invest in long term notes, it will probably be necessary to issue short term notes. Arrangements should be made, if necessary, where companies borrow, to earmark certain loans for certain purposes; for instance, at the present moment there is an immense amount of improvement waiting to be carried out on railways immediately adjoining Bombay. It is probable that if a local loan were issued, to be used only on improvement to lines near Bombay, the Bombay public would readily subscribe to it. It might, further, be possible to arrange for repayment in this case by the imposition of a terminal tax on suburban passengers. A similar surcharge might be imposed in cases where a costly public improvement has to be carried out, for instance, the new Poona station.

" (12) As regards fares and rates, I consider that third-class fares should be raised. The rate of wage has risen enormously, and there is no doubt that a 50 per cent. increase would be paid without difficulty. As regards branch line terms, it is clear that those at present offered are inadequate. It will probably be necessary to raise the guarantee to at least 7 per cent. Arrangements should be made by which provincial governments or local bodies such as the District Local Boards should be able to make up any deficiency in guaranteed interest. Now that expenditure on famine relief is provincial, it would pay the local government in certain cases, such as a line running through a famine-stricken tract, *e.g.*, East Ahmednagar, to make good the deficiency from provincial funds. The same remark applies to a line constructed to serve a tract irrigated from a new canal. In both these cases the provincial expenditure would be more than repaid in other ways."

5637. Sir Ibrahim Rahimtoola said that his views on the subjects which are now before the Committee were, he believed, well known to the Committee. He had raised this question in the Imperial Legislative Council by means of a resolution asking for State management instead of company management, and in the speech which he delivered on the occasion, and the reply he gave on the debate, he had elaborated the reasons why he desired the change. He held that railways, being the property of Government, should be managed only by the State. There was no country in the world where Government owning railways handed them over for management to private companies. If the whole world followed that policy, there was no reason why a different policy should be imposed upon India. It had to be remembered that all those countries which owned and managed railways were self-governing countries. They knew what was good for them. The Canadian example, of which he came to know through the kindness of the Chairman, was a typical case which strongly supported the view that company management must be given up and State management substituted for it. Recently an inquiry had been held in Canada, and railway experts were invited to give their opinions. As a result, two out of the three trunk lines comprising 20,000 miles of railway were purchased by the Canadian Government. They were now managed by a Committee appointed by the State so that it was State management pure and simple; the responsibility was with the State. In his opinion that was one of the strongest arguments in favour of State management. No one in India wished to prescribe any particular line for the management by the State. If State management were accepted, no one would object to the appointment of one or more advisory committees to help in the management, consisting of representatives of such interests as were necessary to be represented. As a result of experience gained of company-owned and company-managed railways and as a further result of expert advice, the change had been made in Canada, and there was no reason to his mind why the same thing should not be done in India. There was even a stronger reason here than in other parts of the world; wherever State-owned railways were managed, they were managed as one concern. There was no such thing as 25,000 miles of railway owned by the State being divided among half-a-dozen companies, each going its own way, each having a separate interest and each taking a share of the profits. The people of India who had raised nearly 90 per cent. of the capital did not come in at all under these circumstances.

5638. The Chairman pointed out that he was one of the two who recommended that the Canadian State should take over the railways. The position there was this. Those two railways which were purchased by the State were deeply indebted to Government, and they were getting deeper and deeper into the debt of Government every year. There was no reasonable prospect of extricating themselves from this position. So, as the property was so deeply mortgaged to Government, it was recommended that they should take possession of the railways. Sir Ibrahim said that, in his opinion, this only went further to support the view that he took, namely, that company-owned and company-managed lines were a failure and that the State had to support them financially to make them a success and ultimately to take them over. The point that he was making was that, wherever the State had taken over the company-managed lines and made them its own property, it was always the State that managed them. The Chairman pointed out that the Canadian Pacific Railway which was exceedingly prosperous, exceedingly well managed, and giving a very good service, remained private. Sir Ibrahim said that at the time when the Government of India decided to nationalise the railways it would have been open to them to say that they would take possession of certain lines only, leaving others to remain as private lines. The Government had rightly or wrongly, in his opinion

rightly, decided to acquire all trunk lines, and all of them now belonged to the State. Therefore the analogy of the State-owned railways applied to all the trunk lines in India. As the management of the lines taken over by the Canadian Government was now with the State, all the trunk lines acquired by Government in this country ought to be also managed by them.

5639. Asked whether he would object to a form of State management such as exists in Canada where the management was in the hands of what is called a Board of Directors who were appointed by Government, but who were chosen and acted exactly as those on the Board of the London and North Western Railway, with full power to manage their concern, Sir Ibrahim said that he did not understand State management in that sense. Once the State was responsible to the people for the administration of railways belonging to the State, the machinery that might be brought into existence by them for the management of those lines was immaterial in his consideration, provided the responsibility remained with Government. If the new Board were to be constituted in the same manner as the present Board of Directors of the Great Indian Peninsula or the Bombay Baroda and Central India Railway, partly independent and partly subordinate, he would have none of it. But if the new body was a part of a machinery wholly responsible to the State he was indifferent to the constitution of that Board. The Chairman pointed out that in Canada the Board was appointed under the ordinary company system, the one shareholder being the Canadian Government, who could turn them out if they liked. Sir Ibrahim said that that would not be carrying out the real spirit of State management. To his mind, it was purely theoretical to start a company and to speak of the shareholders which were not really in existence. There were no shareholders, no share certificates, and no transfer of shares. In actual practice, as he understood it, it was an ownership which was permanent, and not a shifting ownership, as was contemplated by the transfer of shares. The power of the owner to establish one form of machinery for administration was there. The owner had also the power of altering, amending, and changing that machinery from time to time to suit the circumstances. Therefore, the whole responsibility was with the owner. If the responsibility remained with the owner, and the machinery was subordinate to the owner, ready to carry out the orders of the owner, then he would accept it. He did not want any misunderstanding to arise. He wished to lay great emphasis on the point that, both in theory and in practice, it should be State management, and that the machinery for the efficient administration of the railways should be determined by, and be responsible to, the State.

5640. The Chairman asked whether he would accept the Canadian system of working through a nominal company as a form of State management, seeing that the State of Canada owns the railways in question, or at least owns all the shares, and seeing that it had the power to turn out any director it did not like. Sir Ibrahim said that he would not bring in a nominal company at all. The State in Canada purchased all the shares, and is now the sole shareholder of the company. These conditions did not apply to India. In India the State owned the railways, and as owners the State should manage them. He would have no objection whatsoever to any machinery they might establish provided it was a machinery of Government responsible to Government and amenable to public opinion.

5641. Some time back, when he moved a resolution in the Legislative Council, this subject was referred to the Government of Bombay. His Excellency the Governor (Lord Willingdon) and the then Indian Member were in favour of State management, while Sir George Carmichael was in favour of company management, and Sir George Curtis was not in favour of either. Sir George Curtis here interpolated that he was in favour of company management, but by a Board domiciled in India, and that he did not want the whole thing centralised in Delhi. Sir Ibrahim, continuing, said that, supposing the alternatives were only State management and company management, the Bombay Government would be almost unanimous in favour of the former. As regards the details of State management, he said, he had sufficiently explained that, so long as the responsibility vested in the State, the machinery to be evolved for the purpose of carrying on the administration might be considered from different aspects of the case. He was at one with Sir George Curtis in thinking that the interests of the country as a whole, and those of important parts of it, should be safeguarded, but in point of fact the railways could not be managed in the spirit of provincial jealousies. Each had its own interests, and there should be means to fight constitutionally. Each province was entitled to have justice done to it; but in a country like India, where inter-communication took place throughout the land it was not possible to divide the interest of a particular port to the detriment of any other. This constant competition as between different ports had led to many grievances, and the only solution, to his mind, was that there should be a central authority, with local advisory boards, if necessary. He did not want to go into the details as to how the thing was to be worked. The main principle remained that the evil of several companies working in one country was exceptional so far as India was concerned. It did not apply to any other part of the world. He did not see any reason why India should be singled out for such a system of administration in connection with its State-owned railways, which were, after all, not an unimportant factor so far as the development of trade and industries was concerned.

5642. The Chairman crystallised the views of both Sir George Curtis and Sir Ibrahim Rahimtoola as being that whereas the former wanted local domiciled companies owning the lines and working them subject to central control, the latter wished to have State ownership and management subject to local advice, and both gentlemen accepted this summary as correct.

5643. In reply to the Chairman, Sir George Curtis said that, if Government took over the Great Indian Peninsula Railway, on the expiry of its contract in 1925, he would hand it to a local company which would be asked to subscribe the £2,500,000 or thereabouts, representing the capital subscribed by the present shareholders. They would be entrusted with the management of the railway as at present. In the case of the Bombay-Baroda and Central India Railway, whose contract has still many years to run, he would leave it as it is. Sir George noticed that the Great Indian Peninsula stock is now at discount, this, however, was due to war conditions, which might disappear in course of time. Assuming that shareholders could not be found in Bombay to offer to constitute a new company except on terms that appeared unreasonably expensive to the State, he would borrow a certain amount and issue debentures in London, maintaining the local company in Bombay. Till such time as the company is formed, he would borrow a certain amount and leave the rest for the State to provide. Sir George Curtis was prepared to pay terms as high as the present shareholders in London are getting. He would not entrust the management of the Great Indian Peninsula Railway to a company with a capital of less than £2,500,000.

5644. Sir Ibrahim said that he was opposed to this. The only thing he wished to add was that the net profits which the managing companies were making at present were a dead loss to the State and he would stop them.

5645. In reply to Mr. Hiley, Sir George Curtis said that the London board might be necessary in order to put the debentures on the market at the most favourable time. He did not know much about the other borrowings made in London without the help of such a board. He would not press for a board in London if it was possible to raise money without its assistance. He would not allow the London domi-

ciled company to issue any fresh share capital which should only be issued in India. One of his objections to State management was that it would be entirely centralised in Delhi. He had considered the expedient of managing railways by a board constituted on the lines of the Port Trust, but had not been able to formulate a scheme that he would care to put forward. He would prefer that Bombay Government should own its railways. The Bombay Presidency, excluding the North Western Railway, would have about 1,500 miles of railway with a capital of Rs. 32 crores. Recently the Government of Bombay has undertaken responsibility for about Rs. 10-12 crores in connection with irrigation works. If the principle of provincial autonomy were to be pursued to its logical conclusion, the local governments should be allowed to own railways. Irrigation is at present a subject reserved to the central government, but the provincial governments are entrusted by the central government with responsibility for all irrigation works. In the same way, the central authority might delegate its control over railways to provinces.

5646. In reply to Mr. Hiley, Sir George Curtis admitted that, so far as all-India interests were concerned, control at Delhi by a central authority was necessary.

5647. Answering Mr. Purshotamdas Thakurdas he said that, if railways were provincialised, he would prefer to have a new company started in order to run them and new men trained. Even though the Secretary of State paid to the London shareholder a premium of 20 per cent. or more, he would still issue shares at par.

5648. The Hon'ble Sir Chimanlal Setalvad said that he generally agreed with what Sir Ibrahim Rahimtoola had stated to the Committee. He had nothing to add to it.

5649. The Hon'ble Mr. Hayward said that he did not pretend to be an expert on railway matters. If he had the choice between the alternatives of State management, as advocated by Sir Ibrahim, and of company management, as insisted on by Sir George Curtis, he should certainly be disposed to agree with the latter, who was in favour of the present arrangement. The Chairman pointed out that Sir George laid stress, not merely on a company, but on a local domiciled company. Mr. Hayward said that that was also his view.

5650. In reply to Mr. Hiley, Sir Ibrahim said that his view was that railways ought to be worked primarily in the interests of the trade, commerce and industrial development of India, and of the general prosperity of the country rather than purely and solely for profit-earning purposes. In the case of appointments, he would take the most efficient railway man, whether he be an Indian or a European; though, other things being equal, he would certainly prefer an Indian. Asked whether he did not consider that the most efficient man was always the least expensive, Sir Ibrahim said that he would constitute an establishment for training men; and when such trained men became available he would naturally take in the lower paid men if they were equally efficient.

5651. In answer to Sir Rajendra Nath Mookerjee, Sir Ibrahim explained that what he had stated was that profit-earning ought not to be the sole aim of railways. He stated that under contracts with the working companies a right vests in the State to terminate contracts at a given time, say, after seven years. In the case, for example, of the Tata iron and steel industry, the coal industry, the cotton and other industries it might be necessary to subsidise them in the beginning by way of special rates for a certain time in order to ensure success. So far as such subsidies were concerned, railways managed by companies on a profit-sharing basis could not be expected to agree. Under State management he thought that the State would take into consideration, not only the direct income earned on the railways themselves, but the indirect revenues secured to the State (through Income Tax, land revenue, etc.) and the increased prosperity of the country. A company whose contract of management may be liable to terminate say in about seven years would naturally look solely to its share in the immediate profits. He agreed with the Chairman that money earned and required to pay interest on borrowed capital cannot be regarded as profit. Sir Rajendra Nath pointed out that a very small portion of the profit goes to the company, the major portion going to the State. Sir Ibrahim explained that the advocates of company management defended the present system by arguing that, as the major portion of the profits goes to the State, company working on a commercial and profit-sharing basis is to the advantage of the State. He did not agree with this view as the State loses by narrowing the scope of indirect revenues, lack of industrial development, and the prosperity of the country. It must be remembered that a very heavy sum went to the companies as profit under the present system. When he moved his resolution in the Imperial Legislative Council such share of profits amounted to one crore. In view of the growth of railway revenue since that time, the present share of companies' profit would probably be about two crores. This is a direct loss to the country. He held the view that railway profits are indirect taxation. The result of the present system, therefore, is that India must be indirectly taxed to the extent of nearly two crores of rupees per annum in order to pay them to private companies to manage its railways.

5652. With regard to companies which had still long terms to run, Sir Ibrahim suggested two alternatives. One was that the companies should be taken over by the State on the dates when their present contracts expire. The other alternative was to legislate and take over all the lines under State management at once. The second alternative amounted to compulsory expropriation by terminating the contracts at once and giving compensation. As to which of these alternatives should be adopted he had not sufficient data to make any recommendation. The Chairman suggested that there was a third alternative, which had commended itself to the Madras Government, and that was to induce the existing shareholders to agree to being converted into debenture holders by the offer of a favourable rate of fixed interest for the rest of their term. Sir Ibrahim said that he did not wish to express any opinion on this suggestion as he had not considered it.

5653. In answer to Sir George Godfrey, who asked whether Sir Ibrahim attached any importance to the amount of profits in the shape of dividends earned, whether a company was working for excessive profits or not, he explained that he considered the profits which the Railways make as an indirect tax upon the people, and that, in the larger interests of the prosperity of the country, it was desirable that these indirect taxes should be as low as possible. He had mentioned the case of the Tatas' industries as a general instance of what the State ought to do. He had not mentioned it as a specific instance in the interests of a particular industry. He had referred to it amongst other industries for showing that the State if it managed the railway could be expected to lay down a definite policy for the encouragement and development of industries in the general interests of the country. One could not expect it from company managed lines. In his opinion, the State which manages its own railways would bear in mind the fact that it draws revenue not only directly from such railways, but also indirectly from the growth of the prosperity of the country; to secure these, the State would, if necessary, sacrifice for a few years the actual railway revenue in particular directions to establish the industries of the country on a firm footing, so that in course of time the State will not only recoup the immediate loss which it may have incurred, but also make an enormous increase in its revenues.

5654. Referring to the question of finance, Sir George Curtis stated that the Bombay Government would be prepared from the moneys received as subscriptions to the Development Loan to supply funds

for railway purposes within the Presidency regardless of the methods of management, but subject to fair treatment. His point was that money should be specially earmarked for local purposes which the Government considered urgent. A sum of about Rs.4 crores had been recommended for the electrification schemes of the Bombay, Baroda and Central India Railway and the Great Indian Peninsula Railway.

5655. After some discussion he explained that his idea would be to advance such moneys under an assurance that they would be devoted to the purpose approved by the local Government; that interest at an agreed rate would be paid to the local Government as long as the loan was outstanding and that the repayment of the capital sum would be provided for by means of a sinking fund in which would accumulate the proceeds of a special tax levied upon those utilizing the work or service to which the outlay had been devoted.

5656. The Chairman mentioned that, in Madras, district boards had power to levy a cess for railway purposes and might either build feeder lines directly from the proceeds or use these as security in some form or other. The Madras Government also used to lend money to district boards on the security of the cess. Sir George Curtis stated that under the Government of India Act provincial loans are admissible for such purposes, including famine expenditure. The Chairman referred to a statement that had been made to the Committee by Khan Bahadur Dalal who gave evidence before it that the Government of Bombay would not allow the district local board of Broach to raise a cess for railway purposes. Sir George Curtis said that Government had no power to do this. This matter had been under discussion for some time, but nothing could be done as the legislature had not taken the necessary powers. He had no objection in principle to this being done.

5657. The Chairman asked what the poorer provinces would do, if each province was to take care of itself in the matter of raising funds for railway purposes. Sir George Curtis thought that Bombay should look after its own interests first. The Chairman pointed out that Bombay is one of the richest centres in India and other provinces might reasonably look to it for help. Sir George was of opinion that India might borrow in the London Market for the requirements of the more backward parts of the country.

5658. Sir Ibrahim Rahimtoola considered on the contrary that it was not possible to limit provincial interests to provincial areas. So far as railway loans were concerned, he thought that they should be dealt with as an all-India matter, and not from the point of view of particular provinces. Under the new constitution, each province will be adequately represented in the new Councils. His views on borrowing were entirely different from those of Sir George Curtis. He did not think that provincial patriotism had the same amount of effect as Sir George believed. In his opinion the question of borrowing was mainly one of terms. He instanced the housing problem in Bombay, which was a very urgent local need, where there was scope for provincial patriotism to show itself; and as a matter of fact, provincial patriotism had done so. But the Bombay Government still had to pay ¼ per cent. more than the Government of India rate. The Government of India rate was 6 per cent. free of Income Tax. He believed that no provincial loan would be successful unless it was floated at a rate ¼ per cent. or ½ per cent. higher than that of the Government of India loans. He did not agree with the present tendency, which practically amounted to putting the Government of India into competition with provincial Governments in the same market, because Bombay and Calcutta are the two principal money markets in India. He thought that this policy, if pursued, would have very serious ill consequences. The success of a local loan, he admitted, would depend on two factors, local patriotism and higher rate of interest; the former without the latter would not be successful. He would further say, that the higher rate was the more important of the two factors.

5659. Sir Ibrahim made the suggestion that the Government of India should consider whether they would not start a new system of borrowing specially for railways instead of borrowing as part of the general loan for Imperial and provincial requirements. In this connection, the Chairman explained that almost every witness who had tendered evidence to the Committee had urged the entire separation of railway finance from the public finances of the country. Sir Ibrahim said that he had not this in mind; he asked whether it was not worth considering if, instead of paying a higher rate for railway loans as has been done till now, it would not be better to start a new form of borrowing, say, on Government premium bonds, the proceeds of which should be earmarked for railways. In answer to Mr. Tuke, Sir Ibrahim said that he thought that this form of borrowing would be successful.

5660. The Honourable Members agreed that there would be no objection to the record of their meeting with the Railway Committee being incorporated in the records of the Committee's proceedings and being published therewith in due course.

P.S.—A communication was subsequently received by the Committee stating that the views of the Government of Bombay, except in so far as relates to transferred subjects, are the views expressed by Sir George Curtis and Mr. Hayward, who, being concurred with by His Excellency, form a majority of His Excellency the Governor's Executive Council.

[The evidence of Mr. Dadiba Merwanjee Dalal, C.I.E., was taken, and will be found under Nos. 5661–5678 in the volume of confidential evidence.]

The following Ministers of His Excellency the Governor of Bombay met the Committee for the purpose of giving expression to the views held by them:—

The Honourable Mr. Chunilal V. Mehta.
The Honourable Mr. Hidayatullah Ghulam Hussein.
The Honourable Mr. R. P. Paranjype.

5679. The Honourable Mr. Mehta said that they represented only one view—that held by the Government of Bombay Transferred Departments. They had discussed the railway question among themselves and with the members of the Executive Council, and they were of opinion that State management was necessary for various reasons, namely, for the development of industries in this country, for the promotion of technical knowledge amongst Indians and for training Indians in matters of administration. There was no reason in theory why a company should not give the same facilities as the State, but they expected in practice to get a better chance of education from State-managed than from company-managed railways. Even granting that a company would do all this, they would still argue for State management, as the railways are the property of the public, and the public ought to manage them. The public would be able to influence the management better in the case of State railways.

5680. The Chairman pointed out that it had been represented to the Committee that the company

5703. He thought it most desirable that railways should have sufficient rolling stock to meet the requirements of the growing traffic. He considered that the existing lines should be fully equipped before undertaking new ones; money should be found for this purpose.

5704. With regard to his opinion that capital funds should be raised in India, the Chairman asked where the money was to come from. The witness thought that if sufficient interest were paid, investors would come forward. He thought that very few people would be willing to lend money at 6 per cent. He saw no objection to Government offering whatever return is necessary to get the money

5705. The witness did not consider that there would be any difficulty in obtaining funds for branch lines at 8 per cent. Some of this could be obtained from people in the locality; some would come from other parts of India. There are certain classes of people who prefer to invest in railway shares. He thought that very little would be forthcoming from commercial people. If, for example, Rs. 50 lakhs has to be raised for a branch line in a given district, the witness thought that ten to twenty per cent. of it could be got from the people in the locality.

5706. In speaking, in his written statement, of raising capital by means of ordinary shares of working companies, he had Indian companies in view. He preferred that Government should raise loans directly. There was no reason why Government should not raise money for branch lines also. He could not suggest any new methods of raising money.

5707. The witness was of opinion that railway rates ought to be increased so as to give proper security for the new capital raised. There was bound to be opposition to this, but something had got to be done to ensure that investors should get a fair return on their money.

5708. Referring to the witness's statement that he considered the results secured by the State-owned railways satisfactory both to Government and the public in a variety of ways through the development of the areas served by the railways, etc., the Chairman asked for specific instances. The witness explained that in 1863 when he first joined Government service in Panchmahal, that territory was thinly populated and had no roads; but as communication increased and roads were made, traffic increased and the value of land considerably increased also.

5709. He was of opinion that passengers should be charged the same mileage rates. He agreed that this meant that railways should be managed centrally and not locally. He had no objection to disputes being settled by an arbitration tribunal.

Mr. S. V. DORAISWAMI, who had been nominated by the Indian Passengers' and Traffic Relief Association, Bombay, was called and examined upon a statement which he presented to the Committee just before the examination commenced.

See Written Statement No. 61, Vol. IV., P. 213.

5710. The witness explained that he had been specialising on economic and other questions for some time past. He had studied railway economics in particular in India. His written statement did not contain anything which specially concerns passengers, except a few remarks as to the treatment accorded to third class passengers.

5711. Mr. Doraiswami urged that the arguments in favour of private enterprise do not apply to the company worked lines in this country, because they do not represent out and out private enterprise. From the very beginning Indian railway companies have shown no enterprise at all, and have worked under guarantees and various restrictions. He considered that the company railways ought to have been taken over and managed directly by the State

5712. The witness said that there are certain railways which have been working at a loss. He instanced the case of the Assam Bengal Railway. Assam is a province which does not lend itself to railway construction on any large scale. The company is now pressing that a sort of territorial allowance of Eastern Bengal be handed to it for the purpose of railway extension. The witness did not consider this a proper policy, particularly because it is a hilly and sparsely populated province and has ample facilities for navigation on the Brahmaputra. The Chairman pointed out that the State could not take the Assam Bengal Railway over at any time. The witness thought that it was too small a line to be given a separate establishment, and it would have been more profitably worked as a part of the Eastern Bengal Railway.

5713. The witness said that, when the present contracts with the East Indian Railway and the Great Indian Peninsula Railway Companies expire in about four years' time, these lines should be taken over by the State. In other cases, for instance, that of the Bombay, Baroda and Central India Railway, which has still 20 years of its contract to run, he did not want any compulsion to be applied. He thought that reasonable negotiations might be carried on later, as Government would be in a better position to consider their future policy. In the interests of working the whole of the broad gauge system practically as one system, negotiations might be entered into with several companies for the surrender of their interests by paying suitable compensation, etc. He would, however, leave this for decision until the East Indian Railway and Great Indian Peninsula Railway Companies had been taken over.

5714. The witness observed that by allowing companies to raise capital the Government have not obtained capital on better terms than they could have done by borrowing directly. Sir Henry Burt pointed out that companies had not been allowed to raise capital in the past. The witness invited the Committee's attention to evidence which had been tendered to the Mackay Committee that the amount of capital which companies could raise was very limited compared with the proportion that the Secretary of State would have been able to raise. The point was not, however, pursued.

5715. The witness stated that railway workshops should be expanded so that they might be capable of undertaking the construction and manufacture of all kinds of railway equipment.

5716. The Chairman drew attention to the witness's statement in his written evidence that companies' Home Boards often exert pressure on the Secretary of State in London. The witness said that he could cite many instances to prove that this pernicious influence is strong enough to make the Secretary of State over-rule or pay scant attention to the views of the Government of India. He said that the Government of India have been asking for greater freedom, and he thought that things should not be decided by the Secretary of State without reference to the Government of India or against their considered advice. He did not think that the public would take the view that the Government of India may have gone wrong and the Secretary of State put them right. As an instance of the pressure exerted on the Secretary of State by the Home Boards, the witness quoted the East Indian Railway purchase which in his opinion was done on a wrong basis. Such transactions are carried through against the interests of the country, because they are beneficial to the shareholders.

5717. The witness was of opinion that the Railway Department should be presided over by an Indian Member of Council. He need not be an expert in railway matters. There should be from eight to twelve directors in charge of separate departments, some of which are not properly controlled at present.

5718. Referring to the witness's statement that the Government Director of the India Office can exercise an absolute veto on everything, the Chairman pointed out that the Government Director sitting on the Boards of the London companies had never exercised his veto. The witness contended that he nevertheless is in a position to do so. The Chairman suggested that the fact that the power has not been exercised for a long series of years is proof that it is not a very useful sort of power. The witness did not agree, but thought that even if it is not useful, other measures could be taken to put matters right.

5719. The witness did not consider that funds on a large scale are required for Indian railways. He did not think that the supply has been inadequate. Improvement of open lines should receive the foremost attention. The Chairman observed that almost every witness had urged the importance of securing more money for Indian railways. The witness said that he was not aware of this, but thought that many of the wants could be met by improved management. In his opinion the necessity for a larger supply of funds than has been allotted does not exist. The Chairman quoted the need for developing the railway facilities near Jamshedpur as an instance to show that the supply of funds has been wholly inadequate. The witness said that this was only on the Bengal-Nagpur Railway; he quoted figures to show that during the current year (1920-21) the allotments for this railway were as follows:—

Rs. 4½ crores for rolling stock, and

Rs. 78 lakhs for open line improvement.

Sir George Godfrey observed that this was an exceptional allotment which could not be taken as a standard.

5720. The witness said that a great deal of congestion on the Bengal-Nagpur Railway and the East Indian Railway arose in connection with coal traffic. He thought that investigation has not been sufficiently made to solve the question of the addition of rolling stock. In his opinion a considerable portion of the demand for rolling stock would abate if the railway tracks were doubled. In reply to the Chairman, he admitted, however, that he has no personal knowledge of the situation on the Bengal-Nagpur Railway to enable him to express a positive opinion on the coal situation. The Chairman observed that other witnesses who were experts in daily touch with the situation did not agree with what the witness had stated. The witness considered that the matter required further investigation. The Chairman asked why the witness insisted on this, in spite of the fact that experts on the subject had agreed that double tracking alone could not settle the question, when he himself had no personal knowledge of it. The witness did not press the point further.

5721. The witness agreed that a council having on it representatives of public opinion would be a suitable body to enquire into the grievances of third-class passengers; but he thought that there should be some inside machinery in the Railway Department itself to make periodical investigations, whose sole business should be to travel on the railways and attend to third-class passenger traffic. The Chairman observed that various railway companies already have officers actually at present employed in this way. The witness wanted Government officers to do it and thought that there should be a proper machinery at headquarters; it was for this reason that he suggested in his written statement that there should be a Director of Traffic (Passengers) at the Government of India headquarters.

5722. In reply to Sir Henry Ledgard, the witness stated that the Indian Passengers' and Traffic Relief Association has been in existence for the last eight years. It comprises 2,000 members, all of whom are subscribers. The minimum subscription was Rs. 1 Subscriptions had all been paid up-to-date.

FORTY-FIRST DAY.

(Lucknow.)

Wednesday, 16th February, 1921.

PRESENT:

Sir WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. F. J. HARVEY, Agent, O. and R. Railway, was called, and examined upon a written statement furnished by him to the Committee.

5723. Mr. Harvey said that the O. and R. Railway is almost wholly a broad-gauge line, only 80 miles of metre-gauge being comprised in the total mileage of 1,624.

5724. He said that his experience before he became Agent of the O. and R. Railway had been that of an engineer on State Railways, mostly on the North Western Railway, which line he left in 1917 on appointment as Chief Engineer of the O. and R. Railway. In the latter appointment he had remained until re-transferred to the North Western Railway in 1918, finally returning to the O. and R. Railway as Agent in 1919. He had had no experience in the Traffic Department.

5725. Questioned regarding the comparison in his written statement of the salaries of State railway and railway companies' officers, Mr. Harvey explained that it was by chance that he had taken the case of the Madras and Southern Mahratta Railway to illustrate his point, namely that generally somewhat higher salaries are paid by the companies: he said that the salaries on other company-managed lines are much the same as those on the Madras and Southern Mahratta Railway.

5726. With reference to the comparative rates of pay of chief engineers, Mr. Harvey explained that the engineers on the State lines are borne upon a "scale" as in the case of the Public Works Department, and that the Chief Engineer of the O. and R. Railway might be in any grade on the scale from the lowest rank of "Superintending Engineer" to the highest of "Chief Engineer." He did not therefore attach importance to the fact, brought out in his written evidence, that on the O. and R. Railway the

present pay of the Chief Engineer is only Rs. 1750-2150 as compared with Rs.2300-2750 for the Madras and Southern Mahratta Railway. The rates of pay on the State railways had recently been revised, the Agent of the O. and R. getting Rs. 3,000 whereas the Agents of the North Western Railway and Eastern Bengal Railway each receive Rs. 3,500 per mensem. The difference between the State Railway and companies rates of pay for such posts as those of Traffic Manager, Loco Carriage and Wagon Superintendents and other heads of Departments was not very great. He considered that the Chief Engineer should be paid more than anybody else except the Agent.

5727. Asked whether the Chief Engineer or the Traffic Manager was the more important of the two, he said he did not think that there was really much difference between the two on open lines, but thought that the Chief Engineer, having constructed the line and possessing higher technical qualifications, should be the better paid. He admitted however that, in making a railway a success from the receipts point of view, the Traffic Manager is doubtless the more important office.

5728. Mr. Harvey mentioned that the State Railway engineers, and the agents when, as is usual, drawn from the engineer service, are pensionable officials; the officers of the other departments, such as Traffic, Loco., etc., are usually non-pensionable and the conditions of service are more precisely comparable with those of companies staff, both receiving Provident Fund benefits; on condition of subscribing to the Fund at one-twelfth of salary, receiving from the Fund an equivalent bonus *plus* interest.

5729. Sir Arthur Anderson observed that in any case the pensions and Provident Fund bonus benefits are generally regarded as about of equal value.

5730. Mr. Harvey regarded the transfer of officers from one railway to another as a disadvantage of State management, because when an officer of one railway is transferred to another it takes him some little time to familiarise himself with conditions on the new line. He also regarded the practice of making promotion so largely by seniority as detrimental to efficiency.

5731. Mr. Harvey explained that, when he advocated the continuance of the existing administrative system, he only wanted that such of the railways as are at present managed by companies should continue to be managed by them, and, in the same way, that railways now controlled by the State should remain under its control. He saw no reason for any change.

5732. He considered the system of control by means of a Railway Board satisfactory, provided the Board has a sufficient number of experts to refer to. He did not think that they have enough now. They have no locomotive expert and no separate traffic expert. The Railway Board should, as at present, consist of three members, and should have a sufficient staff. The experts, the locomotive expert for instance, should not be members of the Board, but should be engaged in an advisory capacity when necessary, and need not necessarily be whole time officers. Mr. Harvey did not think that the appointment of an expert from any one railway would be unfair to his colleagues on others, assuming that probably the choice would fall on the best or on one as good as the others. He did not think that it would be a disadvantage that the rest of the expert's time should be spent on one railway. The chief engineer proposed by him in addition to the engineer of the Board would be a whole time officer holding a position of importance. He did not consider that it would be necessary for the Railway Board to employ on its staff a traffic officer of the same status and importance.

5733. As regards the delegation of increased powers to agents, Mr. Harvey considered that the Railway Board should sanction appointments above Rs. 500 a month, and have the final say on the promotion and dismissal of those who draw more than that figure. In reply to the Chairman, who asked how the Board could know the qualifications of those above Rs. 500 and not of those below it, Mr. Harvey said that officers often go up to Simla or Delhi, where they see the members of the Railway Board. Further, the latter are generally men from the State railways, and have had opportunities of getting to know the staff. In these and other ways the Railway Board would come to know the merits of the higher-paid staff.

5734. Referring to his recorded opinion that funds have been provided for construction of lines "unnecessarily," Mr. Harvey said that the money might better have been spent in increasing facilities rather than in constructing lines of doubtful necessity. The Chairman remarked that when Mr. Harvey used the word "unnecessarily" he probably meant rather "out of the proper order," in that it would be better if the new lines had been placed lower in the order of urgency. He asked Mr. Harvey if there are any non-paying lines on the O. and R. system. The witness replied that it was difficult to say, as there was only a single account for the whole of the system. There had been no new construction on the O. and R. Railway in recent years. He thought there are several non-paying branches on the North Western Railway, quite apart from the military portions of the railway. He cited, for instance, the Mandra Bhon Railway, a line promoted by a branch line company, the interest on the capital of which is guaranteed.

5735. With reference to the cutting down of funds for renewals, Mr. Harvey said that the upkeep of the North Western Railway is not what it should be. The renewals that were due were not done. The replacement of rails depends rather upon increases in axle-loads than on the wear of the rails. On the main line 75 lb. rails are replaced by 90 lb. rails, the 75 lb. rails going into a less important branch; those released on the Branch being in turn used for sidings. As a result of the delay in the renewal of old light rails heavy engines could not be used on the line.

5736. Mr. Harvey stated that the O. and R. Railway uses all sorts of sleepers, of cast iron, steel, hard and soft woods, etc. The sleepers were in need of replacement as in the early part of the war they could not be renewed owing to reduction of funds, and of late years there has been difficulty in getting a sufficient supply of sleepers.

5737. In the programme of permanent way renewals the O. and R. Railway is in a better position than the North Western Railway which he had left only in 1919. Except as regards two or three bridges the O. and R. Railway has none with permanent restrictions of speed. He could not say whether any period of life is fixed for locomotives or rails, but believed that the O. and R. Railway was fairly up-to-date in the matter of renewals of rolling stock and locomotives. (Mr. Harvey subsequently advised the Committee that there was a misunderstanding on this point—the locomotive renewals were in fact considerably in arrears, the programme having been cut down because of the known scarcity of money and the impossibility of getting locomotives from England during the war.)

5738. He could not say whether the State Railways are, as described by other witnesses, the "favourite children" of the Railway Board in regard to allotment of funds.

5739. Funds are, generally speaking, insufficient to put the existing lines in a position to deal with the traffic, though the O. and R. Railway is relatively in a better position than others. Increased traffic facilities, such as yards, are badly required. In reply to Mr. Hiley, Mr. Harvey said they wanted to spend money first of all on completely remodelling the yard of Lucknow, and then on improving railway facilities generally at Bareilly and Saharanpur. As far as Lucknow was concerned, recently a scheme had been sanctioned for shifting the locomotive yard so as to make room for a much larger traffic yard, but money was not provided to carry out the work.

5740. In regard to Saharanpur, Mr. Harvey said that he wanted the yard which was there already brought into use. At present there is a sorting yard which was constructed by the O. and R. Railway, but the N.W. Railway would not use it. The Railway Board, which is the master of both the administrations, had never been approached with a view of settling the disagreement. If the two railways concerned could not come to any agreement, the case would ultimately have to be referred to the board. He had been trying to come to terms with the N.W. Railway for the last eighteen months, since he was in Lucknow as Agent, and so far as he knew the case had not been reported to the Railway Board. Traffic has to go past the unused yard at present, into the N.W. Railway yard in which there is insufficient accommodation. He promised to furnish the Committee with a copy of a précis of this case which he had prepared in his office. [P.S. This was subsequently received and is appended hereto.]

5741. In reply to the Chairman, Mr. Harvey said that the O. and R. Railway offered a parallel route to the E.I.R. The line is used nearly up to its capacity but three more trains could be run each way. Whenever there was a block on the East Indian Railway, the practice of that line was simply to telegraph to the O. and R. Railway and say, "We are giving you so many more trains to-day." It might be for a particular place or it might be a particular kind of traffic. The period also varied considerably; it might be anything from a day to ten days. The traffic was moved by the engines of the O. and R. Railway. The shed at Moghal Sarai had usually a certain number of spare engines, but sometimes engines had specially to be sent down. Asked how the wagons came back, Mr. Harvey said that the O. and R. Railway were supposed to return the same number of empties as they got full, that is if they received two trains, they would have to give back two trains at Moghal Sarai. The wagons could be loaded back and credit for the mileage back secured.

5742. Mr. Harvey said that as regards the locomotive coal required by the North-Western Railway, practically the whole traffic routed *via* Saharanpur passes over the O. and R. Railway. Sir Henry Burt explained that the East Indian Railway had no option in this matter, as the North-Western Railway had power to require the East Indian to route the locomotive coal required by it through the nearest junction. This, however, they could not do as regards public coal.

5743. Referring to his observation in the written statement that coal is deficient, Mr. Harvey said that his railway was very short of coal. A few days ago stocks were as low as six days' supply on the whole line and three days supply in Lucknow. The position was much the same now, though there were some indications of deliveries getting better. Last Christmas they had to cancel something like 20 passenger trains over the whole system. It was bad at that time, and now the position is much worse. They have cut down more trains than in December last. This had nothing whatever to do with the strike now on the railway. According to the restricted time table, he would require 20,000 tons of coal every month. For the month of January he got only 13,000 tons; he did not know what the figure would be for February. He promised to furnish the Committee with a diagram showing the details of coal supplies since the end of December. Ordinarily, he should have a reserve of at least three months' supply of coal. He could not say that he was being less favourably treated than other railways.

5744. The Chairman observed that there were three possible reasons for the present shortage of coal: it might be that there was not enough output; or that there were not enough wagons; or it might be that the roads were blocked. He asked Mr. Harvey what in his view the actual reason was. Mr. Harvey said that the coal supply was dependent on junction facilities. In his opinion the railways kept on getting more wagons till they had the lines congested. The East Indian route from Asansol to Moghal Sarai is a direct one, and the O. and R. Railway could move the coal as fast as the East Indian could give it. The block, he was inclined to say was somewhere down near the collieries. What was wanted was complete trains properly marshalled. If coal were intended for the North Western Railway, the train should be composed entirely of wagons for that railway and none for the Oudh and Rohilkhand Railway, and should comprise no ordinary goods wagons.

5745. Mr. Harvey said that the Oudh and Rohilkhand Railway carries its own loco. coal, the North Western Railway loco. coal and also the Oudh and Rohilkhand public coal. He did not know the exact amount of public coal carried, but thought that it was relatively very small. The North Western Railway loco. coal came to two to three trains or about 2,000 tons a day.

5746. In reply to Sir Arthur Anderson, Mr. Harvey said that it takes nearly five days on an average for coal to reach Lucknow from the fields. Of these five days only one was spent on his line.

5747. With reference to his remark in the written statement that a sum of Rs. 60-70 lakhs per year could be economically spent over the next ten years on improving the line, the Chairman asked Mr. Harvey on what works he would wish to spend that amount. Mr. Harvey said that the line from Lakhsar to Saharanpur would require to be doubled and then probably the line from Lucknow to Bareilly. He had not been asked to alter the Oudh and Rohilkhand terminal at Cawnpore in connection with the improvement scheme, and he did not think that this would concern the Oudh and Rohilkhand Railway very much. The railways had not yet seriously put their heads together to work out this scheme. They had had meetings at intervals to consider questions of level crossings, etc., but not with regard to the Central Station, and he had not been asked to agree to anything definite yet.

5748. Referring to his observation in the written statement that capital funds should be divorced from the general finances, the Chairman asked whether he meant that the revenue funds should still be retained as at present in the general budget. Mr. Harvey said that he had not considered that point, but he agreed that the word "capital" might be expunged.

5749. With reference to Mr. Harvey's remark that capital funds must be utilised before the end of the financial year, the Chairman pointed out that the revenue grants lapse in the same way as capital. Though they might be re-granted as a matter of course, the accounts were closed peremptorily at the end of the year.

5750. Alluding to Mr. Harvey's remark that "from a works point of view in Northern India this means a rush of work to be put through in the last three months of the financial year," the Chairman asked whether that was something peculiar to the climate of Northern India. Mr. Harvey said that in Bombay the railways can do a lot of work during June, July and August, but that in Northern India not much could be done in those months because of the heat and the rains. Works had to be rushed through in the last three months of the financial year, as it was only by the end of December that it could be seen clearly how much would otherwise be likely to lapse to Government.

5751. Referring to his remark that railway rates and fares should be raised from 25 to 33 per cent., Mr. Harvey said that he had investigated the matter, and he promised to give the figures later. In view of enhanced costs of labour and stores, he considered that it would undoubtedly be necessary considerably to increase gross earnings, and that rates and fares must be raised for this purpose, as nothing more than a normal increase in traffic could be anticipated;

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the difficulty was to say how much of the increase should be levied on passengers and how much on goods. On his line he thought half should go on passengers and half on goods. If passenger fares were to be increased it would be easy to calculate the amount, as the number of passenger miles would be fairly well known. He did not think that an increase in passenger fares would result in any loss of traffic even for a time. The Chairman observed that experience in England had been often otherwise. Mr. Harvey explained that the passenger traffic on the Oudh and Rohilkhand Railway is largely *mela* traffic, that is to say, people go in large numbers to the religious festivals at Benares, Allahabad, Hardwar, Ajodhya and many other places. He thought they would travel whether the fares be raised or not. When the railway had been unable to run special trains, people went even by bullock cart. Probably an increase in fares might affect the Punjab, which is not so rich. There was no fear of other lines getting the traffic. As an instance, he said that recently the Oudh and Rohilkhand Railway had had to clear some 50,000 passengers from Allahabad who were left behind because the ordinary trains had not been able to carry them. These might have been brought there by the East Indian or the Bengal and North Western Railway. As regards goods, Mr. Harvey said that rates could not be increased on an all-round percentage basis, as some of the traffic would not stand it.

5752. Asked to explain what he meant by saying that the carrying capacity of the Northern Railways is inadequate to the requirements of the public, Mr. Harvey said that the carrying capacity of the East Indian, the Oudh and Rohilkhand and North Western Railways was inadequate owing to want of facilities for dealing with stock in handling, sorting yards, and things of that kind; and that, as a result of these inadequate facilities, traffic could not be worked efficiently.

5753. In reply to the Chairman, Mr. Harvey said that Lakhsar to Saharanpur was the heaviest section on the Oudh and Rohilkhand Railway, over which 14 trains each way, both goods and passengers, are run. He regarded this section as crowded, as it had very nearly reached its limit, 17 trains each way being the maximum.

5754. In reply to Sir Henry Burt, Mr. Harvey said that he had applied for a capital grant of Rs. 90 lakhs for the year 1920-21, but got only Rs. 40 lakhs; for the coming year he had asked for a grant of Rs. 96 lakhs, the tentative allotment being only Rs. 37 lakhs, of which roughly about Rs. 28 lakhs would have to go to meet commitments already existing. He promised to let the Committee have the exact figures later, and subsequently furnished the following figures:—

The exact figures capital grant are:—

	Applied for.	Preliminary grant.	Final figures.
1920-21	90	... 40 ...	82
1921-22	96	... 37 ...	—
			Lakhs.
Thrown forward to 1920-21 ...			... 28
,, ,, 1921-22 ...			... 48*

5755. In answer to Mr. Hiley, Mr. Harvey said that a scheme had been sanctioned for Rs. 16 lakhs for the Lucknow yard, but that the money had not been provided. The scheme relating to it was only sent up for sanction this year. By effective train control, which would prevent unnecessary blocks and stops, two more trains could be run.

5756. Referring to Mr. Harvey's remark in the written statement that in some cases the upkeep of the line is not as it should be, Sir Arthur Anderson inquired whether he was right in understanding Mr. Harvey to say in answer to the Chairman that renewals of all kinds were up to date. Mr. Harvey said that his answer to the Chairman had reference only to the O. & R. Railway, whereas the remark in his written statement had reference more to the North-Western Railway. In his opinion the O. & R. Railway were not so badly off. In this connection the Chairman asked the witness to explain how this came about. He mentioned that the Committee had been told by some of the company men that the Government railways are favoured by the Railway Board, and asked whether Mr. Harvey could suggest any other explanation; he thought that it might perhaps be the case that the traffic on this line was fairly steady, so that it had not exceeded the original facilities as badly as on other lines. Mr. Harvey said that he thought there was a good deal in this.

5757. In reply to the Chairman, Mr. Harvey said that he had serving under him several Indian Assistant Traffic Superintendents and one or two District Traffic Superintendents. There were no Indians in the Locomotive Department. His general experience of Indian officers on the whole was that they were less efficient that Europeans. The salaries of superior officers had not been increased in India to the same extent as in other countries. He agreed with the Chairman that nobody would come to India for the same salary as he could get by stopping out of it. He thought that the supply of qualified Europeans for employment in India was running short.

P.S.—Mr. Harvey subsequently furnished the following information to the Committee:—

Statement showing the Financial Position of the Oudh and Rohilkhand Railway (excluding the Hardwar-Dehra Railway).

Year.	Gross capital outlay.	Gross revenue.	Working expenses.	Nett revenue.	Percentage of working expenses (on gross revenue).	Percentage of nett Rev on gross capital outlay.	Interest and other charges against nett. Rev. earnings.	Clear profits to Government.	Percentage of nett Profit on capital.
	Rs.	Rs.	Rs.	Rs.			Rs.	Rs.	
1917-18	22,48,02,181	2,85,32,134	1,08,77,865	1,76,54,269	38·12	7·85	91,95,208	84,59,061	3·76
1918-19	22,54,79,867	3,29,56,941	1,35,71,164	1,93,85,777	41·18	8·60	91,93,741	1,01,92,036	4·52
1919-20	22,90,64,511	3,16,06,119	1,78,45,423	1,37,60,696	54·62	6·00	93,11,992	44,48,704	1·94
A	23,00,00,000	3,20,00,000	2,28,00,000	92,00,000	71·25	4·00	94,00,000	—2,00,000	
B	23,00,00,000	4,12,00,000	2,28,00,000	1,84,00,000	55·34	8·00	94,00,000	90,00,000	3·91

Note.—Figures in "A" represent present working expenses as they are and the gross receipts as anticipated this year. Unless the gross receipts increase considerably, there will be a dead loss to Government. The figures in "B" show that if we can increase the gross receipts to Rs. 4,12,00,000, we can show,

* Latest revised figures.

with same working expenses, a nett profit of 4 per cent. This means an increase of 33 per cent. in our gross earnings, which may be divided equally between fares and rates. The gross receipts from third-class passengers were Rs. 122 lakhs in 1919–20; if we raise all passenger fares 33 per cent. we get 40 lakhs from third class and 48 lakhs from all classes, leaving 44 lakhs to be obtained from goods traffic. The goods rates cannot be uniformly raised 33 per cent., as certain classes cannot stand it.

Statement showing number of Oudh and Rohilkhand Railway trains reduced since November owing to shortage of Coal.

Period.	No. of trains worked.	Daily train mileage.
1st November to 1st December, 1920 ...	88	9,485
1st December to 19th December, 1920 ...	86	9,298
20th December, 1920, to 14th January, 1921	55	6,893
15th January, 1921, to 16th February, 1921	43	6,459

Note.—Extract from Agent's letter forwarding the above:—

"I also add for the information of the Committee that at Moghalsarai we can take on the average five trains per day, as follows:—

"2½ trains, North Western Railway, loco. coal.
"½ train, Oudh & Rohilkhand Railway, loco. coal.
"2 trains, public goods of all sorts, including coal.

"We can increase this by two more if we can get more engines."

(*Memorandum referred to in paragraph* 5740.)

KHANALAMPURA JOINT GOODS YARD, NEAR SAHARANPUR.

The yard was opened in August, 1914.

All goods trains were being dealt with at Khanalampura except North Western Railway up and down van goods trains, which continued to be dealt with at Saharanpur.

In the absence of an agreement for interchange of stock, the following procedure was adopted as a purely temporary arrangement by the District Traffic Superintendents, Moradabad and Saharanpur:—

(1) Saharanpur Junction was the point of interchange for all coaching stock.
(2) Khanalampura was the point of interchange for all goods stock.

A wagon was considered as made over from North Western Railway to Oudh and Rohilkhand Railway at the time of its entry in the number-taker's book on arrival at Khanalampura from Saharanpur or Tapri. A wagon was considered as made over from the Oudh and Rohilkhand Railway to North Western Railway at the time of its entry in the number-taker's book on arrival at Khanalampura from Moradabad.

In September, 1915, the Agent, North Western Railway *inter alia* stated that, in view of the small amount of traffic then being dealt with at Khanalampura yard, he did not think it necessary to keep the yard open. He considered that the maintaining of the yard was not necessary, and he proposed to close it down and revert to the old system of dealing with all goods trains for both railways in Saharanpur yard as long as traffic did not justify keeping the yard open.

(3) We replied that it would be a bad policy to close down the yard, but suggested that the Traffic Managers of the two railways should go into the matter jointly on the spot and come to an agreement on the different points at issue and opening and working of the new yard.

(4) A meeting between the Traffic Managers of the two railways was held in January, 1916. Of the two alternatives discussed, namely:—

(*a*) To complete the Khanalampura yard so that all interchange and transhipment work could be carried out there; and
(*b*) To close down Khanalampura except as a yard for the stabling of stock (in case such could not be accommodated in Saharanpur yard), and do all the marshalling and interchange work of goods trains in Saharanpur yard.

The Oudh and Rohilkhand Railway favoured (*b*).

The Agent, North Western Railway, also accepted the alternative (*b*), as also payment of the North Western Railway share on a wagon basis from 1st August, 1914, and enquired whether the Oudh and Rohilkhand Railway agreed with him, so that necessary steps could be taken to close down Khanalampura yard except for the stabling of stock.

A further meeting was held between the Agents and Traffic Managers of the two railways in December, 1916, to discuss proposals in connection with the closing of the Khanalampura yard.

The Oudh and Rohilkhand Railway agreed to the following:—

(i) Khanalampura joint yard to be opened and worked when the traffic through the Saharanpur station was heavy, and in the opinion of the Traffic Manager, North Western Railway, the opening of Khanalampura was considered essential, provided the North Western Railway guaranteed that the traffic to and from the Oudh and Rohilkhand Railway interchanged at Saharanpur was freely moved without causing any block on the Oudh and Rohilkhand Railway. The Oudh and Rohilkhand Railway to give timely warning to the North Western Railway in the event of any abnormal rise in goods or mela traffic being expected.
(ii) When traffic fell and the Traffic Manager, North Western Railway, decided to close the yard, it would be closed as a joint yard.
(iii) When the above conditions did not apply, the yard would be used as a stabling yard, and whilst used for stabling, no interchange of wagons would take place at Khanalampura.
(iv) When the North Western Railway did not require the use of the yard it would be optional with the Oudh and Rohilkhand Railway to keep the yard open for its own traffic, no interchange of wagons would take place at Khanalampura. The yard would be disconnected at Tapri, and the North Western Railway would bear no share in the working expenses.
(v) The joint station expenses to be apportioned on a wagon basis, and should be divided rateably between the two railways according to the total number of vehicles brought into and taken out of the yard by each railway, plus half the number of vehicles interchanged.

The following was also agreed to after discussion:—

(i) In the event of Khanalampura yard being temporarily opened by the North Western Railway for Oudh and Rohilkhand Railway (such a contingency arising due to accident outside the limits of the joint yard), the railway concerned will bear the working expenses for the time being.

(ii) If either railway uses Khanalampura for the purpose of stabling stock, such railway will be responsible for the working expenses of the staff, &c., employed during the period for which it is used for stabling, but no other charges will be levied.

(iii) The double line section between Saharanpur and Khanalampura will not be charged as joint, but to Oudh and Rohilkhand Railway.

The Agent, North Western Railway, in forwarding to Agent, Oudh and Rohilkhand Railway, a copy of the Minutes of this Meeting thought that the simplest and best plan would be for each railway to bear half the interest charges on the whole yard and all works connected therewith, and that two separate sets of conditions should be drawn up:—

(1) For working this joint yard when open to traffic.
(2) For working the yard when closed.

The yard was, with the sanction of the Railway Board, closed in December, 1916.

The agreements are under preparation, and will be sent to the Agent, North Western Railway, for acceptance, when the question of re-opening the yard *permanently*, recently suggested to him by this railway, has been finally decided. This suggestion has been made in consequence of the Saharanpur yard having now been found too cramped to deal efficiently with all the goods traffic of both railways.

FORTY-SECOND DAY.

(Lucknow).

Thursday, 17th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.
Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Lieutenant-Colonel W. R. IZAT, R.E., D.S.O., Agent, Bengal and North-Western Railway Company, accompanied by Mr. J. WESTWOOD, Traffic Manager, and Mr. E. M. SLANE, Chief Auditor, was called and examined upon a written statement which he had furnished to the Committee.

See Written Statement No. 63, Vol. IV., P. 217.

5758. Colonel Izat stated that he had 20 years' experience on State railways, practically during the whole of which he had been employed as an engineer. He went to a company's line for the first time as manager of the Bengal Dooars Railway Company. He joined the Bengal and North-Western Railway Company as chief engineer in 1919, and was promoted to be Agent about a year ago. He had no experience in the traffic department before his appointment as Agent.

5759. He stated that the mileage of the Bengal and North-Western Railway system is about 2,060, some 1,220 miles being the company's own line, of which the capital is £6,400,000, the capital for the State Railway worked by the company having been found by the Government of India. Colonel Izat stated that the Bengal and North-Western Railway Company had received no assistance from the State except in regard to the supply of land free of cost. It was not until the Tirhut Railway was taken over for management that the company were much concerned with the State. Since that time Government has exercised practically the same kind and degree of control in questions of management as in the case of the Guaranteed Railway Companies.

5760. Colonel Izat explained that the purchase price of the company's lines, in the event of Government exercising its option of purchase in 1932, will be based upon the earnings of the years 1908 to 1912, inclusive. Under existing special contractual arrangements additional capital will be raised by the company with the sanction of the Secretary of State for both the company's and the State lines by means of joint debenture stock, which will be apportioned between the company's and the State lines in accordance with their requirements, so much as may be allocated to the company being a burden on the revenues of the Bengal and North-Western Railway Company, the State being liable for the rest.

5761. Colonel Izat stated that, in mentioning in his written evidence that the State had obtained a closer supervision and control over the working of the company's line as a result of taking over the Tirhut Railway, he had in mind especially the exercise of closer control over financial matters.

5762. Some discussion followed with regard to the extent of the Government control over the quotation of rates and fares by the Bengal and North-Western Railway Company, as a result of which it appears that the present position is as follows: As regards the company's lines, rates and fares must be approved by the Government, who may require the charge for salt, coal and food grains carried not less than 100 miles in full-wagon loads to be reduced to any rate not below 1-5th pie per maund per mile and for passengers not below 2 pies per mile. As regards the open system for the carriage of through passengers and goods over the company's railways, of all through and local passengers and goods over the Tirhut Railway undertaking, and of all passengers and goods from and to the undertaking or any connected railway carried over the company's railway, or any foreign railway connected therewith, the Government have the power to fix and vary the classification for passengers and goods and the maxima and minima rates and fares for the several

classes respectively. Until otherwise fixed, no rate for goods is to be higher than 1 pie or lower than 1-10th pie per maund per mile. Colonel Izat admitted that this practically meant that the company is no more free in these matters than any other railway administration.

5763. Colonel Izat expressed the opinion that at Gorakhpur, the headquarters of his railway, it would not be possible to obtain members possessing the necessary qualifications to serve on a board of direction or advisory committee. Asked what machinery he has for getting into touch with the third-class passengers and for attending to their requirements, he thought that the case is met by the efforts which the agent and his staff make to get personal information on such matters. He observed that the Local Governments of the United Provinces and of Bihar and Orissa also refer to the company matters affecting the public interests. He agreed, however, that if some machinery could be devised to help the lower class passengers to approach the railway administration, it would be a useful thing.

5764. In answer to Mr. Purshotamdas Thakurdas, who asked in what local newspapers public opinion in such matters might find expression, Colonel Izat referred to the "Bihari" and several other papers published in Patna and the "Leader" published in Allahabad. He said that he receives cuttings from the various newspapers from the Senior Government Inspector.

5765. In reply to Sir Henry Ledgard, he said that he thought it would be difficult to get suitable members for an Advisory Committee from places such as Cawnpore, Lucknow and other important centres in the United Provinces, and Bihar. He thought it would be inconvenient for such persons to visit Gorakhpur, and observed that the railway has no stations at Lucknow and Cawnpore. He referred in this connection to the Board of Communications in the United Provinces. He said that he was not in possession of details as to the constitution of this Board, but understood that it was set up by the Local Government. He himself had applied to be, and had been, placed upon it. This Board meets under the Chairmanship of a Commissioner, and comprises several Deputy Commissioners, representatives of Chambers of Commerce, and of District Boards, as well as of the Forest and Public Works Departments. He had himself attended two meetings of the Board of Communications, which assembles about once in three months. He was not aware whether any similar Board exists in Bihar. Sir Henry Ledgard observed that he thought that the discussions of the corresponding Board in Bihar refer chiefly to roads and communications. The Chairman remarked that it would be desirable to obtain further information in this connection from the Local Government.

5766. Colonel Izat stated that he thought that the Bengal and North-Western Railway Company's facilities are, generally speaking, adequate for the traffic offering. He would like to have a little more rolling stock, but thought that the line is better off in this respect than most of the Indian Railways. Normally, there is more Bengal and North-Western Railway stock on other lines than foreign line stock on the Bengal and North-Western Railway.

5767. Referring to the statement appended to his written evidence indicating the nature of restrictions imposed on traffic by other lines from the Bengal and North-Western Railway, Colonel Izat explained that the terms 'restriction of booking,' 'reduction of allotment,' and 'limitation of traffic' were used in the same sense. With regard to the junctions specified in that statement, he explained that normally the Bengal and North-Western Railway would be prepared to offer about 600 tons, daily, of traffic to the Oudh and Rohilkhand Railway *viâ* Bara Banki, and to work up to a maximum of about 250 tons *viâ* Benares. At Mokameh Ghat, as much as 400 metre gauge wagons or 4,000 tons had been passed in both directions on occasion, he thought that probably about 200 wagon loads or 2,000 tons could be offered *viâ* that route. At Bhagalpur, the congestion is not serious, but *viâ* Allahabad city, about 120 tons could be given daily. He thought that the restriction of traffic indicated in his statement was typical of the post-war situation. Before the war, congestion had occurred only at busy seasons of the year, though it had been sufficiently serious to lead to a strong representation from the Bengal and North-Western Railway to the India Office in October, 1912, against the difficulties experienced by the railway and the need for extensions. In the year 1920, the restrictions of traffic continued serious until about the beginning of July. The Company had complained on the subject to the Secretary of State in June, but Colonel Izat was not prepared to say that the withdrawal of restrictions in the following month was due directly to this reference, the busy season of the year being February, March and April some slackening of pressure would in any event have been expected about June or July.

5768. In connection with this matter, Mr. Westwood gave further particulars of restrictions existing in 1920 of which the principal items are summarised in the last statement accompanying Colonel Izat's written evidence. He observed that only at Mokameh Ghat has any serious restriction remained after the 21st July, 1920. In the current year, matters had been better so far, and traffic had been freely accepted by other lines at the junction stations, except in the case of the Oudh and Rohilkhand Railway for reasons connected with the present strike. Mr. Westwood however feared that restrictions at the junction stations might again be imposed during the approaching busy season. He explained that when bookings are restricted in this manner, the railways still accept goods at the stations but they do not give receipts for them and merchants withhold the presentation of goods to some extent for fear of damage and loss while awaiting transport. Colonel Izat stated that he had heard of payments being made for wagon supplies, but did not think that this was serious on the Bengal and North-Western Railway. He had not had specific complaints on the subject.

5769. In reply to Mr. Hiley, who drew attention to the figures given in Colonel Izat's last statement, of the quantity of traffic awaiting despatch, because of restrictions imposed by the East Indian and the Oudh and Rohilkhand Railway administrations, Colonel Izat observed that the figures must be to some extent misleading as they would not include the quantity of goods which merchants retain in their godowns until such time as bookings are reopened. The Chairman drew attention to the apparent inconsistency between the reason assigned in the statement just quoted for the restrictions, namely shortage of broad gauge wagons, and that given in the body of Colonel Izat's statement ascribing it to congestion at the Howrah sheds.

5770. Questioned with regard to his written statement that though the administration had not previously suffered much from the existing annual Budget system, it had recently experienced difficulty in obtaining funds to cover commitments owing to money which was set aside from revenue for this purpose, having apparently been utilised by Government for other purposes and not now being available, Colonel Izat explained that as regards the Tirhut line the usual Budget system has to be conformed to, although this is not in all respects the case in regard to the company's own lines. As regards revenue receipts and expenditure, these for the whole line are paid into and drawn from the Government treasuries for the whole system. In the case of such work as rail renewals, if on the Bengal and North-Western Railway proper the capital portion of the charge could be incurred without reference to Government, but Government sanction would be necessary, as in the case of a guaranteed railway, to the execution of the work and to the provision of the revenue portion of the funds. Colonel Izat agreed that in practice the

only difference relates to the source of supply of the capital funds in such cases.

5771. With regard to the creation of a Renewal Reserve Fund, Mr. Slane explained that reserve funds had been created during the war. In the case of permanent way, the fund established related only to the company's portion of the line, but in regard to rolling stock, which is used jointly, the company had applied for permission to put aside a certain amount from revenue, and this was agreed to, the case of both the company's and State's rolling stock being provided for. Since the war some difficulty was experienced in obtaining from the Government a grant from the renewal fund thus created to meet the Tirhut State Railway's share of the rolling stock renewals. So far as the company's share is concerned the money was available. Colonel Izat stated that permanent way renewals are not very much behind-hand.

5772. Sir Henry Burt explained that, in the case of the rolling stock renewal fund, the revenue of the line had been debited with the amounts which were intended to be set apart as a reserve. Colonel Izat could not say whether there would be any record anywhere in the books of either the Railway Department or the Finance Department showing this allocation to the reserve for the Tirhut Railway rolling stock. He did not think that the reserve was shown separately in the Imperial Budget.

5773. Colonel Izat expressed the opinion that it is desirable that the head of the Railway Administration, at present the President of the Railway Board, should be given a higher status and position, and should have the right at least to attend and take part in all meetings of the Viceroy's Executive Council when railway questions are debated. He thought he should also be the supreme head of the Railway Board.

5774. He believed that the Railway Board is overburdened with a mass of detailed work relating to salaries and leave allowances and other relatively unimportant matters, leaving the members little or no time for the consideration of larger questions of railway policy.

5775. Colonel Izat stated that he visits Simla annually to discuss the railway programme of works, which is prepared in the same way as regards the Tirhut State Railway, as is done by the agents of guaranteed railways for their undertakings. In the case of Revenue Budget proposals, figures for the whole system are shown, but are subdivided into the State's and company's portions. Asked how the case of the joint rolling stock is provided for in the Tirhut Railway capital programme, Colonel Izat explained that it is the practice to work out the amounts separately of the company's and State railway shares, having regard to the provisions of the working agreement bearing on the distribution of the cost of such expenditure, and to the extent to which these provisions have been actually carried into effect in the case of previous purchases of additional rolling stock. The proportion also depends upon the use made of the wagons, as indicated by the varying earnings on the lines both of the State and the company. The amount thus arrived at as representing the State's share is included in the Tirhut Railway Capital Budget. Colonel Izat agreed that the Chairman correctly summed the case up in stating that there is a process of calculation for the purpose of ascertaining who shall pay and in what proportion for the stock added at a given time. As regards distribution whoever pays gets the engines or rolling stock.

5776. In reply to Sir Arthur Anderson, Colonel Izat stated that the practice of the company is not to defer renewals until the rails are worn out, but to lift the line at an earlier stage to release rails and materials for use on extensions and branch lines.

5777. Colonel Izat explained further with reference to the difficulty experienced in obtaining an allotment of funds against reserves specifically set aside by the railway and written off to working expenses that there had been some disagreement with regard to the credits on account of rolling stock sent to Mesopotamia during the war. An agreement had been reached between the chairman of the railway and the Railway Board at Delhi last year, and the company had placed orders for stock required for renewals on the assumption that the necessary funds would be forthcoming. Subsequently, however, there was some difficulty in the matter of supply of funds.

5778. In reply to Sir Henry Ledgard, Colonel Izat stated that there are at present one Indian assistant traffic superintendent and one Indian probationer in the Audit Department, no Indians being employed in the Locomotive Department or other branches. There is no special system for training Indians for the officers' grade on the Bengal and North-Western Railway, nor has this been contemplated by the company.

5779. Questioned by Mr. Hiley, Colonel Izat said that when he wrote to the London Board in general regarding restrictions on traffic he did not write to the Railway Board as well. There were complaints from merchants which the Railway Board forwarded to him, and he replied to them that he was prepared to carry traffic if the restrictions were removed. He did not apply to the Railway Board for relief. The railway has no definite scheme for outlets of its own nor has it any in contemplation. The construction of the Mokameh Bridge was now out of the question, the estimated cost being very high.

5780. Colonel Izat considered that members of the Chamber of Commerce, for instance in Cawnpore, would be satisfactory representatives on the Board of Communications so far as Cawnpore arrangements are concerned. Civil officials in the different districts are closely in touch with the public of their own districts; therefore from that point of view they would be good representatives of the public on the Board.

5781. In reply to Mr. Purshotamdas, Colonel Izat said that it was his impression that the third-class passengers are satisfied with the facilities that they have got at present. He agreed to furnish the Committee with a list of the improvements that were made on the lines of the recommendations made by a conference summoned by the Oudh and Rohilkhand Railway in 1903 of representatives from various districts served by it. Colonel Izat admitted that third-class passengers probably would still desire to have more accommodation during the rushes at *melas*. He had not heard of any particular complaints, and would expect to hear of them, either directly or through his officers, if there were any grievances requiring redress. He stated that he would not regard as a nuisance the creation of any sort of committee associated with the railway administration for the purpose of representing the public; his only objection was that he did not think that suitable members could be obtained who would be willing to visit Gorakhpur periodically.

5782. Colonel Izat stated that in the superior grades of the railway there are 50 Europeans and only two Indians. These had been appointed only a year ago. Formerly no Indians had been appointed on the railway. The company had no idea of forming a training school for the education of Indian railway officers. If such officers were appointed he would prefer to have men from the districts served by the railway, though he would not regard Indians from other parts of India as disqualified for employment on the line. In answer to Sir Henry Burt, he explained that his view was that it would be better to employ Indians of local origin than those from distant parts of the country. In answer to the Chair-

man he said he was not prepared to say whether the company would have been wiser to have made an earlier beginning in the employment of Indian officers on the railway.

P.S.—The witness forwarded subsequently, as promised, a statement showing the action taken by the Bengal and North Western Railway on the recommendations made at the Conference held in December, 1903, to consider the comfort and convenience of third-class passengers. The action taken since 1904 may be summarised as follows:—

Increased accommodation.

There is an annual programme for building 30 additional bogie passenger vehicles and rebuilding 30 old vehicles. The result of which is to reduce the use of goods vehicles for the conveyance of passengers during melas.

Passenger waiting sheds.

A number have been added, and more are contemplated when funds are available.

Arrangements for water.

Improved arrangements have been made at some of the more important stations, and more are under consideration or in process of building. Additional watermen are posted in the hot weather.

Refreshments.

Vendors' shops have been built at many of the important stations, and more are in course of construction.

Female compartments.

The railway is at present trying to arrange for separate female intermediate compartments on all trains; they exist now on all except unimportant branches.

Mr. E. C. MUMME, Acting Agent and Chief Engineer of the Rohilkund and Kumaon Railway Company, accompanied by Mr. G. D. LAURIE, Auditor, and Mr. H. C. STRACHAN, Traffic Manager, was called and examined upon a statement which he had furnished to the Committee.

Written Statement No. 64, Vol. IV., 221.

5783. Mr. Mumme stated that he had been employed wholly in the Engineering Department prior to his appointment as officiating agent in May, 1920. His experience had been gained mostly on the B. & N.W. Railway on which he had been Assistant and District Engineer until he was transferred to the charge of the Rohilkund and Kumaon Railway. He had no State railway experience.

5784. The Company has now some 15 contracts with Government, and manages 575 miles of railway, of which 317 miles belong to the State and 258 to the Company. Mr. Mumme stated that the R. & K. Railway Company came into existence in 1882 and took over the Lucknow-Bareilly State Railway on lease in 1891. The latter railway runs from Lucknow to Bareilly *via* Sitapur and Pilibhit with two branches, one from Mailani and the other from Pilibhit. Mr. Mumme explained that the arrangement between the R. & K. Railway Company and Government in connection with the working of the Lucknow-Bareilly State Railway is very similar to that existing between the B. & N.W. Railway Company and the State in respect of the Tirhut State Railway. The original capital of the Lucknow-Bareilly Railway was provided by the State, but new capital is advanced by the R. & K. Railway Company and interest is charged upon it. Government have the option of purchase of the Company's line in 1932 and, in the event of exercising that option, the purchase price will be based upon the earnings of the five years ending with 1912, as in the case of the B. & N. W. Railway Company's line.

5785. With regard to the question of extensions of the system, Mr. Mumme explained that the extension to Kasganj already exists and brings the line into contact there with the B.B. & C.I. narrow gauge, thus giving a through metre gauge route to the Rajputana-Malwa and Jodhpore-Bikaneer railways. The Company desired to extend their line from Kasganj to Agra and also to Delhi to afford convenient communications with those important trade centres. Objection had been taken by the Government of India on the ground that the metre gauge railways should as far as possible be restricted to their existing areas and should not be encouraged or permitted to develop into main line routes. As an instance of the inconvenience caused to trade by the maintenance of this policy, Mr. Mumme mentioned the important timber trade with Delhi and Agra. He said it was very inconvenient to have to tranship closely packed metre gauge vehicles into broad gauge vehicles *en route*. Mr. Mumme estimated the cost of transhipping from metre gauge to broad gauge wagons at about Rs. 1/- per ton, the freight on timber being 7 pies per ton per mile. It followed that the cost of transhipment equals roughly about 26 miles freight. He urged that the convenience to through traffic would justify the carriage of timber by a route of a greater excess length than this, as an alternative to carrying it by a shorter route involving a break of gauge.

5786. The Chairman said that he did not propose to question Mr. Mumme with regard to his views on the general question of State versus company management, as the points made in his written statement were generally similar to those which had already been brought forward by, and discussed with, others.

5787. Mr. Mumme stated that he could not express any opinion as to whether there is a material difference between the outlook of a company such as the R. & K. Railway Company, which has a large stake in the concern (owning as it does roughly one half of the whole system administered by it) and that of a company which has only a comparatively small interest, such as 1/20th or so, as in the case of most of the guaranteed railway companies.

5788. Mr. Mumme stated that there are five Directors of the R. & K. Railway Company. The war had prevented their making frequent visits to India during recent years, but they had had frequent visits from the Chairman of the line and within recent years two visits from other Directors also.

5789. The R. & K. Railway system lies wholly in the United Provinces, and Mr. Mumme stated that he was constantly in touch with the public, the local Government and the officers in charge of Civil Districts. He was also a member of the Upper India Chamber of Commerce and the Board of Communications in the United Provinces. He explained that the latter body is a recent creation of the local Government. It comprises Government officials, railway members and traders. The District Boards are represented by the Collectors who are also Chairmen of the District Boards in these provinces. The Board has a Secretary and when any questions arise with regard to extra communications in the province being required, these are discussed and recommendations are made to Government. The Board is merely an advisory one and any member can bring forward any matter of interest to it. Mr. Mumme stated that he had attended three meetings of the Board, these taking place about once a quarter. He thought it a useful body whose recommendations receive consideration. The Board could recommend the con-

struction of a road for which the Provincial Government finds the money. In the case of extensions to the R. & K. Railway they were recommended by the Board of Communications to the local Government who put the case before the Railway Board. The local Government did not make any suggestion as to how these should be financed. Probably they expected the R. & K. Railway to find the money. Mr. Mumme stated that his Board of Directors has the question of provision of funds for extensions under consideration.

5790. Mr. Mumme stated that he had not yet attended a meeting of the Upper India Chamber of Commerce, as he is not on the Committee and had only held his present appointment for nine months. Sir Henry Ledgard explained that the Chamber meets only once annually, the work being done by a Committee which meets frequently.

5791. With reference to Mr. Mumme's recorded opinion that the present Government control over rates and fares by means of fixing maxima and minima rates is satisfactory, the Chairman suggested that the company's powers of altering rates and fares within the maxima and minima might be regarded by merchants as too liberal. Without imputing any desire to do this he suggested that the railway administration might conceivably charge unreasonable rates for particular services or to particular places or even individuals. Mr. Strachan repudiated the suggestion that the administration would act unreasonably in such matters, but he admitted that there is at least theoretical scope for injustice. Subsequently, however, he drew the attention of the Committee to the provision of the company's contract which precludes it from showing undue preference or prejudice, and he thought that under the operation of the contract, the Secretary of State would have remedy, if the company were to act in the manner suggested.

5792. With regard to Mr. Mumme's opinion that it is not likely that the R. & K. Railway will have to ask for an increase of the sanctioned maxima rates, and that the company will be able, when necessary, to cover the enhanced cost of working without exceeding the existing prescribed limits, Mr. Strachan explained that an all round terminal charge of six pies per maund had recently been placed on all traffic not handled in wagon loads. The Chairman observed that such a terminal corresponding roughly to a shilling per ton, is quite a substantial charge. Mr. Strachan explained that this charge was levied irrespective of distance. He did not think that it had the effect of driving any traffic from the railway to the roads. In reply to Mr. Purshotamdas he explained that the railways are at liberty to charge reasonable terminals, in addition to the rates within the prescribed maxima and minima, without the special sanction of the Railway Board. The administration is subject to no direct check in this matter but is liable to be required to justify its action if challenged. Mr. Strachan said that traders and people interested in proposed increases of rates are usually sounded before the administration decides on altering its charges. He presumed that his predecessor had done this in the present case before proposing the six pie terminal.

5793. With regard to the principal commodities handled by the R. & K. Railway Mr. Mumme mentioned that these are grains and seeds, jaggree (molasses), san (hemp) and sawn timber. He explained that the export traffic goes mostly towards Bombay and Karachi and not towards Calcutta.

5794. With regard to the imposition of restrictions by other railways on the receipt of traffic from the R. & K. Railway, Mr. Mumme promised that he would send in statements for the information of the Committee on similar lines to those given in Colonel Izat's written evidence in respect of the B. & N.W. Railway. Mr. Strachan stated that at the present moment traffic is restricted on the Kasganj route to Karachi. Up to the day before his coming to give evidence it had been possible to clear the traffic within the "allotment" of 100 wagons per day, but on that day the allotment had been reduced to 35 wagons.

5795. With regard to wagons he stated that there is usually a heavy balance of R. & K. Railway wagons on foreign railways, which had sometimes been as high as 50 per cent. of their stock. He stated that if the railway presses foreign lines for the return of its stock, restrictions are immediately placed on the receipt of traffic by those lines from the R. & K. Railway. He did not think this unreasonable from the point of view of the railways concerned as it meant that they had to return stock in a hurry which would lead to uneconomical working.

5796. With regard to the congestion at the points where the R. & K. Railway meets the broad gauge, Mr. Strachan stated that an improvement took place last year as the result of a meeting convened at the instance of the Forest Department. The position had been better during the earlier months of last year than on previous occasions of heavy traffic. Traffic in sawn timber, chiefly to Delhi and stations in that neighbourhood is routed *via* Bareilly Junction or *via* Moradabad, and has in the past been very heavily restricted on account of shortage of broad gauge stock at the point of transhipment. There had been an improvement in this matter of late.

5797. With reference to Mr. Mumme's statement that the administration had not suffered from the existing budget system, as funds for capital works both on the State and on the company's sections are provided from the joint debenture stock raised by the company, Mr. Mumme explained that interest is paid by Government on the portions of the stock allocated to the Government line and by the company on the part apportioned to its requirements. Mr. Laurie, in reply to the Chairman, explained that the joint debenture stock is not a guaranteed stock in the same sense as the ordinary Indian railway companies debentures. Mr. Tuke confirmed this, and agreed with the Chairman that this case is specially interesting as one in which the State obtains money by means of debentures which it does not itself guarantee.

5798. With regard to the payment made for rolling stock requisitioned by Government for military purposes during the war, Mr. Mumme stated that whatever money was received by the company on this account was carried to reserve to replace the stock. Depreciation of the rest of the stock was written off out of revenue. The State's share of the money received for requisitioned rolling stock was not carried to reserve but was absorbed in the finances of the Government. In addition to such monies as were placed to reserve in this way by the company certain sums were also reserved from revenue to meet the cost of renewing worn out stock which could not be replaced during the war. He was not aware of the manner in which Government had disposed of the portion of such reserve funds which relates to the State line. He mentioned that on the 1st of September, 1920, the company's reserve fund for rolling stock amounted to Rs. 8,68,000. He could not say how much of this had been spent in the interim, but stock was now being replaced at the cost of this fund. With regard to permanent way renewals, Mr. Mumme stated that progress was not being delayed for want of money, but by the difficulty of getting the rails from the manufacturers. The company's contract was with Tatas.

5799. With regard to the statement in Mr. Mumme's written evidence that when the Lucknow-Bareilly Railway was taken over for management in 1890, Government took very full powers of control over the joint undertaking, Mr. Mumme explained that he could not say to what extent the control of Government differs in the case of the R. & K. Railway Company from that exercised in the case of ordinary guaranteed companies. It appeared, however, from the answers given by him that there is not any material difference.

5800. Mr. Mumme stated that he was of opinion that suitable members for an advisory committee to

work in conjunction with the agent could not be obtained at his headquarters.

5801. In reply to Mr. Purshotamdas Mr. Mumme stated that he had not heard of any complaints being made in connection with the R. & K. Railway in the local Legislative Council since he was acting as agent. There had not been many accidents on his line owing to want of fencing, but one occurred last week between Bareilly and Kathgodam. In this case the buffalo, which was the cause, came through a gate. He could not say whether representations had been made to the local Government about fencing.

5802. With regard to this matter, the Chairman referred to Mr. Green, the Senior Government Inspector of Railways, who was present during Mr. Mumme's examination, and ascertained that recommendations had been made by the Senior Government Inspector in respect of this matter on the R. & K. Railway. Mr. Green explained that the ordinary practice was for the Senior Government Inspector to send his report to the Railway Board and a copy to the company concerned, the company being free to act or not on specific recommendations at its discretion, unless the Railway Board issues definite orders, except in the case of special items indicated by the Government Inspectors as being required in the interests of public safety. It appeared from an examination of his predecessor's report to which Mr. Green referred that there were two or three references in it to fencing on the R. & K. Railway. It was stated that the fencing, where it existed, was in good order, and the recommendation was made that, in cases where villages are close to the line and on the same level, of which some instances were given, fences should be erected not only for the protection of cattle but also as warning to the public. In these cases, the railway company's comment against the recommendation consisted of the word 'noted.' In one case, the Senior Government Inspector had specially indicated the extension of the existing fencing near the village as being necessary in the interests of public safety, and the work was carried out by the railway company in this case without question. The Chairman remarked that at the end of the report the attention of the administration and of the Railway Board was specially called to certain paragraphs of the report, none of which dealt specially with the question of fencing and, in the memorandum of works necessary in the interests of public safety, only that item which had since been attended to, as indicated above, was mentioned.

5803. Mr. Purshotamdas drew attention to Mr. Mumme's recorded statement that men of ripe experience who have served for many years in India and understand the needs and interests of the country (such as exist on the Boards of Direction of the Indian railway companies) are not available in India as reasons of health demand that they leave the plains of India at the age limit. He suggested in the case of a difference of opinion between such men as described, and the people of India themselves or competent representatives of the people, actually living in the country, it seemed only reasonable that the views of the latter should prevail, and that it must be a handicap if the representatives of the people have no means of placing their views directly before the London Boards of Directors. Mr. Mumme however thought it sufficient for the Boards of Directors to obtain the views of the people through the railway officials.

5804. Sir Henry Ledgard informed Mr. Purshotamdas, with reference to a question addressed to the witness, that the Upper India Chamber of Commerce, of which the R. & K. Railway Company is a member, is a body open to Indians as well as to Europeans. The United Provinces Chamber of Commerce, he believed, consists wholly of Indians.

5805. Mr. Mumme stated that there are no Indians employed in the superior posts on the R. & K. Railway Company. He observed in this connection that the railway is small and its staff correspondingly few, there being only three officers in the Traffic, two in the Audit, three in the Locomotive and eight in the Engineering Departments. In the last-named, which was the largest department, the youngest officer has ten years' service.

5806. In reply to Sir Arthur Anderson, Mr. Mumme stated that the renewals are carried out not because rails are worn out but because of the need for providing a stronger rail to carry heavier engines and rolling stock. There was no definite programme of railway renewals.

P.S.—Mr. Mumme subsequently furnished the following statement to the Committee:—

RESTRICTIONS IMPOSED BY FOREIGN LINES ON TRAFFIC FROM THE R. & K. RAILWAY DURING JANUARY AND FEBRUARY, 1920.

Imposed by B.B. & C.I. Railway.		*Via* Kasganj Junction.	Percentage of R. & K. Ry. Stock on B. B. and C. I. Railway.
			Per cent.
From 14-12-1919	...	1,000 tons daily, but not more than 100 tons for large stations and 50 tons for small stations.	36
„ 2-1-1920	...	750 tons daily	37
„ 6-1-1920	...	All goods booking prohibited	31
„ 10-1-1920	...	250 tons daily	24
„ 17-1-1920	...	250 tons daily, but booking to broad gauge section prohibited	26
„ 20-1-1920	...	500 tons daily, but booking to broad gauge section prohibited	24
„ 21-1-1920	...	750 tons daily, including 100 tons for broad gauge section ...	24¼
„ 30-1-1920	...	1,200 tons daily, including not more than 750 tons for South of Phulera Junction and not more than 150 tons for broad gauge section.	24
„ 5-2-1920	...	Booking to stations south of Baroda prohibited	22
„ 10-2-1920	...	Booking to broad gauge section prohibited	38¼
„ 15-2-1920	...	Booking to broad gauge section reopened, but limited to 250 tons daily.	32
„ 16 2-1920	...	All bookings via Kasganj Junction limited to 500 tons daily...	32¼

NOTE.—Throughout the above period approximately 1,500 tons could have been loaded daily for *via* Kasganj Junction in the absence of restrictions.

Imposed by O. & R. Railway.	*Via* Lucknow Junction.	Approximate quantity of traffic offering.
		Tons.
From 9-6-1919 ...	Goods booking restricted to 250 tons daily	150
„ 10-1-1920 ...	Goods booking restricted to 75 tons daily	100
„ 21-2-1920 ...	Restricted to 50 tons daily	100

NOTE.—This restriction continued up to 29th May, 1920, when increased booking up to 100 tons daily was authorised.

Via Bareilly.

From 14-6-1919	Goods booking restricted to 400 tons daily
10-1-1920	Restricted to 100 tons daily
21-2-1920	Restricted to 50 tons daily

NOTE.—This restriction continued up to 23rd May, 1920, when increased booking up to 100 tons was authorised.

The situation became acute in April and May, when a considerable quantity of traffic was held up.

—	*Via* Moradabad.	Approximate quantity of traffic offering.
		Tons.
From 14-6-1919 ...	Booking restricted to 200 tons daily	300
„ 10-1-1920 ...	Booking restricted to 75 tons daily	350
„ 21-2-1920 ...	Booking restricted to 50 tons daily, exclusive of Forest Produce.	400

NOTE.—Prior to 21st February, 1920, forest produce had accumulated in very large quantities at Ramnagar, but was subsequently accepted under agreement between the Forest Department and the O. & R. Railway.

FORTY-THIRD DAY.

(Cawnpore.)

Friday, 18th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Sir THOMAS SMITH, M.L.C., V.D., President of the Upper India Chamber of Commerce, Cawnpore, and Mr. A. B. SHAKESPEAR, C.I.E., a Member of the Chamber, were called, and examined upon a written statement which had been furnished by the Committee of the Chamber.

See Written Statement No. 65, Vol. IV., P. 224.

5807. The Chairman opened the proceedings by thanking the representatives of the Chamber of Commerce for the arrangements which had kindly been made for the Committee's accommodation during its visit to Cawnpore and for the use of the Chamber's hall.

5808. Sir Thomas Smith stated that the Upper India Chamber of Commerce is some 31 years old. It comprises 75 members, of whom about two-thirds are European firms and one-third Indian firms, both of which are represented upon the Committee of the Chamber.

5809. Turning to the written statement, the Chairman observed that the Chamber supports the management of railways in India on behalf of the State by companies having a share in the profits, making an exception, however, in the case of railways constructed for strategic purposes. Sir Thomas Smith agreed that it was obvious that several railways on the North-West Frontier would not have been built were it not for military requirements. He thought it would be better, if practicable, that these should be separated from the commercial parts of the North-West Railway, and that it would be desirable in any case for the accounts relating to the non-commercial portions of the line to be kept separate.

5810. Sir Thomas explained that, in urging that there is more elasticity in commercial than in State management, and that the history of State-managed railways—for instance, in Great Britain during and since the war—is not much to their credit, his idea was that the railways in the United Kingdom have been working at a loss since the Ministry of Transport took charge of them. The Chairman explained that there is really no State management in the United Kingdom as ordinarily understood. Although the State exercises a certain measure of control, in return for guaranteeing the companies' dividends, it does not give directions as to the management of the line in any sense, the companies alone being responsible for this; the State's share in the business extended, unfortunately, only to paying the bill. He noticed that the Chamber's

statement shows that they have always held the same opinion with regard to railway management. Sir Thomas Smith said that if the Chamber could have its way it would hand over the Oudh and Rohilkhand Railway to the East Indian Railway Company for working, in accordance with the ideas of the Mackay Committee, which recommended that the existing State-managed lines should be entrusted to companies. Mr. Shakespear observed, however, that the Chamber had looked on the Oudh and Rohilkhand Railway as a route competing with the East Indian Railway, and thus affording Cawnpore certain advantages. The witnesses agreed that, if they had to choose between merging the Oudh and Rohilkhand Railway in the East Indian Railway system as one combined State-managed line, and having it separately worked as a company's line, they would advise the adoption of the latter course.

5811. Mr. Shakespear stated that he would be disposed to recommend that the metre gauge section of the Eastern Bengal Railway might be made over to the Bengal and North-Western Railway Company, the broad gauge section being worked by a small independent railway company. In the case of the North-Western Railway, also, if practicable, they would like to see it managed by a company, being quite clear in their views in favour of company management as better than management by State.

5812. The Chairman drew attention to the fact that the bulk of Indian opinion, so far as it had been expressed to the Committee, is decidedly against anything in the nature of company management and in favour of direct State management. Sir Thomas Smith emphasised that under the Chamber's scheme Indians would be associated in the management of the railways. The Chamber disagreed, however, with the Indian opinion with regard to its preference for State management.

5813. The Chamber desired that the London Boards should eventually be transferred to India, and considered that there would be no difficulty in constituting boards of directors of sufficient strength in this country. With regard to this point, Sir Thomas said that he was not aware whether it would be practicable, for instance, to constitute two efficient boards of direction in such a place as Madras. He knew more about conditions in Calcutta and Bombay, and did not think that there would be difficulties in finding suitable boards in such places as these. The advantage of a local board would be that it would be composed of men on the spot and in touch with constantly changing conditions, who could move about on the railways and be cognisant at first hand of defects and able immediately to remedy them to the advantage of the public. A London board, on the other hand, must be greatly limited in their knowledge to what is disclosed in official reports, a system which at best must be unsatisfactory.

5814. The Chairman drew attention to the fact that, in the case of many of the guaranteed companies, the contracts have still long periods to run before they can be terminated. He observed that the Chamber of Commerce was in favour of a dual board system being introduced at once as an interim measure. He mentioned in this connection that the bulk of the capital of the Indian railway companies had been found by the Secretary of State, the companies' interests only being represented by the relatively small share capital of about £20,000,000, in addition to which there are about £40,000,000 debentures. He explained that the debentures are raised under the instructions of the Secretary of State, and though they bear the name of a particular railway company, they do not constitute a charge upon the railway system, nor is the money necessarily spent on the line whose name is used. Sir Thomas said that he understood that the companies had subscribed their share capital at the early stages of their existence, and had not since been allowed to increase it. The Chairman observed that this was correct, the companies' capital consisting in fact of two kinds—debentures over which the companies have no control, and share capital which has not been allowed to be increased. Sir Thomas agreed that it looked in the circumstances as though the companies in London could not be of much use in raising capital for the railways.

5815. On the other hand, the Chairman observed, they have a certain amount of capital already invested and are working under contracts which give them considerable independent powers of control and certain rights. He asked what inducement could be offered to such companies to hand over their powers for exercise by a separate board in India. Mr. Shakespear observed that he had known of a similar case of a big electric company domiciled in the United Kingdom; efforts had been made to have its domicile transferred to India and it was recognised that it would be necessary to give certain inducements to the shareholders and directors. The negotiations had not proved successful. One suggestion as to the form the inducement should take related to a bonus issue of shares. Taking the case of a railway company whose contract has many years to run, he agreed that it would be necessary to offer a substantial inducement to the existing shareholders to transfer the domicile of the company to India. He would be prepared to pay a reasonable price for this in view of the advantages upon which the Chamber of Commerce laid stress, and considered that it would be a question of striking a bargain with the shareholders. He thought that there is something to be said for the suggestion which had been made elsewhere to the Committee that the existing shareholders might be induced to accept the position of debenture-holders with a substantial return secured to them.

5816. The Chairman mentioned the case of the Bombay Electric Tramway Company, which was originally domiciled in the United Kingdom; in this case the Indian shareholders held from the outset a considerable part of the capital, and they subsequently bought up the bulk of the English shareholders' interests; the domicile of the company was then transferred to India by the wish of the majority of the shareholders. Mr. Shakespear explained that the case instanced by him was different, in that there were practically no Indian holdings in the stock of the company to which he referred.

5817. In reply to the Chairman, Mr. Shakespear stated that he thought that people in India who have money to invest would be attracted by Indian railway securities. He agreed that the English investors would not be willing to give up the whole of the administrative and executive functions and of the control of management to an Indian board as suggested in the Chamber's written statement, unless it were made clearly worth their while to do so.

5818. Asked what was meant by the suggestion of the Chamber of Commerce that the London boards should retain, in addition to their advisory function, the right of decision in matters of policy, Sir Thomas Smith explained that he thought that the London board would lay down the broad lines of policy for the guidance of the Indian board in addition to retaining definite authority to settle particular questions of importance. Mr. Shakespear agreed that in the event of a serious difference of opinion between the two boards on any question of policy, the only remedy would seem to be for the London board to dismiss the members of the Indian board. He agreed that really it came to this, that ultimately the London board must either manage the concern or not manage it. He thought they might delegate some of their powers, but clearly would have to retain the right to revoke these if they considered it necessary. He explained that, in putting forward their recommendations, the Chamber of Commerce had not really contemplated the case in which such dual control would last for a considerable period of years. They were thinking rather of a short interim period before the railways could be transferred to management by companies domiciled in India, and admitted that they did not think that the dual control system could work for a considerable period.

5819. In reply to Sir Arthur Anderson, who enquired what the Chamber's views were with regard to the possibility of the board in India attracting local capital, Mr. Shakespear said that he thought that it would be easier to obtain a transfer of the English capital to India. The Chairman remarked that he understood that, during the short transition period mentioned above, Indian capitalists would be gradually acquiring control.

5820. The Chairman enquired what importance should be attached to the statement which had been made to the Committee that if a board, for instance of the East Indian Railway Company, were located in Calcutta, the directors would be unwilling to travel long distances during the hot weather to attend Board meetings. Mr. Shakespear thought that the directors of railway companies would probably be enabled to travel with a certain amount of comfort, but admitted that there might be some difficulty. He thought, however, that this would be great only during, perhaps, the two hottest months of the year, May and June, and that the difficulty might be got over by circulating papers at such times rather than by calling meetings of the boards of directors.

5821. The Chairman asked what the witnesses' views would be with regard to the system of State management with the assistance of advisory boards at various important centres which might keep the management of the lines in touch with local opinion and requirements through their own officials. He was unwilling to contemplate such a scheme as suggested, as the Chamber is strongly in favour of management by companies and not by the State.

5822. With regard to the Railway Board, the Chamber had expressed the opinion that control by means of a Board is necessary; they would have a Board substantially as at present but much stronger. They considered that its status should be improved by making the Chairman a Member of the Executive Council of the Government of India. The railway management should also be relieved of detailed control by the Finance Department. The witnesses thought that there is much to be said in favour of the establishment of an Advisory Council at the Government of India's headquarters to assist the Minister to keep in touch with public requirements. Such a council would consist of representatives of various interests served by the railways and would advise the Minister in matters of policy. On the other side, the Minister would be assisted by a Board of expert railway officials to whom would be entrusted the day-to-day management and supervision of the railway system. The witnesses made it clear that they would approve of the institution of such an Advisory Council, which should have on it an adequate representation of commercial interests by means of nominees of the Chambers of Commerce or otherwise.

5823. With regard to railway finance, the Chairman observed that the opinions expressed by the Chamber of Commerce were generally in line with what had been stated elsewhere to the Committee. He observed that the Chamber is not satisfied with the present arrangement. Sir Thomas Smith agreed that the fundamental difficulty in the railway position is lack of money and believed that, if one part of the railway system is improved, it must in the present circumstances be at the cost of some other part. The Chamber was unwilling to express an opinion as to the best means by which the necessary money might be raised, but Sir Thomas Smith said that his personal view was that money could be obtained most cheaply by direct Government borrowing, and Mr. Shakespear agreed in this opinion. The Chairman mentioned that Lord Inchcape had stated that, as a man of business, he would raise money at any reasonable cost to improve the equipment of the existing lines, but would not in present market conditions borrow money for the construction of additional railways.

5824. Sir Thomas Smith emphasized the importance of bringing up the open lines to an adequate standard. He said that, in present financial conditions, he would advise that money should be raised only on short-term loans. Assuming this to be done, he thought that it would be necessary for Government to pay higher rates than they had hitherto done for money. Seeing that the Government of Bombay are paying 6½ per cent. free of income tax, for money contributed to the Bombay Development Loan, he thought it clear that the Government of India would have to raise their rates. He thought that men of business in India might be expected to subscribe to loans for railway purposes and would be prepared to put up the necessary money in consideration of the benefit to their businesses which would be ensured by the prospect of adequate railway facilities.

5825. With regard to subscriptions by Indians for railway purposes, Sir Thomas Smith referred to the depreciation of Government loans which had been contributed to whenever the rate of interest was raised for fresh borrowing. He observed that when Government issues a new loan giving a higher yield it must inevitably depreciate the market price of existing securities. He agreed, however, that there must in any case be a tendency for the price, say, of the 3½ per cent. paper, to drop even if Government were to issue no new loan, owing to the fact that money can secure a better return in other directions. He did not himself attach importance to the question of depreciation of Government loans, and agreed that there is really no question of breach of faith as appears to be thought by some of the less educated subscribers. The fall in the value of securities has been the same all over the world.

5826. Mr. Shakespear observed that the Marwari community were not likely to be attracted much by a railway loan as they generally prefer investments of a more speculative character. He mentioned that the Indian princes might be expected to contribute to a considerable extent, and thought that the investing habit is steadily growing on the part of the mass of the people. He referred to the large growth in the bank deposits. Sir Thomas Smith observed however, in this connection that people might be more reluctant to invest their money in a railway loan, as they would not be sure of getting back their money in full as they are in the case of deposits in banks.

5827. The Chamber were of opinion that, in view of the increased rates of interest which must be paid to attract new capital, it would be necessary to raise railway rates generally so as to prevent the railways from being a burden on the general tax-payer. Sir Thomas Smith said in this connection that he believed that the commercial public would be willing to pay substantially increased rates provided they were sure of prompt and certain delivery of their goods.

5828. Referring to the Chamber's opinion that trade has been fairly dealt with in the matter of rates by the railway administrations and its wish not to recommend any change in the existing system of control, Sir Thomas Smith said that he thought that the smaller people, equally with those represented by the Chamber of Commerce, would be satisfied that railways attend to them. He observed that the smaller men could secure representation of their interests through the Director of Industries in each province, the Director of Industries of the United Provinces being an affiliated member of the Chamber of Commerce.

5829. With regard to complaints of delays in the transport of goods, the Chairman referred to papers which had been placed at his disposal by a Member of the Chamber, which indicated that there had been serious complaints from 1919. Sir Thomas Smith mentioned that, although there had been occasional complaints at earlier dates, matters had only become serious in 1919. The Chamber of Commerce made a reference to Government on the subject in June, 1919, but it produced little effect. They wrote again in June, 1920, and got an answer in October of that year. On the 26th November, 1920, the Chamber had a conference with the Honourable Sir George Barnes and the Railway Board, since when there had been a most marked improvement in the time

taken in the transport of goods. This fact, Sir Thomas suggested, indicated that the delays were not wholly due to difficulties of finance, but might also be ascribed to the need for greater energy on the part of some of the railway staff. He admitted, however, in reply to Sir Arthur Anderson, that it might simply mean that some other community was suffering in consequence of the improved facilities given to the trade of Cawnpore. He had no definite information one way or the other on this point.

5830. Sir Thomas stated that, before the war, Cawnpore had quite a good railway service, receiving its goods normally from Calcutta in 8-9 days, and from Bombay in 11-12 days. In January, 1920, the average time taken in transport had risen to 14-15 days in the case of Calcutta, and about 24 days in that of Bombay. Since the conference with Sir George Barnes, the average times in transport had again been reduced to about 7-8 and 11-12 days respectively, practically half the time taken in 1920.

5831. He was disposed to agree that, from the point of view of traders, regularity of service was most important, and that the actual time occupied in transit is of less importance provided the delivery is regular. Sir Henry Ledgard observed that this could hardly be said of all commodities, as the time taken in transport affects the rapidity with which a trader can turn over his capital: for example, in the case of trade in piece-goods. He agreed that it was a matter of relatively less importance in the case of raw materials where the time taken in transport might, in any case, relatively be only a small fraction of the time occupied in manufacture.

5832. Sir Thomas Smith read figures indicating the wide fluctuations in the time taken in transport from the ports of Bombay and Calcutta to Cawnpore before and since the war, indicating that formerly there had been great variations on both sides of the average figure. These variations have now become smaller. Sir Thomas observed, in connection with delays in transport of goods, that he believed a good deal of the difficulty was due to disorganisation at the Calcutta port for which the railways were not responsible. He placed before the Committee figures relating to the time taken in transport of a large number of consignments to the Victoria Mills from Calcutta and Bombay respectively, which showed that, in the case of Calcutta consignments there had been noticeable delays, and also great variations in the periods taken during the journey, these contrasting unfavourably with the corresponding figures for traffic from Bombay in which there had been much less irregularity. He reviewed the reasons assigned by the railways in several instances for delays which had actually occurred to the Calcutta traffic, these in some cases being assigned to delays in getting through Cawnpore Junction on account of shortage of staff, a difficulty which was accentuated by a great amount of sickness among the shunting staff, and by shortage of labour. In other cases goods had been delayed in transit as a result of not being loaded in vans coming direct to Cawnpore. In other instances delays had occurred owing to congestion of traffic at Cawnpore and to the line being re-laid in the vicinity restricting the facility with which trains could be admitted into and passed out of the junction yard. In other cases delays had been due partly to congestion at the junctions and partly to loss of wagon labels. The Chairman observed that in each case some special reason could be adduced for the delay, but the fact appeared to be that little traffic got through without encountering some special difficulty.

5833. Sir Thomas Smith said he would not offer an opinion as to whether the improvement which had recently been introduced in the railway arrangements could be maintained during the approaching busy season. There had been a decided improvement since the conference with the Honourable the Commerce Member and the Railway Board.

5834. With regard to coal, Mr. Shakespear stated that he believed that Cawnpore generally was fairly well stocked. In his own mills stocks of coal would suffice for three weeks' consumption, and in the case of the Electric Company, which receives special preference in coal supplies, there is a month's stock in hand. He attributed the better position of Cawnpore to that of Calcutta in this matter to the fact that they had obtained their coal at an earlier date when it could be secured. Sir Thomas Smith observed that lately there had been a falling off in coal deliveries, and he thought that the mill managements are getting anxious on the subject. He understood that the shortage of coal is due to the inability of railways to meet the colliery indents for wagons, and not to shortage of coal at the collieries.

5835. With regard to restrictions in booking traffic, Mr. Shakespear mentioned that the sugar industry, for which he could speak specially, had been much hampered. It was a common practice for railways to shut down acceptance of goods perhaps for ten days together, giving no notice whatever to the trade. In this connection the Chairman referred to the complaints recently made by the representatives of the Rohilkhund and Kumaon and Bengal and North Western Railways against the Oudh and Rohilkhand and East Indian Railways which impose restrictions on the receipt of traffic from those lines. Mr. Shakespear said he was aware that difficulties had regularly occurred at Barabanki for many years at times of pressure. He observed that at that junction delays were mainly in the western bound traffic for the Punjab, the only alternative open to the traders being to bring their traffic round via Cawnpore on the metre gauge. He presumed the difficulty was that the railways have not got sufficient stock to carry the traffic. He knew that the transhipment facilities at Barabanki are good; he could not say whether the shortage of stock is due to actual dearth of wagons or to lack of facilities for moving them.

5836. Mr. Westwood, Traffic Manager of the Bengal and North Western Railway, who was present during the taking of the evidence, was interrogated on this subject by the Chairman. He stated that, if at Barabanki the broad gauge railways would supply daily 30 wagons, which would be enough to deal with 60 metre gauge wagon loads, there would not be very much trouble. The Bengal and North Western Railway also is treated exactly in the same way as the public, and is given no notice at all: at a moment's notice restrictions are imposed and it has to shut down until they are cancelled and it can again start booking. In a great many cases the Traffic Manager thought that warning could be given so as to enable the traders to get away their goods before the block came. The Chairman asked if this would not mean hastening the block. Mr. Shakespear said such a warning might enable the traders to stop purchases. He had known of cases of thousands of tons of tobacco lying exposed to the weather and being damaged owing to the inability of the railways to transport it. He thought it would be of decided advantage to the traders if the railways could give warning before imposing restrictions on booking as Mr. Westwood believed they could arrange to do.

5837. Questioned with regard to the adequacy of railway facilities prior to the war, Mr. Shakespear said that until some of its stock was taken for use in Mesopotamia the Bengal and North Western Railway was quite adequately equipped for its traffic. The service of the East Indian Railway also had been very good in the old days. The Great Indian Peninsular Railway, which had formerly a reputation of not giving very good service, had improved considerably. He was not of opinion that, so far as the transport of goods was concerned, there was any material difference between the standard of the Bengal and North Western Railway and the other railways serving Cawnpore. He thought that passengers are overcrowded on the metre gauge lines.

5838. Mr. Shakespear said that he thought that the B. & N.W. Railway Company had been extraordinarily

enterprising and had opened up the country in a very satisfactory manner. He thought that they managed things somewhat "on the cheap," but did not think that there was anything to complain of so far as related to the carriage of goods.

5839. Referring to the Board of Communications in the United Provinces, upon which the Upper India Chamber of Commerce has a representative, Mr Shakespear said that he would like to see similar Boards in other provinces. He thought that their introduction would be very useful. These Boards comprise representatives of commercial opinion, Government officers, and representatives of District Boards. He considered that these Boards should prove a very useful medium of communication between the people and the railway administration and expected that they would prove influential although not possessing direct powers of control over the railways.

5840. With regard to the desire of the R. & K. Railway Company to obtain access from Kasganj to Agra and Delhi in connection with which the Committee had been told that the United Provinces Government were in favour of the extensions but that the Government of India had taken exception to it, Sir Thomas Smith stated that the Chamber of Commerce had supported the company when the matter came before them some two or three years ago. The Chairman observed that the Government of India's objection was based on broad grounds of policy as they did not wish the metre gauge system to be developed to compete with the broad gauge system. Mr. Shakespear thought that the metre gauge should be encouraged to extend to effect connections with other metre gauge lines. It was at the instance of the Upper India Chamber of Commerce that the existing link of the B. & N.W. Railway from Lucknow to Cawnpore had been constructed. He thought that the metre gauge system had now gone so far that it was impracticable to prevent it from extending further. He thought that traders would be in favour of any extensions which improve communications, and was on the whole in favour of the R. & K. Railway Company being allowed to extend to Agra and Delhi as desired by them. He believed that the trade would always be in favour of the introduction of competitive routes from which they hoped to secure advantage.

5841. Questioned by Sir Henry Burt with regard to the owners' risk and company risk railway rates, Mr. Shakespear agreed that there is too great a difference between the quotations for the two classes of transport. He considered that the difference should only represent the value of the insurance, and that the true rate should be the normal railway rate, the owners' risk rate representing a concession granted in consideration of the consignors accepting a risk ordinarily borne by the railway administration.

5842. Having regard to the fact that if the existing English companies were to be bought out this would involve some £18,000,000 of Indian money being paid to the existing shareholders, Sir Thomas Smith said that he was decidedly in favour of devoting any money that could be raised at present to repairs and renewals and also to the improvement of railway facilities of the country. He did not think that it should be devoted to buying out the English companies until these more urgent matters had been attended to.

5843. In reply to Mr. Hiley, Sir Thomas Smith said that the Committee of the Chamber had been unanimously in favour of the view expressed in the written statement in favour of the management of Indian railways by companies and not by the State. It had not considered whether local Boards could be instituted so as to protect commercial interests on State Railways. Sir Thomas Smith was in favour of having Advisory Boards representing commercial interests and the general public. He would not say off-hand how these would be constituted, but thought that this would be largely determined by the sphere through which the line was running. He said that, if the Chamber's view in favour of company management in India did not prevail, and he had to choose between State management and management by companies domiciled in England, he would prefer the latter.

5844. Mr. Tuke drew attention to the observation in the Chamber's written statement that under the interim system of dual control, the Home Board would influence finance in the English markets and asked Sir Thomas how he would reconcile that with the opinion that money can be obtained most cheaply by a direct Government loan. Sir Thomas Smith explained that his view was that, if the companies could do anything to assist in the raising of money, they should do so. He thought, however, that it would be found that Government could obtain money cheapest by borrowing direct.

5845. In reply to Mr. Purshotamdas Thakurdas, Sir Thomas Smith stated that the constitution of the Committee of the Chamber of Commerce is not necessarily in the same proportion between Europeans and Indians as the membership of the Chamber. The Committee consists of six members who are elected by the Chamber plus three co-opted members to represent interests which would otherwise remain unrepresented. At the present time there is only one Indian on the body; he is a co-opted member.

5846. Mr. Purshotamdas drew attention to the possibility of the railways being administered under State control, but by a Board of Management corresponding generally to the Trustees appointed in the case of a Port Trust. Sir Thomas Smith said that the Chamber had not considered the possibility of adopting such a scheme as this, but he thought that if they had done so, their view would still be in favour of management by companies. He attached importance to the management being entrusted to people with a direct monetary interest in the success of the administration. He agreed that the railways are public utility concerns, but considered that the commercial aspect of their administration requires special attention. Mr. Purshotamdas urged that commercial considerations prevail in the case of the administration of Port Trusts to the extent of ensuring that they are required to pay their own way, and are administered in the interests of the community served by them, and that this community is represented on the managing body subject to Government control on broad lines. The matter was not pursued as Sir Thomas Smith said that his Committee had not considered the matter.

5847. Mr. Purshotamdas observed that the administration of the Ports had been found to be business-like, notwithstanding the absence of a direct monetary interest on the part of the trustees. In this connection Sir Thomas Smith referred to a recent resolution of the Chamber of Commerce condemning the arrangements at the Calcutta Port. He said that the Chamber knew more about the Calcutta Port than about that of Bombay and they had serious criticism with regard at least to the former.

5848. Mr. Purshotamdas observed that it would seem to follow from Sir Thomas Smith's view that the 1 per cent. or 5 per cent. interest of a guaranteed railway company in the concern which it administers must be too small. Sir Thomas Smith observed that in the written statement the Chamber had expressed the view that the share capital of the company should be enlarged. The Chamber had not considered the extent to which the interest of the company should be increased, but he thought, speaking off-hand, that it might advantageously be increased to 10 or 15 per cent. He explained that he did not contemplate the appointment of managing agents but that the Indian company should administer the railways with which it was concerned.

5849. Sir Thomas Smith said that he could offer no opinion as to terms that would be necessary to attract the subscription of additional share capital, having regard to the fact that when the existing main lines were bought out the Secretary of State

paid 20 or 25 per cent. premium, and that the shares now stand at a discount.

5850. Mr. Shakespear observed that there exists keen competition between the East Indian and the O. & R. Railways, and that in some cases block rates are quoted by railways to keep traffic on their own line. Mr. Purshotamdas suggested that it is unfair to the Indian tax-payer, who owns some 95 per cent. of the capital, that the managing companies, owning a relatively trifling share, should compete with each other. Sir Thomas thought that the minimum rates to some extent must limit competition of a detrimental character. He agreed, however, that in ordinary business if the same body of capitalists held 95 per cent. of the capital, for instance, of each of two mills, of which the remaining 5 per cent. was in each case owned by the separate managers, it was unlikely that they would allow the managers to compete and cut prices in competition with each other. Mr. Shakespear thought that possibly the Government of India might wish to see a certain amount of competition between railways in such circumstances to ensure both being kept up to a high standard. The Chairman observed that he did not think that the Indian railways at the present time under-cut each other in the quotation of rates and fares. Mr. Purshotamdas observed, however, that they maintain the competitive rates established as the result of competition in the past.

5851. Sir Henry Ledgard observed that in his opinion there is a certain difference between the cases of two mills which had been instanced and of the competition between railway companies in offering transport facilities to the public. In his view there might be many districts which had a large amount of produce, and if there were only a single route and a high rate nothing would be carried; but on the other hand, if there were two routes competing with each other and seeking to find a better market there would be a healthy competition. It would pay the railway to carry even at half or two thirds of the rate charged before, as a large volume of traffic at lower prices would be much more profitable than a scant traffic at higher rates. In that sense, railway competition was in his opinion necessary. The Chairman remarked that, if it was a question of reducing rates in order to make a bigger profit on a larger turnover that is quite a different thing; but that the point under discussion was one company reducing its rates in order to get traffic from the other.

5852. Mr. Purshotamdas referred to an instance quoted in the Imperial Legislative Council in 1912 by Sir Vithaldas Thackersey, who said that owing to the failure of the crop round about Delhi, when cotton had to be imported from Chandausi to both Delhi and Cawnpore, higher rates were quoted in the former case though the distance between Chandausi and Delhi was only half of that between Chandausi and Cawnpore. Sir Vithaldas inferred that the Upper India Chamber of Commerce at Cawnpore being mainly a European body had been able to secure specially favourable rates. Mr. Shakespear replied that in those days unequal rates were not uncommon, and that these instances are now becoming less and less. Sir Thomas Smith mentioned in this connection that the Indian Railway Conference Association Traffic Committee meets every year to go into questions of rates, and the public are afforded an opportunity of bringing to its notice all cases which they consider demand redress.

5853. Mr. Purshotamdas mentioned in connection with observations which had been made in reply to the Chairman regarding the unlikelihood of the Marwari community contributing to railway loans that these had been amongst the largest contributors to the war loans. Mr. Shakespear said that they recognised this, and appreciated the importance of the Marwari community in the business world. He said that they were, however, generally regarded as being more attracted by speculative investments. He agreed that if it were brought home to them that as shareholders in industrial concerns it would be to their advantage to ensure the prosperity of the railway system they might be expected to contribute to railway loans also.

FORTY-FOURTH DAY.

(Cawnpore).

Saturday, 19th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. E. R. POLE (*Assistant Secretary*).

Mr. B. N. CHOPRA, Assistant Secretary to the United Provinces Chamber of Commerce, and Mr. I. D. VARSHNIR, proprietor of the United Provinces Glass Works, Bahjoi (Moradabad district), a Member of the Chamber, were called, and examined upon a written statement which had been furnished to the Committee.

5854. Mr. Chopra informed the Committee that the Chamber, which is located in Cawnpore, was founded in 1914 and has a membership of 138. It is purely an Indian chamber, the members mostly being wholesale merchants, representatives of big broker firms or manufacturers. There are, in addition, about half a dozen landholders, but no retail traders. There are some members who are vakils, but more who are vakils and nothing else, all members being engaged directly or connected with commerce or industry. There are no European members in the Chamber at present, but the representatives of a few Indian firms were Europeans, such for example as the Indian Distillery Company, represented by Mr. J. W. Dixon, and the Canal Foundry and Engineering Works, Roorkee, represented by Mr. Wainwright. One

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European representing a public company was on the Committee. A few members of the Chamber were also members of the Upper India Chamber of Commerce.

5855. The committee of the Chamber had considered the questionnaire and appointed a sub-committee to furnish a written statement on lines indicated by the Chamber. There had been no time for the written statement when completed to be submitted to the Chamber for approval, but Mr. Chopra had no doubt that they would approve of it.

5856. Mr. Chopra said that the United Provinces Chamber of Commerce was of the opinion that railways owned by the State ought to be managed by the State directly, and not through companies. The Chamber did not base their preference for State management so much on their past experience of the relative merits or defects of both the systems, but because they expect that, under State management, Indian industries and public convenience would receive more attention, because the Government were becoming more responsible. In reply to the Chairman, Mr. Chopra agreed that he did not express his view in favour of State management on personal experience; his actual experience was that at present they were about the same, equally good or equally bad. The Chamber thought that it was better to have a Government that could be influenced by the people than a company which, in his opinion, could not be so influenced. The United Provinces Government has nothing to do with railways; it would be through the Legislative Assembly and the Council of State that any influence would have to be exercised at present.

5857. Referring to the written statement that the carrying capacity of the railways seemed to be adequate before the war, Mr. Chopra admitted that they had expected things to be bad during the war, and they had not grumbled or complained, but they expected them to be better after the war, and that as they were no better he considered there were good grounds for complaint. Asked as to what he thought the reason for the bad service, Mr. Chopra said that he did not understand the difficulties of the railways or of the Government of India, but he judged things by their results. He thought that the difficulties which the mercantile community had suffered during the war ought not to exist in present conditions, but all the same they did exist.

5858. Mr. Varshinie, replying to the Chairman as to whether with his plant working at full capacity he could turn out more bottles, considered he would have difficulty in doing so, but stated he was of opinion that traffic had not increased after the war, and that there was now not so much transhipment of grains, cotton, or jute, etc., The Chairman remarked that he was not aware of the conditions in Cawnpore, but it certainly was not so all over India, as there were figures to show that there has been a very great increase in traffic during and since the war. Mr. Varshinie said that he considered the railways should have kept abreast of their traffic and cope with the work they have in hand.

5859. Mr. Chopra agreed that, if the railways want more railway lines and more rolling stock to move along those lines, these could not be provided without money; but money was not the only consideration. In some cases better utilisation of the existing stock and better management all round was needed; in some others, of course, funds were necessary.

5860. Mr. Chopra admitted that the difficulties of dealing with traffic were just as bad on one line as on another. He agreed that the State has to find money for the companies' lines as well as for its own lines. Just before the war ended, the difficulties in the movement of traffic had arisen, not so much on account of very large increases in the general goods traffic, but on account of the fact of half the wagons being allotted to coal traffic which was formerly carried by coasting steamers. The Chairman agreed that this was one of the difficulties of the situation.

5861. Referring to the reasons urged by the Chamber in favour of State management, the Chairman observed that the principal one appeared to be that Indian opinion would have more influence with the State administrations than with the companies. Mr. Chopra said that the Chamber also laid very great stress on the second point, namely, that under State management the conveniences of the public and the interests of the industries and commerce of the country would have first consideration, while a company would naturally think more of higher dividends. He thought that the railways should not be considered purely as a commercial undertaking, and that the provision of efficient and cheap means of transport and communication was as much part of the duty of a civilised government as, for instance, education. So long as they do not bring a deficit and are self-supporting, and there is no wastage, there is nothing wrong with them.

5862. The Chairman drew attention to a statement that had been made to him that railway profits might be utilised for the general needs of the Government, such as education, etc. Mr. Chopra thought that the net revenue of the railways ought to be enough to pay the interest on the capital; if it were, more revenue should not be sought after at the expense of public convenience and by ignoring the interests of commerce and industry. If it were found necessary to raise freights to meet expenses, so long as it was in the interests of the public and of commerce and industry, he did not object. There should, of course, be no deficit. There was no objection to a profit being made, provided such profit was not made at the expense of the public. If in order to prevent a deficit, rates had to be put up he would agree, although he thought that there should not be any general increase until a clear deficit was proved. He agreed with the Chairman's summing up of the situation that he did not want to make a profit out of the railways for other uses; he would keep the railways as a separate concern, just balancing income and expenditure, neither making profit nor loss. In reply to the Chairman, the witness said he would like to see the East Indian Railway at the expiration of its contract, in 4 years' time, handed over to the State to be worked like, e.g., the Oudh and Rohilkhand Railway.

5863. Asked as to what he would do in the case of a railway like the B.B. & C.I., which has a long period of about 20 years of its contract yet to run, he said that were it not possible to determine the contract before, the company might be allowed to go on, but the Railway Board should insist on the reforms necessary in the public interests being introduced by the railway company so far as it is possible within the provisions of the contract the Government has made, he agreed that the company had a right to its side of the bargain being kept. He would not be inclined to cancel the contracts at once by offering compensation, etc., as had been suggested by some witnesses in Madras, but the Railway Board must be more active.

5864. Indians ought to be given a fair opportunity. He would not ask for an Indian to be appointed to a post that he was not competent to fill merely because he was an Indian, but if there were two equally qualified candidates for a post—one a European and the other an Indian—he would certainly ask for the appointment of the latter, because he thought it only fair that in his own country the Indian should have preference for a post he was competent to fill.

5865. Mr. Chopra quoted figures to show that, whereas on the N.W. Railway the total railway staff employed amounted to 109,751, there were only 1,986 Europeans and Anglo-Indians, whilst on the G.I.P. Railway, with a total staff of 105,534, there were as many as 2,855 Europeans and Anglo-Indians, which shows that the N.W. Railway—a State concern—employs more Indians in proportion, and is able to work with a less number of European staff. In reply to Mr. Hiley, the witness said that he had obtained these figures from the railway administration

reports. The Chairman said that there is no doubt that the State railways have a larger number of Indians upon them, but this must be partly due to the fact that they began to employ Indians at a much earlier period, the N.W. Railway having done so since 1892.

5866. Mr. Chopra pointed out that even admitting this, the companies did not start until they were actually instructed to do so. In reply to the Chairman, he said that he had no knowledge of the promise of the companies to employ more Indians, but was prepared to allow that they might fairly be attempting it now; but he could not say whether they would come up to the standard of the N.W. Railway in a few years' time. He still thought that better chances in this respect lay with State managed railways.

5867. In reply to Sir Henry Burt, who asked whether the figures quoted by Mr. Chopra did not refer only to subordinate staff, he said that he thought it referred to the total staff inclusive of officers. Sir Henry Ledgard pointed out that the figures quoted indicated the number of servants of all races employed in the railway system. Sir Henry Burt pointed out that the G.I.P. Railway has a more complicated working and might find it necessary therefore to have a larger number of Europeans than the N.W. Railway. The witness said he was not competent to express any opinion, but had given the figures for what they were worth. The Chairman mentioned that, in one instance, the Committee had figures to show that the N.W. Railway has 10 per cent. of the officer class of Indians whereas another had only 5 per cent., but that these conditions were changing. The witness said he was not sure but was prepared to take it from the Chairman that the position might be changing.

5868. Referring to the statement in the written evidence, Mr. Chopra laid special stress on the fact that control by the Railway Board has not given satisfaction in the past, and said that he wanted better control in reference to those matters in which the public is specially interested. He admitted he was not concerned with locomotive boilers being in good condition or signals being provided, and he agreed that looking after locomotive boilers and things of that kind were technical questions and he did not wish representatives of the public to interfere in regard to these, but with regard to the statement that many longstanding grievances of the travelling public and the commercial community, remain unattended to, he laid stress on control from the public point of view.

5869. He was of opinion that it would be useful to have a Railway Council that would represent commerce, travelling public, agriculture, etc. The formation of a Central Advisory Board at the headquarters of the Government of India to help the Railway Board together with provincial Advisory Boards at the headquarters of each province would meet with his approval. He was of opinion that the position of these Advisory Boards should be analogous to that of the existing Boards of Industries in the various provinces which advise Government on broad matters of policy but do not enter into technicalities. Asked by the Chairman who would represent the interests of the 3rd class passengers, Mr. Chopra said that he would leave it to the Government of India to nominate one or two non-official public men to the Central Board, and to the provincial Governments to nominate to the provincial Boards. The Servants of India Society might represent passenger interests, and Chambers would furnish members for representing commerce.

5870. Mr. Hiley asked Mr. Chopra if he would kindly explain for the information of the Committee the constitution of the provincial Boards of Industries. The witness explained that the Boards had official and non-official representatives. The Local Government very freely consult these Boards and gives them some powers in regard to expenditure and making general recommendations in matters of industrial policy. The Director of Industries in each province is an ex-officio member of the Board and the executive officer to carry out the recommendations of the Board. The provincial Legislative Council allots in the budget a certain amount for the encouragement of industries and the apportionment of this amount is made by the Provincial Department of Industries on the advice of the Board.

5871. Mr. Varshinie said that he is a member of the Board of Industries in Cawnpore. The Board generally sits every month at its headquarters, sometimes meetings are also held in Lucknow, Allahabad, etc. An agenda of the subjects for discussion is prepared and circulated to members before the meeting. The Board does not meet at regular intervals; but if there is anything important a member can ask for a special meeting to consider it. They meet all the year round. The members are not paid but their travelling expenses are paid by the Board. Mr. Chopra said that he had experienced no difficulty in the hot weather in travelling long distances. He thought a member would travel from Madras to Delhi even in the hottest month of the year if the subject to be discussed was important enough.

5872. With reference to the statement made in the written evidence that more effective check on corrupt practices of subordinate staff was needed the Chairman asked what remedies Mr. Chopra would suggest. The witness said that it has been admitted that corrupt practices exist and complaints have also been made; he did not think that it was part of the business of the Chamber to say how it should be stopped, but he thought it was for the Railway Board to discover some effective check. He referred to the evidence tendered to the Railway Committee by several witnesses and pointed out that even agents of railways have admitted that corrupt practices do exist. Sir Arthur Anderson asked what the witness would say to the suggestion that the Chamber of Commerce should resolve among their members not to offer anything in the form of bribes. Mr. Chopra did not consider that this was practicable and cited the case of an individual who might have a very big consignment to be despatched of goods which he had already contracted to be delivered within a particular time and finds that he could only avoid a very heavy loss by paying a few rupees to the clerk-in-charge at the railway station to despatch his goods promptly. Mr. Chopra thought that very high morality could not be expected from the consignor in such cases. He admitted that the proper course would be to refuse payment, carry the matter to the Railway Board and insist on reform, but in the meanwhile the consignor would suffer and therefore the temptation was to offer a few rupees rather than suffer losses. He would be quite ready to refuse to pay if he could trust his neighbour to refuse also; moreover, they had little faith in their complaints being attended to by the authorities. Mr. Varshinie said that he had heard of cases in which Rs. 500/- have been paid for a wagon for conveyance of grain, but the Chairman asked whether Rs. 500/- per wagon could be correct in the case of grain.

5873. Mr. Chopra said he had heard of one merchant who had even paid Rs. 800/- for a wagon to get his sugar moved. Sir Henry Ledgard did not think that this was so high as to absorb the merchant's entire profit as it only worked out at Rs. 2/- per maund and he explained that, as there were wild fluctuations in the price of sugar—30-90 per cent. formerly and 15-30 per cent. at present—it was quite possible that such a big sum might have been offered. The witness had only heard of it and he generalised that the amount depended upon the profits to be realised. A fresh addition of wagons would only partly solve the difficulty and would not go to the root of the matter. It might be that the staff are not paid well, but there could be no ignoring the fact that they are accustomed to it and would still expect it and the merchants did not object to paying, if necessary, a small sum.

5874. The Chairman observed that, as regards better service for 3rd class passengers, Mr. Hindley, Agent of the East Indian Railway, had submitted to the Committee that the Railway Board would not sanction any expenditure which does not help to move traffic. The witness said that this argument could hardly be used against the provision of water in inter-class lavatories. Formerly there used to be a good supply of water in the E. I. Railway coaches, and later there were pipes but no water, and now even the pipes have been removed. It was much the same in other railways, State included, although Mr. Varshinie thought the O. & R. a little better in this respect. Provision of water for flushing the lavatories provided in the coaches is essential and more so in mail trains which sometimes do not stop for an hour or two. Sir Arthur Anderson stated it was possible that the passengers did not turn the water off after use, but Mr. Chopra did not agree and said he thought that it was a case of the railway not taking the trouble to fill the tank as the provision of water could not be much expense.

5875. On the subject of transfer of a part of control from the central to the provincial Governments, the Chairman pointed out that under the Government of India Act "Railways" was entirely a central subject. The witness realised that no powers could be given to Provincial Governments in respect of trunk lines, but considered that the administration of branch and feeder lines should be handed over to them. The Chairman explained that, in countries like Canada and South Africa, the whole control of railways was vested in the Central Government, and in the United States of America, which has a vastly larger mileage of railway than India, the control of rates and finance has just been taken away from the States, and given to the Central Government, and asked whether it was not "local advice" instead of "local control" that the witness really wanted. He also drew attention to the difficulty that might arise, as for example by the construction of competing metre and narrow gauge lines alongside a main line, if provinces had powers in regard to branches and feeders, and instanced as an example the broad and metre gauge lines running parallel between Lucknow and Cawnpore. The witness said if control must remain with the Central Government details should be arranged by the Provincial Governments. The Chairman enquired whether he would desire to encourage companies to build branch and feeder lines in order to relieve Government from difficulty by raising capital. Mr. Chopra replied that, if Government had the money, he personally would certainly prefer the State constructing them; but if not possible, sooner than go without such lines he would encourage companies to construct them.

5876. The witness considered that as much capital as possible should be raised in India. It would be difficult to say how much could be got. He thought that, whilst the rate of interest is so high, railways which cannot afford to pay higher dividends cannot raise capital from the classes who invest in industries that would pay 10 per cent. and even 20 per cent., as against railways which, at the most, yield 5 per cent. *Per contra* there were considerable deposits in banks, though the interest offered was only 3-3½ per cent. and 4 per cent. respectively. The witness mentioned in this connection that the Bank of England does not pay anything at all by way of interest on deposits but Mr. Tuke informed him that there was no such thing as "fixed deposits" in the Bank of England. The Chairman referred to Sir Thomas Smith's evidence on the previous day that business men would be willing to subscribe to railway loans, as the prosperity of their businesses and industries depended upon quick transport. The witness, however, said he could not endorse this view. There are people who would prefer to put in money in one concern and not in another and even as regards his own Chamber, he did not think that its members would be ready to subscribe to railway issues simply because an efficient railway service is essential for the success of their business.

5877. Mr. Varshinie thought there were manufacturers and merchants in their Chamber who would prefer to put their money in safe investments such as railways. There was no doubt that generally the habit of investing is growing in India, though slowly; but Mr. Chopra thought it would be difficult to raise in India all the money required for railway development. The terms of branch line companies might, he said, be made more attractive.

5878. With reference to the promotion of feeder and branch lines by local boards, the witness said that the district boards in Madras might be richer than the district boards in the United Provinces. He did not think that the latter have any powers either to levy a railway cess or to promote such railways. He was not a member of the Board of Communications, but from the proceedings of the two or three meetings of the Board which he had read, he could not recollect that the subject of powers being given to district boards in these directions had been raised in the Board's discussions.

5879. As regards inequitable rates, the Chairman asked whether low rates for cotton to Bombay were really "favourable export rates," as a good deal of the cotton is not for export but for local consumption. The witness thought that the Bombay mills are fortunate, and instanced other differences in rates.

5880. The Chairman suggested that, in regard to the differences in rates between Delhi to Calcutta and Bombay (which is at an equal distance from Delhi) on the one hand and from Delhi to Ahmedabad on the other, the East Indian Railway might have made a low rate to Calcutta on account of competition by water and this forced down the Delhi-Bombay rate; such competition is absent between Delhi and Ahmedabad. The witness considered that, if railways were all State managed, uniform rates could be introduced. He was prepared to admit, however, that the Prussian State Railways did not have uniform rates.

5881. Mr. Chopra referred to the rates to the ports for cotton yarn being twice as much as for raw cotton, and considered it undue preference. The Chairman, however, observed that universally it was the principle to charge a higher rate on the more valuable article, but Mr. Chopra stated that he considered it did not encourage industries, and if the Railway Board had regard for the indigenous manufactures of the country they would see that the rates were more favourable for these. The Industrial Commission came to the conclusion that railway rates are so framed as to favour the movement of raw material to, and the conveyance of manufactured goods from, the ports. Mr. Varshinie said that he remembered sending a big sample parcel of raw wool and another of woollen cloths, and the charge for their conveyance was the same in each case in Japan; he promised the Chairman to look up his files and to let the Committee have details. The Chairman remarked that, if so, Japan must be the only country where such practice obtains.

5882. The difference in rates from Delhi to Howrah and Delhi to Chunar, to which Mr. Chopra drew attention, the Committee thought might be due to the smaller amount of grain conveyed to the latter place, and Sir Henry Ledgard suggested that if a low rate is wrong the alternative would be not to reduce the higher rate but to raise the lower. The witness agreed to this, observing that it was fairness that he demanded. He did not think that if there was a flour mill at Chunar the Railway would assist it with special rates.

5883. Mr. Chopra further stated that from Delhi to Howrah, 903 miles, it cost Rs. -/7/6, or ·095, per maund per mile, whilst from Delhi to Chunar, a distance of 465 miles, the rate is Rs. -/6/3, *i.e.* double, in other words the railway charges Rs. -/6/3 for 465 miles, but will transport the goods 438 miles

further for only Rs. -/1/3; and that the rates were:—

		Rs.	a.	p.
For raw hides:—				
Delhi to Howrah (903 miles)	...	0	7	6
Cawnpore to Howrah (623 miles)	...	0	5	3
Delhi to Cawnpore (271 miles)	...	0	5	8
For cotton seed:—				
Broach to Navsari (58 miles)	...	0	2	3
Broach to Bombay (205 miles)	...	0	1	9

He thought these were glaring examples of unequitable rates.

5884. The Chairman asked the witness's views on the constitution of a Tribunal to deal specially with rates, say an impartial chairman, not a railway man, one or two representatives of the trade and one or two representatives of the railway interest. The witness favoured such a suggestion, but the Tribunal should fairly represent the Indian commercial and industrial community, and its decisions should be loyally accepted by the railway. The Railway Commission provided for in the Railway Act existed only on paper and had never sat.

5885. In reply to Mr. Purshotamdas the witness said that the United Provinces Chamber of Commerce was established in 1914, and it is now seven years since it came into existence. Before that there was only one Chamber for both Indians and Europeans. This always claimed to represent both the Indian and the European points of view, but it was found that in certain matters these interests clashed. These were the reasons why a new Chamber was started. The Chairman asked how there could be a clash of interests between the Indian and the European industrial undertakings, and wanted the witness to mention specific points on which the Indians took a different line. The witness stated that the members of the United Provinces Chamber of Commerce were mostly commercial firms, though its membership included industrialists also. He could not specify the points of difference as desired by the Chairman. At this stage he said that he would give a brief history of the Chamber. The establishment of the United Provinces Chamber was not due to any particular dispute or difference of opinion, but was in response to the recommendation of the Provincial Industrial Conference of 1913, which met at Fyzabad, that there should be an Indian Chamber of Commerce to represent the purely Indian point of view. There are some Indian members in the Upper India Chamber of Commerce. He was not sure whether at the beginning the Indian and the European members were half and half or very close to it, but his impression was that the former were very much less than the latter.

5886. The Chamber had written many times to the railways concerned—the Oudh and Rohilkhand and the East Indian Railways—drawing attention to the existence of corruption and preferential treatment. They usually reply that the matter is receiving consideration, but nothing results therefrom. In a few cases specific instances were called for which it was impossible to give. The Chamber, however, put before the railways facts which definitely proved bribery, as, for instance, the refusal to accept the goods of a man who had brought them earlier than another and the acceptance of those of the latter for despatch. They had also approached the Government Controller of Traffic, but he had replied that it was all due to congestion.

5887. In answer to Mr. Hiley, the witness explained that during the war each railway notified that such and such a section of such and such railway would be open for such and such traffic, and, on getting that notice, merchants sent their representatives with their goods to the railway station. Merchants did not know what accommodation would be available, and they took their chance when they sent their goods to the railway station. In case of wagon loads a formal application for the number of wagons required was made before the goods were despatched to the station accompanied by consignment notes. In any case money had to be paid, and it was frequently the case that a man applying for half a wagon was served before another who had applied earlier for a full wagon.

5888. In reply to Mr. Hiley, who asked if it was the practice for a merchant to apply in advance for wagons, Mr. Chopra said the goods were sent down and took their chance, but because of the congestion in the yards goods had often to be brought back to the merchants' godowns because the companies do not take any responsibility for goods left on their premises. Mr. Varshinie said that the practice among the merchants in Cawnpore, when they wanted to send a full wagon load, was to send a consignment note to the stationmaster, who recorded it in a special book, and asked the merchant to wait for the wagon. But often when there was a great rush of traffic he took the consignment notes from the merchants, did not enter them in his book, but kept them separately, and afterwards he who paid the station staff highest would get his consignment entered and wagon supplied. Mr. Hiley suggested that if applications for full wagon loads were entered in order, and placed in a conspicuous place, this would get over the difficulty of preferential treatment.

5889. In answer to Sir Henry Burt, Mr. Chopra said that as far as he was aware there was no priority register in Cawnpore on the Oudh and Rohilkhand and Bengal and North-Western Railways, in which the merchants themselves were requested to write down their requirements. Mr. Wood, district traffic superintendent, B.B. and C.I. Railway, who happened to be present, explained to the Committee that at every station on the B.B. and C.I. Railway there was a priority register, and that when a consignment came it was entered straightway and a consecutive number given. The applications are always consecutively numbered, and the order must be adhered to. The book is open to public inspection and is kept by the stationmaster. The consignor himself does not enter his requirements, but he can always see the document and satisfy himself what the position is. Mr. Varshinie had never heard of this book, and Mr. Chopra remarked that in Cawnpore the stationmaster had never shown that book to anybody else. Sir Henry Burt observed that it was very difficult to understand how, if the priority system existed, preferential treatment was going on. When this register was first started the public were informed of the use to which the document could be put. Mr. Purshotamdas said that very few merchants knew of the existence of this register. Mr. Ryan, secretary, Upper India Chamber of Commerce, who was present, submitted that most of the merchants did their despatching through brokers, and that one broker probably acted for as many as a dozen merchants. His view was that the facilities were so poor that there was not the slightest hope of obtaining information in advance, and the goods have to go to the station and wait their chance.

5890. The Chairman asked, supposing there was a register, and A was given a number before B, how it would be possible for the stationmaster to put B's goods in front of A without A making a complaint. Mr. Chopra explained that the merchants did not know that they had a right to have their request for a wagon entered in a book in their presence. The brokers who did the business for their merchants have to deal with the railway servants every day, and do not like to offend them. In this connection Mr. Chopra explained another difficulty which the merchants often experience. They generally get notice that such and such line will be open for such and such traffic on a certain day. The merchants send their goods and incur all the expenses of cartage, etc., and when the goods reach the station they find that the previous programme has been cancelled. The Chairman observed that this was altogether outside the powers of the stationmaster. Mr. Chopra agreed, but said that almost every third day the railway authorities changed their programme. The United Provinces Chamber represented the matter very strongly to the O. and R. Railway.

All that they wanted was that a programme should be determined upon at least one week in advance and acted up to. Mr. Chopra promised, at the suggestion of Mr. Purshotamdas, to find out for the information of the Committee whether at the various stations in Cawnpore there was any priority register in use.

5891. Questioned by Mr. Hiley, Mr. Wood then explained that there was no priority register kept in Cawnpore. Some time back they had this, but it was found to work unsatisfactorily, Cawnpore being too big a place and the goods being brought in too great a rush. Referring to Mr. Chopra's remarks on the closing of the line for certain traffic Mr. Wood said the custom was to open for certain classes of traffic on a certain day, and after that was worked off to open again for another class, and the rushes of traffic consequent thereon were very difficult to deal with. Mr. Hiley pointed out that still there should be method even in a rush. The Chairman summed up the position by saying that apparently there was not a priority register at Cawnpore, the reason given being that it is too big a station, and remarked that it is a pity that where the complication is worse, the machinery should also be worse.

5892. In answer to Mr. Purshotamdas, Mr. Chopra said that his Chamber had no preference either for State managed or company managed railways, as they had been managed till now. As a first step towards introducing popular administration, Provincial Boards should be constituted at various trade centres, and also a central Board at headquarters. Both these Boards would be only advisory in character. The Railway Board ought to be strengthened by the appointment of two more members, one for Commerce and the other for Industries. He would not put a limit to the number of experts which might be put on the Board, which would really be an Executive Board.

5893. Mr. Chopra recognised, in replying to Mr. Tuke, that one of the great difficulties now experienced by railways was want of money. This was to a large extent occasioned by the revenues of the railways being mixed up with the general budget of the country. Though he did not feel competent to say anything authoritatively on the point, he would have no objection to the railway finance being kept separate from the general finances of the country. He could not say whether it would be an advantage, as he had not gone deeply into that question. New money must be raised only by a Government loan, which would have to carry an interest of not less than 6 per cent. and which should therefore attract capital now deposited in banks. The interest that banks pay in Cawnpore on fixed deposits is from 4 to 5½ per cent. according to the period of notice.

5894. Referring to the constitution of the Boards of Industries and Communications, Mr. Chopra in reply to Mr. Hiley said that on the Board of Communications, both the Upper India Chamber of Commerce and the United Provinces Chamber of Commerce are represented by a member each, and on the Board of Industries, the former is represented by three members and the latter by two. There are also some officials who are ex-officio members of both and a few others who are nominated by Government. One was interested in industries and the other in communications. Though both were interested in each other, they did not overlap; nor did they combine their functions anywhere.

5895. In reply to Sir Henry Burt, Mr. Chopra said that in 1918 his Chamber sent out a circular to all firms including railway companies, inviting them to become members of the Chamber. No reply had been received from the Railway administrations; but on the suggestion of the Chairman he would send to them a special invitation.

5896. Sir Henry Burt ascertained from Mr. Wood that the practice in Cawnpore is that the goods shed is open for goods going in a definite direction at certain specific times. When the goods are received in the station they are first sorted, as consignments are usually brought down in two or three different carts, and the railway receipt is not given until after sorting and consignment is completed. If the goods came down in complete consignments the receipt could be given straight away. The witnesses said that they had not complained of the delay in granting railway receipts but that their complaint was that receipts were not given before the goods had actually been loaded in wagons. While the goods were lying at the station, sometimes for weeks, they were not supposed to have been accepted by the railway authorities; the witness thought that, when the goods are brought into the station and facilities are not sufficient to take over the consignments at once, the railways should intimate to the merchants their exact position as to likelihood of despatch, particularly as there was no document to show that the goods were lying on the station platform.

5897. With regard to the charges of demanding bribes by the railway staff for wagons, Sir Arthur Anderson asked how, if the members of the Chamber decline to come forward and give some definite examples, it would be possible for the railways to put a stop to this malpractice. Mr. Chopra said that as he had already pointed out, when a merchant found that he was going to suffer a heavy loss if he did not pay what was demanded of him, he would generally pay. After having paid, he could not come forward and say that he had paid, as he was liable to be criminally prosecuted, for it was as much a crime to pay as to receive. That was the real difficulty. If the merchants were on the other hand sure that their complaints would be sympathetically considered and more quickly attended to, they might refuse to pay, but as conditions were they knew that any complaint made to the railway authorities or to the Railway Board was hardly ever attended to. Mr. Chopra believed that if the authorities, who must be fully conversant with the state of affairs, were more watchful and introduced a more effective check this could be stopped, if not entirely, at least to a large extent.

5898. In reply to the Chairman, Mr. Chopra said that hitherto no active steps had been taken by the railway administration at Cawnpore to put a stop to this system. One reason why no investigation had been made was the fact that the evil was not confined to the subordinate staff but had spread a little further up, though he was not prepared to say how far that had gone. Sir Arthur Anderson asked whether the United Provinces Chamber of Commerce or any member of that body had ever made any definite charge against any one man. Mr. Chopra said that some of their members had once made a complaint to the District Traffic Manager, Cawnpore, and given the name of the person who had been taking bribes, but this was not done in writing. The moment this was put in writing the railway authorities would turn round and say that this was a serious allegation against a public servant, which must be proved in a Court of Law.

5899. The Chairman said that the members representing the Upper India Chamber of Commerce told the Committee that there had been a marked improvement in the service to the public since the meeting with the representatives of the Railway Board last November, and enquired what had been the experience of the United Provinces Chamber. Mr. Chopra said that the traffic from Calcutta which had often taken about three weeks was now coming in nine or ten days. Since November there had been an appreciable improvement though he would not call it "considerable."

FORTY-FIFTH DAY.

(Lucknow).

Tuesday, 22nd February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., O.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. A. C. VERRIERES, Joint Secretary to the Government of the United Provinces in the Public Works Department, and Mr. H. G. BILLSON, Chief Conservator of Forests, United Provinces, were called and examined upon a written statement which had been furnished to the Committee.

Written Statement No. 87, Vol. IV., p. 227.

5900. Mr. Verrieres said that he would express the views of the United Provinces Government broadly. The written statement had been drawn up under the orders of His Excellency the Governor acting with his Council and Ministers. The opinions of the Government were divided regarding the desirability of State management *versus* the existing system of management by companies on a profitsharing basis. His Excellency and the Finance Member were in favour of company management under certain conditions, while the Home Member and the Ministers were in favour of State management; but all are unanimous in holding that any companies managing railways should be domiciled in India. The Government had not expressed an opinion as to the process by which an English domiciled company could be turned into an Indian domiciled one. The natural process would be to raise more company's capital in India until the rupee capital was large enough to dominate the company.

5901. The Chairman observed that this would imply a very definite transition at some point, and also the English company's consent to issue rupee capital having equal voting rights. Mr. Verrieres agreed that the company would first have to accept the subscription of rupee capital. He said that one opinion expressed certainly was that when the rupee capital outbalances the starting capital, the shareholders would vote for transference to India. This was in his opinion the only way in which the process could be carried out.

5902. The Chairman asked what the opinion of the Government would be, if the transfer of the domicile of the existing company to India were found to be impracticable. Mr. Verrieres said that he had heard the opinion expressed that there would be no objection to a dual system of control, that is, to a company having Boards of Directors in England to deal with matters of general policy, the Indian Directorate being in touch with Indian conditions and dealing with the details of management. The Chairman said that it would be impossible to serve two masters. Mr. Verrieres agreed that it would be difficult to demarcate the spheres of the two Boards; he said that he did not think the Local Government had any very strong views on the subject. Assuming it to be impossible to transfer the domicile to India and also impossible to draw a frontier between the suggested English and Indian Boards, the witness thought that His Excellency the Governor would prefer the retention of companies with an English domicile, that is, anything rather than direct State management. His Excellency had endorsed the opinion of Lord Meston who, when Lieutenant Governor of the United Provinces, had distinctly stated that certain lines must be managed by the State for strategic reasons, and that the rest should be entrusted to companies.

5903. The Chairman observed that under existing conditions the powers of the railway companies are greatly restricted. They cannot, for example, spend either on capital or revenue account without the permission of the Government; they cannot add to their staff or raise new capital without permission. They can alter rates and fares only within limits prescribed by Government, who also lay down the classification of goods. It appeared, however, from the written statement that the Government of the United Provinces desire further to restrict the liberty of the companies, that is that their already small degree of freedom should be further circumscribed. The Chairman observed that, if this were done, little was left to the company's independent discretion. The witness admitted that as a matter of fact this appeared to be the case.

5904. The United Provinces Government had expressed the opinion that railway finance should be separated from the general finances of the country. The Chairman observed that this opinion had been expressed by most of the witnesses who had been examined by the Committee.

5905. They also desired that there should be a Railway Member of the Governor General's Executive Council who should be the President of the Railway Board, and who should be a Member for Communications generally with perhaps Irrigation thrown in. Mr. Verrieres explained that "Irrigation" is dealt with by the Government of India in the Public Works Department which has a special Secretary for it. It is a "Central" subject under the Government of India Act, but the Imperial Government generally employs the local Governments as its agents to do the actual work. If the Railway Member of the Viceroy's Council were in charge of Irrigation he would not have any executive work to do in connection with it. It had been thought that the railway work alone would not occupy the whole time of a Member, and it was for this reason that general communications which included roads and bridges (but not posts and telegraphs) were added. The Chairman remarked that he believed that the gross revenue of railways is as big as the whole of the other gross revenues of the Government of India put together, and if so it would seem as if a single Member of Council should have enough to do in charge of the railways.

5906. Referring to the statement in the written evidence that of the four members proposed for the Railway Board one should be a representative of the

taxpayers, Mr. Verrieres said that he thought that this Member would deal with rates and fares and generally with matters affecting the convenience of passengers. He agreed that rates and fares could not be dealt with merely by a gentleman who had the taxpayers' interests at heart, but that a technical man of some kind would be required. The idea was that the member proposed would ventilate the grievances of the public. After further discussion, he agreed that there were two different sides to the Railway Board; on the one hand, technical, executive or administrative control; and on the other hand, representation of public opinion. He would have no objection to the establishment of an executive body of wholetime officers on the one hand, and on the other an Advisory Council representing the public. The Chairman suggested that instead of one Indian member of the Railway Board as proposed by the Government (and particularly as Indians with the necessary qualifications for technical work might not immediately be forthcoming) it would be preferable to have several representatives of Indian opinion on the Advisory council. Mr. Verrieres felt that he was bound by His Excellency the Governor's opinion in favour of a small Board including at least one Indian Member, but he personally thought that the Chairman's alternative suggestion of having an executive body chosen for technical qualifications only and without regard to race and a separate representative Advisory Council would meet the case.

5907. With reference to the observation made in the written statement that the railway administrations have not always used their powers in fixing rates for goods in the interests of Indian industries, Mr. Verrieres explained that this observation was put in at the instance of the Member for Education and Industries, who was of opinion that the powers delegated to the railway administrations as regards rates and fares had not been wisely used in the interests of local industries. He believed that too much consideration had been given to the reduction of freight on imported goods and to the export of raw material, to the detriment of indigenous industries. He was not able to quote specific instances, but the United Provinces Chamber of Commerce had drawn attention to the fact that this point had been brought to the notice of Government year after year by the Indian Industrial Conference, and the allegations had never been refuted. Mr. Verrieres thought that an advisory council would be a convenient way of keeping the Railway Board constantly in touch with complaints of this kind. So far no advantage had been taken of the machinery provided by the Indian Railways Act, 1890, to appoint Railway Commissions. The Chairman observed that the machinery provided by the Act is practically unworkable, and asked what the witness would think of a suggestion for the appointment of a tribunal consisting of railway men on one side and commercial men on the other, with an impartial chairman, to which body questions affecting rates and fares could be referred. Mr. Verrieres thought that this would meet the case.

5908. Referring to the statement in the written evidence that the local Government should have a more effective voice than at present in the administration of railways within its territorial jurisdiction, etc., Mr. Verrieres said he would not go so far as to suggest that this should be procured by special legislation, upsetting the existing arrangement under which the administration of railways is a central subject of Government. He had merely in view the indifference of the Railway Board to the recommendations made by the local Government. He mentioned, for instance, that the construction of several branch lines had been suggested to the Railway Board, but that absolutely no action had been taken by the Board year after year. The Chairman observed that, even if the United Provinces Government were represented on the suggested railway council, it ought not to get more than a fair share of what is going round, but it would at least have an opportunity of pressing its case for a fair share. Mr. Verrieres said that it remained to be seen whether that would be effective.

5909. Mr. Verrieres said that he did not suggest that there had been enough money to provide for all wants; and, in reply to Sir Arthur Anderson, he agreed that, so long as there was no money, it was no use representing their needs.

5910. Mr. Verrieres stated that there had been a lot of discussion about the collection of the pilgrim tax, which is a tax collected to provide for sanitation, etc. So far as his recollection went, the Oudh and Rohilkhand Railway were perfectly willing to collect, but the railway companies had raised objections. In reply to Henry Burt, he admitted that this question had assumed importance only recently.

5911. Sir Henry Burt explained the reason which had led the companies to object to their being called upon to collect the tax, and pointed out that extensive arrangements had been made for the accommodation of passengers at pilgrim centres. At present a pilgrim tax of 1 anna per head is collected only on passengers booking to Hardwar and Benares, and the proposal is that this tax should be doubled and collected for all the important pilgrim centres in the province. It was feared that in order to evade the higher tax the pilgrims would book short of the pilgrim centres, and that if that happened to any great extent it would result in the railway being put to the expense of providing further accommodation at other stations. Sir Henry Burt said that he had discussed the whole question that morning with Mr. Blunt, the Financial Secretary, and that Mr. Blunt has recognised that the views held by the companies deserved the fullest consideration, and he thought it would be fair to both sides if the new scheme was introduced tentatively only in the first instance and the effect on the traffic recorded. Sir Henry Burt further explained that there was a question of collecting this tax at Muttra, which is a pilgrim centre on the Bombay Baroda and Central India Railway; and that the Company had objected unless, in order to avoid accounting difficulties, it could be arranged that the tax should be levied at Muttra only on outward tickets issued at that station. Mr. Verrieres said that he appreciated the difficulties of the situation, but explained that the local Government felt that they have not been listened to, and that their proposals are thrown out without consideration. He did not now refer to the particular case of the pilgrim tax, but was making a general statement. He thought, however, that to remedy this state of affairs, the advisory committee suggested by the Chairman would be useful. He thought that the representations of Government are attended to with more consideration on the State railway than on companies' lines.

5912. The Chairman referred to the subject of bribery of railway servants in connection with the supply of wagons. Mr. Verrieres read for the information of the Committee a letter dated the 18th January, 1921, which had been addressed by Mr. Goodge, the officer in charge of the Publicity Bureau, Lucknow, to the Chief Secretary to the Government of the United Provinces. This letter explained that a great cause of discontent to traders was the large exactions which station masters make for the supply of wagons for the transport of grain and other commodities. Apparently since there had been a shortage in the rolling stock, the railway servants had increased their demands, which were always known to be high. While in Benares, Mr. Goodge had been told by a member of the Municipal Committee that as much as Rs. 500 had been charged for one wagon for grain. The letter went on to say that people generally think that high prices are due to this cause. He wished this matter to be brought prominently to the notice of the railway management. Apparently an increase in salary had led to an increase in the demands made. In reply to Mr. Purshotamdas Thakurdas, who asked what the writer meant by the last statement, Sir Henry Ledgard said that he understood it to mean that every increment

in salary meant an increment in the rate per wagon. Mr. Verrieres said that it was rather difficult for him to suggest a remedy. Mr. Billson explained that in regard to the transport of timber, the Forest Department have an officer in charge who gets a total allotment of wagons daily. He distributes the wagons to different merchants in rotation, and has the power to allot wagons to any contractor he pleases. In reply to the Chairman, Mr. Billson said that people are complaining very largely about the blocks in the traffic. Bribery for wagons depends on the fact that there are not enough wagons to go round. The Chairman observed that it was difficult specifically to prove the existence of bribery; Sir Henry Ledgard remarked that it is not confined to railways; he observed that a consignor might register for, say, five wagons to go from a certain station to a port; he might actually require only one and would dispose of the others to somebody else at the best price he can get. The Chairman observed that in this case, the bribery does not concern the railway staff.

5913. In answer to Sir Arthur Anderson, who asked whether considerable trade had not been carried on in priority certificates when these were in force, Mr. Verrieres said that he had heard about it, but had no official information. Mr. Goodge had not given in his letter the names, dates, etc., of the cases of bribery which he had quoted. Mr. Verrieres had no doubt that he would be able to furnish this information if the Committee so desired. The Chairman said that Mr. Goodge might himself deal with the prosecution of the case as the Committee could do nothing beyond handing over the information to others for action.

5914. Regarding owners' risk notes, the Chairman remarked that he thought that there is a disposition towards an agreement at present both among the traders and the railway administrations in India, in favour of the establishment of a tribunal to decide the reasonable difference between owners' risk and companies' risk representing the value of the insurance and the conditions that it would be fair to put in both sets of risk notes. Mr. Verrieres agreed with the Chairman that the matter should be dealt with and settled.

5915. On the question of the extension of the metre gauge system into Delhi, the Chairman mentioned that three extensions of the metre gauge line had been suggested. Mr. Billson said that the extensions proposed were (1) from Kasganj south to Agra, (2) to carry the line west to Aligarh, and (3) to extend it north to Delhi; the Forest Department was mainly interested in the connection to Delhi. The extensions were proposed for the sake of avoiding transhipment from metre to broad gauge; he agreed with the Chairman that transhipment to foreign lines could not always be avoided. The policy of the Railway Board appeared to be that the main line of communications should be broad gauge and, though the companies were prepared to make metre gauge connections, the Railway Board were not prepared to allow it.

5916. Mr. Billson agreed with the Chairman that if a larger amount of money is required for railways in India than is likely to be available, it is only reasonable that the most important lines should receive preference over the less important ones. In regard to the particular extension from Kasganj to Delhi, in addition to timber, the line would also carry grain from Rohilkhand for despatch to Karachi over the broad gauge.

5917. In connection with the extension to Agra Sir Henry Burt observed that the local Government attach much importance to it in connection with the timber trade. Mr. Billson remarked that the local Government attached even greater importance to the extension to Delhi. Taking Bareilly as the centre, the distance from Bareilly to Agra *via* Chandausi by the broad gauge is 170 miles, and by the existing metre gauge 168 miles, whereas by the proposed metre gauge it would be 138 miles, and thus there would be a saving in mileage.

5918. The President observed that the question of these extensions clearly raised a large question of policy, and that the Committee had not been asked to report on the question of gauge. He explained that briefly what was proposed was in effect the construction of a metre gauge bridge or link between the two blocks of metre gauge lines north and south of Delhi, and that he could understand that the Railway Board did not want to make the confusion of Indian gauges worse confounded and allow extensions which might subsequently add to the difficulty of solving the gauge problem. Mr Billson pointed out that as a metre gauge line runs into Delhi from the other side already, the construction of the Kasganj line could hardly have this effect. He added that the only way to meet the gauge difficulty would be to scrap the metre gauge altogether, which he admitted is not within the scope of practical politics at present. Mr. Billson remarked that the length of railway he would like to see made could not affect the broad question of adopting a heroic gauge policy later, while meantime the construction of the two lines mentioned would greatly facilitate the work of the Forest Department. He did not think the Delhi line had been surveyed; he thought the Agra one had been. The Chairman said that the Railway Board had stated their policy in regard to metre gauge railways as being that they should be restricted as far as possible to their existing areas. The Board recognised that the enforcement of this policy would undoubtedly involve a certain amount of inconvenience as it necessitated transhipment, but they opposed a further extension of the metre gauge system to the south of the Oudh and Rohilkhand Railway in view of the importance of maintaining the most efficient means of transport in important industrial and commercial areas. There were thus only two alternatives open to the U.P. Government, namely, either to induce the Railway Board to reverse this policy, or to persuade them to regard these particular extensions as exceptions to it in view of their urgent local importance. Mr. Verrieres agreed, but urged that the local Government must be given a more effective voice in matters in which it is interested, consistently, however, with the general policy of the Government of India. He did not think that the local Government was represented in the budget discussions at Delhi. He thought there should be one representative of the U.P. at these.

5919. The Chairman observed that the local Government can even now focus attention on their requirements if they are dissatisfied by making further reference to the Government of India, or through their representative in the Imperial Legislative Assembly. Sir A. R. Anderson added that he believed the Railway Board would readily discuss the question of railway policy with the local Government if so desired.

5920. Asked whether he had any other points to raise, Mr. Verrieres said that the main difficulty experienced is that of the blocking of traffic at the junctions between the metre and broad gauge lines. The Chairman said that the immediate remedy for this state of affairs was that the United Provinces should find the money necessary to put the railways in proper order, the fact being that the machine was not in any respect big enough for its work.

5921. Mr. Purshotamdas referred further to the question of the collection by railways of the "pilgrim tax," which had already been mentioned, and asked whether the local Government found that the State railways undertook this work without demur whereas the companies raised objections to it. As far as his memory went, Mr. Verrieres said that the State railways did undertake it without question. If they had suffered materially he thought they would have represented it to the provincial Government. He was not prepared to say whether the company managed railways erred on the side of over-caution when they so objected. The President explained that Sir Henry Burt had pointed out that the companies apprehended that the increase in the tax from 1 anna

to 2 annas might result in passengers getting off the railway short of their destination, with the result that neither would the municipality get the tax nor the railway the railway fare, and that it was therefore surely in the interests of both that the railway companies should point out this difficulty. Mr. Purshotamdas said that the local Government would naturally have considered the possibility indicated before making their recommendation. The Chairman observed that the ready acceptance of the tax by the Oudh and Rohilkhand Railway might be interpreted by a company man as showing that whereas the companies conserved revenue by their care, the State railways threw it away by their indifference. Mr. Purshotamdas said he was only trying to get at facts. The witness was not prepared to say that the State railways did not make any objection, but as far as he remembered they did not.

5922. Sir Henry Burt emphasized that pilgrim tax is levied at present only at Benares and Hardwar, and that the dispute is due to the proposal not only to increase it, but to levy it at the higher rate elsewhere. In reply to Mr. Purshotamdas Mr. Verrieres said he could not give any specific examples of what Lord Meston had in his mind when he spoke of the competition between the interests of great ports and those of inland provinces.

5923. Mr. Verrieres said that it was the opinion of His Excellency the Governor that, when the existing contracts are revised or when new contracts are given, a much more efficient power of control ought to be reserved by the superior Government as an essential condition to the maintenance or extension of administration by companies. Mr. Verrieres could not say whether, if the companies were opposed to any more restrictions than exist at present, His Excellency would then favour State management of railways, as he had definitely stated that as a general rule he would prefer company management with some restrictions. Mr. Purshotamdas inferred however that His Excellency would probably be disposed to prefer State management in that event.

5924. In answer to Mr. Hiley, Mr. Verrieres said that His Excellency considered Indian domicile of the working companies essential Mr. Verrieres believed however that if for some reason or other the domicile could not be transferred to India, His Excellency would still prefer company management; and would, in accordance with this belief, be disposed to alter the written statement to "His Excellency would prefer Indian domicile." He agreed that the three degrees of desirability in His Excellency's view are, as stated by the Chairman, namely, first, domiciled Indian company; next, domiciled English company; and, lastly, direct State management. He believed His Excellency preferred company management under any circumstances.

5925. In reply to Sir Henry Burt, Mr. Verrieres said that the observation made in the written statement about branch lines was a general expression of opinion, there being at present no branch line companies in the United Provinces. No difficulty had arisen here, although there were other difficulties which had been mentioned.

5926. On the subject of the provision of roadways for cart and foot traffic over railway bridges, Mr. Verrieres stated that it had now been laid down that railways should consult local authorities as to whether or not a roadway should be provided at the same time as the bridge is constructed; but it was apparently not so formerly. Several bridges had been built without roads for cart traffic. The local Government found it cheaper to finance the putting up of a road deck for the carts than to build a separate bridge itself. Every proposal of this kind made by the local Government had been rejected. The Great Indian Peninsula Railway for instance has a bridge over the Jumna on which a road deck could be put, but, when applied to, the company would not agree to its erection. Nothing resulted from a reference to the Railway Board, who merely forwarded the G.I.P. Railway's letter. The Chairman remarked that the company's board must presumably give a reason before rejecting a proposal of the local Government. Mr. Verrieres said that of course some reason is given, but the unfortunate fact remained that local Government's proposals were invariably not accepted. Sir Arthur Anderson pointed out that the replies rejecting the proposals of the local Government were the replies of the Government of India and not those of the Railway Board. Sir Henry Burt observed that he remembered the case of a certain large bridge where railway traffic would have been interfered with by cart traffic being allowed on the same level and in that case the local Government refused to meet the cost of a roadway at a different level. Mr. Verrieres said that that may have been so. In the case of the Dufferin Bridge at Benares, road and rail traffic were on the same level, causing serious inconvenience to both; and in consequence the local Government had decided to build a new bridge for the road traffic. He agreed that it was unsatisfactory that rail and cart traffic should go over the same level. Sometimes, however, there is an existing bridge over which rail traffic is not heavy and with a little control cart traffic could also be permitted. He considered that, though the local Government might not be correct in all cases, there were cases in which it had reason to complain. The local Government resented the fact that it was not listened to with reasonable deference.

5927. Sir Henry Ledgard asked whether Mr. Verrieres was a member of the Board of Communications and Mr. Verrieres said he was, and that the matters referred to had come before it.

5928. Sir Arthur Anderson asked to what two railways the Government of the United Provinces referred, in their letter of the 7th February, 1917, to the Railway Board, as being the one admirably managed, and the other in many respects subject to severe criticism. Mr. Verrieres said he believed the allusions to be to the East Indian Railway and the Bengal and North Western Railway respectively, but he promised to enquire and inform the Committee subsequently.

P.S.—In connection with the last paragraph Mr. Verrieres subsequently wrote informing the Committee that His Excellency the Governor desired him to say that, when adopting generally Sir James Meston's views as contained in his letter to the Railway Board, No. 67 R/573, dated the 7th February, 1917, he had no intention of passing any reflection on the Bengal and North Western and Rohilkund and Kumaon Railways, and did not think that the statements of 1917 could any longer be fairly applied to them. He wished it clearly to be understood that he was not insensible to the great improvements which had been introduced into the management of these lines and the different way in which they were now viewed by the public. Mr. Verrieres added that since giving his evidence he had been able to look up the papers and found that Sir James Meston apparently referred to the East Indian as the best and the Rohilkund and Kumaon as the worst railways in the Provinces, and apparently did not cast any reflection on the management of the Bengal and North Western Railway at all.

Mr. F. J. HARVEY, Agent, O. and R. Railway, accompanied by Lt.-Colonel C. F. ANDERSON, D.S.O., R.E., Traffic Manager, and Khan Bahadur MANSUR ALI KHAN, District Traffic Superintendent for Claims, was recalled and further examined.

See Written Statemtnt No. 62, Vol. IV., P. 215.

5929. Mr. Harvey stated that he wished to correct what he had said during his oral examination on the 16th February, chiefly in reference to the question of locomotives. When he said the O. and R. Railway were quite up to their programme, though this was to a certain extent true, he had in his mind then the

question of finance rather than the number of locomotives. During the war the O. and R. Railway could not get any locomotives, though they had enough funds at their disposal, with the result that to-day they are short of locomotives. Then there was another circumstance which was rather peculiar to the O. and R. Railway. For years past the East Indian Railway handed over at Moghal Sarai as many trains as they liked. Although the Oudh and Rohilkhand Railway route *viâ* Moghal Sarai to Ambala was shorter than the East Indian route, yet, as the East Indian Railway are entitled to equalise coal rates *viâ* the longer route, they always send the public coal *viâ* their own route. Mr. Harvey said that more engines were not asked for because it was assumed that the traffic which now passes over the Oudh and Rohilkhand Railway would be worked by the East Indian Railway. Since 1916, however, the East Indian Railway were giving more and more traffic to the Oudh and Rohilkhand Railway, the consequence being that this line has not got the necessary engines to haul the traffic.

5930. For the year ended 31st March, 1920, ten engines were put down in the programme, and for the year ending 31st March, 1921, only nine were put down. The railway got all the 19 engines indented for. But for the coming year 1921-22, though 10 engines had been asked for, the Railway Board had passed only the provision for six. Mr. Harvey said that if he could get these engines there would be a sufficient supply of locomotives for normal requirements, but that at the present time if the Oudh and Rohilkhand Railway were asked to take another two trains from Moghal Sarai to Saharanpur these could not be hauled for want of locomotives. He did not know the position of other railways, and so he could not say whether or not he was less short of engines than others. The Chairman asked, supposing there were enough engines, whether there was room on the road for five more trains each way. Colonel Anderson said that, in addition to the present normal number of goods trains from Moghal Sarai, viz., five, they could only run two more trains if offered, as they would be blocked at Lucknow and at other stations owing to there not being sufficient accommodation. Complete through trains did not require marshalling accommodation, but the Oudh and Rohilkhand Railway never got trains from the East Indian Railway at Moghal Sarai marshalled so that they could be run through, as that station has not adequate siding accommodation. These trains, therefore, have to be broken up and re-marshalled in Lucknow. Colonel Anderson said that the O. and R. Railway have no room in Benares to do this, while even in Lucknow they can get blocked in 24 hours if any serious derangement of traffic occurs. The traffic facilities on the railway are quite insufficient if any large expansion of goods traffic is contemplated. He also said that the average gross weight of an up-train was about 1,258 tons, and the average number of wagons was 52, the maximum load being 55.

5931. In reply to the Chairman, Colonel Anderson said that all the trains handed over at Moghal Sarai by the East Indian Railway are not wholly coal trains; some of them include miscellaneous traffic. At present they were not working up to the maximum engine capacity, that being six goods and four passenger trains each way. Regarding the capacity of the line, he said they are at present limited by engine power. The Chairman observed that he understood Mr. Harvey to say that the engine capacity was adequate at this moment for the normal traffic, viz., five goods trains each way, provided the East Indian did not send more traffic.

5932. On the Lucknow to Shahjahanpur line the daily average number of trains in one busy month in 1920 was 4·65 down and 4·08 up goods trains and four passenger trains each way, thus giving a total of roughly 17 trains. The Chairman enquired, assuming for the moment that there was unlimited engine power and other facilities, what would be the capacity of the single line. Colonel Anderson said that 16 trains could be run each way as a maximum, that is, nearly double the present number in 24 hours. This could not be done week in and week out. This one day's traffic would throw the whole section into confusion for two or three days at present for want of adequate yard and other facilities. At the most, he thought, two more trains could be run over the present number each way, and he would not care to say that more than 10 or perhaps 11 each way could be dealt with comfortably. The Chairman said that a moderate estimate would be that on a single line such as that in question it ought to be possible to run about 40 trains. Colonel Anderson did not admit this, having regard to the type of traffic and size of trains, though it might be possible in other countries. Apart from the engine question the capacity of the line was limited as they had not sufficient yard accommodation. Though on one day the number reached was as high as 32 on one section of the line he would not like to try that every day. The traffic referred to above was only *mela* through passenger traffic which was carried in short, light trains, and involved little shunting work. The Chairman observed that the traffic capacity of the line is apparently limited, not so much by the running road, as by the passing and terminal yards and the engine power. Colonel Anderson agreed generally to this, but demurred to the suggestion that his traffic could be got through faster by interpolating more and more crossing stations. He stated that in his opinion crossing stations were not advantageous on the O. and R Railway at closer intervals that 6 miles.

5933. Colonel Anderson said that on the Oudh and Rohilkhand Railway about 70 per cent. of the goods stock is fitted with vacuum brake apparatus. On an average train of 50 wagons (which might be composed of any broad gauge railway's stock owing to the free user rules) ten vehicles next the engine would always have the vacuum brake. These braked vehicles had to be selected and put in front. This was not conducive to rapidity in marshalling. If funds and materials could be provided the whole goods stock of Indian Railways could be fitted with vacuum brake apparatus in about five years' time.

5934. The Chairman remarked that the Oudh and Rohilkhand seemed to him to be working on a very narrow margin of engines. Mr. Harvey said that as they had cut down passenger traffic owing to coal shortage they have got some margin, but if they were to run their usual passenger traffic they would be in difficulties. Normally, he has about 15 per cent. of engines in the shop. The engines work for six days a week from ten to twelve hours a day and get a shop day once a week for washing, etc. Some of the goods engines are double crewed on occasions, but this is not the normal practice.

5935. The Chairman said that as the Committee had heard unofficially something about the traffic training school, for the starting of which the Oudh and Rohilkhand Railway was responsible, it would like to have some more information on that subject. Colonel Anderson said that they happened to have old buildings in Chandausi, the former Head Quarter station of the line, and had used them to establish a school. Having always in the past had a deficiency of signallers and Assistant Station Masters, they had had a telegraph school for some time in Lucknow. A new Telegraph Officer, who was lent by the Posts and Telegraph Department to the North Western Railway, and of whose pay the Oudh and Rohilkhand pays a third, came and inspected the school about June, 1920. He said that the Lucknow school was no good and proposed an entire reconstitution of the school, in which not only telegraphy but other traffic subjects could be taught. The idea was taken up and pushed through, the Telegraph Officer providing the telegraph instructor to be in general charge of the school, and the Traffic Department finding all the other instructors and equipment necessary. Chandausi was selected as the best place, owing to its having a number of empty railway houses available, and to its being far from the dis-

tractions of a big town. The course of instruction lasted for nine months, divided into three terms of 12 weeks each. If a candidate failed to qualify at the end of the first or any subsequent term he was liable to removal. The school at present turned out an average of about eight men every month and within two years he hoped to have introduced a new spirit among the signallers of the line. This was the first attempt on the O. & R. Railway to train traffic clerks systematically, but during the war temporary schools of a similar kind were opened to feed Mesopotamian and East African Railways. The students learn ordinary telegraph signalling and also to do "line clear" work and other duties proper to Assistant Station Masters. Only practical experience on the line afterwards is required to make good men out of them. The railway authorities have another set of buildings near Fyzabad where they intend opening another school to provide "refresher" courses for men already in their service. With these two facilities he was sure that matters would improve.

5936. Colonel Anderson said that the training school boys must enter between 18 and 21 years of age. It was found generally that men over that age did not make good telegraphists as their hands lost suppleness. After serving for two years as signallers, if they passed the Higher Standard Telegraph Examination and were duly qualified in coaching duties, they were promoted to the grade of Assistant Station Masters. The boys were given during the period of training an allowance of Rs. 20 p.m. Generally those who had passed the School Leaving Certificate Examination and could not go on to the B.A. Examination joined the Training School. In order to attract the boys they had to pay this living wage of Rs. 20 because such boys generally did not go on to study for the B.A. degree for want of money, and therefore could not afford to enter the Telegraph School unless some allowance was made to them.

Instruction was given in the following subjects:—

Telegraphy.
Coaching and Goods Duties.
General Railway Rules.
Railway Geography.
Block Working.
English Composition.

5937. During the period of training they were considered to be regular employees of the railway, and those passing out successfully were allowed to count in their railway service the period during which they had attended the school. As previously stated, the railway would not keep these boys always as signallers, as subject to passing a series of examinations they can reach the grades of Assistant Station Masters, Station Masters, Traffic Inspectors, carrying salaries up to Rs. 475 a month. In exceptional cases perhaps they would even attain to officer's rank. Ordinarily, however, these men would only rise as high as Rs. 130 or so at present rates of pay.

5938. In reply to the Chairman, Colonel Anderson said that the school leaving certificate corresponded roughly to the junior Cambridge local examination, and that generally the boys seeking admission to the training school would have had a fairly good general education. As they had been kept at home till the age of 18, he presumed that they were of decent social position.

5939. In answer to Sir Henry Ledgard, Colonel Anderson said that he did not get his men from the Telegraph Department. He had to recruit them for himself.

5940. Mr. Hiley asked whether Colonel Anderson would like to have in the training school a separate department for training men for the superior grade. Colonel Anderson said that he would be glad to see the school developed in that way. As regards students, he would prefer those who had appeared for the Indian Civil Service examination. By notifying the number of vacancies in each year, men going up for the Indian Civil Service examinations would be able to register their names for the State Railway Traffic Department, As an alternative, he would put them in at the bottom grade of the Traffic Department as officers, but would make them work their way up through all the subordinate grades. He thought that in the case of the Indian Civil Service the starting salary was Rs. 450, but possibly unsuccessful candidates could be attracted to the Traffic Department on less pay. The starting salary in the case of traffic officers is at present Rs. 250, while the probationers get only Rs. 200. It would take nearly five years to get to Rs. 450 at present, but it was all a question of supply and demand, and if the present pay did not attract well-educated Indian Civil Service candidates it could be raised. The best men were needed for traffic work and were worth paying for.

5941. Colonel Anderson said that in the case of the Locomotive Department the training is physically more severe, and the candidates must be made to work with their hands. Generally speaking, Indians of the upper classes did not care for hard physical work. They took more kindly to civil engineering and the work of the Audit Department than to the Locomotive Department.

5942. The Chairman asked Colonel Anderson whether in the case of the officers' grade traffic school he would wish the Indian Civil Service candidates to learn everything by practical experience. Colonel Anderson said, Yes. He agreed that it would mean having separate technical schools for the Traffic, Locomotive, and other Departments; he would exclude engineering altogether as there are civil engineering colleges in the country at Roorkee, Sibpur and elsewhere. The traffic school would contain really two departments, one for the subordinate establishment as existing at present, which would be a separate organisation in the same school. He would throw the posts open to both nationalities—Indian and European. He would pay the traffic officers the same rate of pay as is given in other railway departments, as they were all equally responsible. He did not attach importance to the suggestion that Indian officers should be posted near their parents' homes. On the contrary, he thought there are certain advantages in keeping Indian traffic officers far from their parents' homes.

5943. In reply to Mr. Purshotamdas, Colonel Anderson said that the percentage of Indian officers in the Traffic Department of the O. and R. Railway was 41. The appointment of Indian traffic officers had been the practice for the last ten years. In other departments of the railway there might be more or less than 41 per cent. In his experience some Indian officers were quite satisfactory and some the reverse. If a man had strength of character he should be able to do very well in the Traffic Department. Asked by the Chairman what type of recruitment for Indian officers he thought best, Colonel Anderson said that, for example, Aligarh College turns out boys whose manners are good, but that did not mean they were always strong in character. Asked whether Aligarh boys are better, worse than, or equal to, others in the capacity for maintaining discipline, Colonel Anderson said that he could not generalise as, except for Indian officers on the O. and R. Railway he had practically no experience of Indian railway officers. The O. and R. Railway have three from Aligarh. Of these one had a strong character, another was promising, and the third was somewhat flabby. Good social qualifications were specially necessary in a traffic officer. Indians who lived apart and did not mix fully with their brother officers could not make very good officers.

5944. Questioned by Mr. Purshotamdas, Colonel Anderson said that the Indian public in general approach Indian officers more freely than they do European officers, since they are more likely to be understood in their own language. He had not found an Indian officer more useful in the practice of stopping the malpractices on the railway of which complaints had been made to the Committee, unless in the case of such an officer as the Khan Bahadur sitting beside him who was doing claims work which gave him greater facilities of coming across signs of malpractice than other traffic officers. Mr.

Purshotamdas asked whether the fact of a traffic officer being an Indian made him more useful when in charge of mela traffic than if he were a European. Colonel Anderson replied in the negative.

5945. In reply to the Chairman, Khan Bahadur Mansur Ali Khan said that the practice of station masters and station clerks receiving payment for the supply of wagons had become recognised as a custom of the country. For this, not only the station staff were to blame but also the public. The complaints occurred only in an acute form since the restrictions were imposed after the war. Before the war, such payments were heard of, but they were very small. No sooner had the administration come to know that big sums were being paid for wagons than inspectors were appointed to see that booking was done according to the strict orders of the railway and that no irregular bookings were allowed. All that the railways could do had been done. Moreover, the railway maintained a priority register which was a public document in which names of applicants for wagons were posted in order of application. The object of this register was to ensure that the man who asked first was served first. The Khan Bahadur explained that a common practice is for the broker to come and ask for three or four wagons for "A." "A" has not got the goods ready, whereas "B," in whose name the wagons are not booked, has got a consignment ready. The broker takes money from broker "B" saying that he will have his goods booked and comes and tells the station staff that he has made a mistake and that instead of entering "A's" name in the register he should have written "B's." He said that this was a case in which the station master might not get any money but yet complaints would assuredly be made, inasmuch as money had gone out of the pocket of the merchant. In response to a question by the Chairman, the Khan Bahadur thought that it was quite possible that merchants might have paid Rs. 500 for a wagon. He instanced the case of a wagon of sugar the value of which he estimated at Rs. 15,000. In a case of this kind he believed that it might pay a merchant to induce the station master to give a wagon in spite of a restriction order by offering as big a sum as Rs. 500, as the merchant was sure of making double the profit in a restricted market that he would usually make.

5946. Asked what the station master could do to earn his Rs. 500, the Khan Bahadur said that the station master, if he saw that the consignment of "A," in whose name the wagon had been booked did not arrive, would allot the wagon to the man who had paid the bribe, or he would frankly book against restriction and take the chance of being found out; or he would make false entries in his book and give the wagon to whomever he wished. Mr. Purshotamdas pointed out that in the case quoted by the witness, as the broker could not alter the name without the station master's knowledge, the latter would not do as requested unless he had also a share of the broker's money. The Khan Bahadur said that he might get Rs. 10 or so, but not more. The broker came always as the agent of the merchant and also brought goods to the station on behalf of the merchants. The forwarding note was also initialled by the broker. Mr. Purshotamdas suggested that instead of brokers the merchants themselves might be asked to sign forwarding notes. The Khan Bahadur did not believe that big merchants would come down to the goods shed and sign them. Moreover, the railway authorities would never know the broker was receiving money, as there would be no ground for suspicion. In many cases, the transactions might be *bonâ fide*. Mr. Purshotamdas observed that the usual complaint is that for almost every wagon a payment has to be made. The Khan Bahadur said that the merchant would never pay anything unless he knew that he had also to gain something out of the transaction, the usual way being either to under-charge the merchant or to send a wagon in a direction on despatch by which there was an embargo. Recently a case of this kind was detected, and the station master's pay was reduced by Rs. 10 per month for one year. Cases in which goods were under-charged were also being detected both in transit and at destinations, and severe punishments were inflicted on persons responsible for these.

5947. The Khan Bahadur stated that as long as people who had actually paid the money refused to come forward and confess boldly that they had paid so much, it would be impossible for the railway authorities to stop the irregularities. At times information of names and dates were received by post, but invariably these would turn out to be anonymous or signed in fictitious names. Mr. Purshotamdas observed that in existing conditions, in view of the liability to prosecution of the briber as well as of the man bribed, no one could normally be expected to come forward and say that he had paid. To say, therefore, that railways could not put a stop to this unless they were given proof would strike the commercial community as simply begging the question.

5948. Asked by Sir Henry Ledgard whether the merchants would prefer the present system by which they paid what were termed bribes for wagons in order to get an advantage over somebody else who did not pay or would wish it to be discontinued, the Khan Bahadur said that he thought they would prefer the former. His opinion of the matter was that it had become the general custom of the country. Mr. Purshotamdas challenged this and said that it was not right to say that it had become the general custom of the country. It might be the general custom among a certain class of merchants, but these should not be regarded as representative of all. He ascribed the prevalence of it to the continued defective administration of the railways. The Khan Bahadur said that he could only speak of his own experience. He had put in nearly 27 years' service on the O. & R. Railway and had dealings with almost every branch. He had been a goods clerk and a traffic inspector and had known the merchants intimately and knew what their feelings were in the matter.

FORTY-SIXTH DAY.

(Lahore.)

Thursday, 24th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. C. A. H. TOWNSEND, M.L.C., I.C.S., Director of Agriculture in the Punjab, was called and examined upon a written statement which he had furnished to the Committee.

See Written Statement No. 68, Vol. IV., P. 228.

5949. Mr. Townsend said that he was Director of Agriculture in the Punjab. He is assisted by an expert staff. There is an Advisory Committee known as the "Provincial Agricultural Council" which has been in existence for some three years. It meets once a year. This council deals only very slightly with questions of communications affecting agricultural interests, these matters coming rather before the provincial "Communications Board" which has been in existence for a little more than a year. Mr. Townsend said that he did not find the Agricultural Council of much use, but considered that the Communications Board was more valuable. From papers subsequently furnished to the Committee by Mr. Townsend it appears that the Board of Communications was constituted in December, 1919, and comprised, as official members, the Financial Commissioner (President), the two Chief Engineers, Buildings and Roads and Irrigation Branches in the Public Works Department, the Director of Industries, and the Director of Agriculture, with seven non-official Indian gentlemen of standing. There had been minor changes in the constitution of the Board which on the date of Mr. Townsend's examination was presided over by the Honourable Minister for Agriculture and included the Agent, N.W. Railway, as a member.

5950. Mr. Townsend said that he thought that the Communications Board was not copied from any other province, but was formed at the suggestion of Sir John Maynard, Financial Commissioner in the Punjab.

5951. The Board meets once a month and usually has a long agenda, so much so, in fact, that one member recently complained of the volume of work entailed. The Board discusses questions such as the railway communications which will be desirable on the opening, three or four years hence, of a new big canal colony, water communications which are important in the Punjab, as well as of roads, provision of road metal, bridges over canals, provision of agricultural tramways where the construction of regular railways would not be justified, and so forth. Mr. Townsend thought that about 50 per cent. of the Board's business relates to railway matters. In connection with agricultural tramways, he mentioned that there is a special officer at present engaged under the Board investigating the most suitable spheres for these lines. This gentleman had expressed the opinion informally that some of these should prove useful and profitable undertakings. It was anticipated that these tramways would be worked by steam power. The witness mentioned that one already exists which was put down privately by Rai Bahadur Ganga Ram, who owns a considerable property in this province. This tramway is worked with bullocks and carries produce some 3½ miles to the railway.

5952. As Director of Civil Supplies, Mr. Townsend had a good deal to do with the question of road metal. Difficulties are experienced in the Punjab owing to the lack of quarries, the metal having to be obtained largely from quarries near Rawalpindi which involves long leads and consequent expense. For this reason, there is a special inclination towards feeder railway construction in the Punjab. A special quarry engineer is at present engaged on investigating the road metal supply question.

5953. Mr. Townsend mentioned that the Indian members of the Board of Communications are selected and appointed by Government. There is no local Chamber of Commerce in Lahore who could nominate a suitable representative. One of the Indian members now on the Board is prominently connected with agricultural and industrial enterprise. The Board of Communications has small powers and its budget is, broadly speaking, confined to the purposes of investigation and experiment, involving an expenditure of about Rs. 1 lakh per annum. It pays, for instance, the salary of the tramway investigating engineer. Mr. Townsend did not know whether in other provinces there are similar Boards except in the case of the United Provinces. He considered it a pity that such Boards were not started 20 or 30 years ago. As an instance of their use, he mentioned that when the Lyallpur canal colony was started, there were no railway facilities and great difficulty was consequently experienced. One function of the Board of Communications would be to foresee and press on the proper authorities the need for providing such facilities. He stated that the Irrigation Department discourages as far as possible water transport by the irrigation canals, holding that their function is not to furnish communications but to provide irrigation channels. Mr. Townsend thought that there is some force in their objections as the use of the canals for transport purposes involve many difficulties. At the same time he observed that considerable difference of opinion exists in the province as to the propriety of the view taken by the Department. He mentioned that the canals in the dry weather take all the water which would otherwise flow down the rivers. The Chairman observed that in the converse case of Holland, where the canals were built to take the water off the land, they are used very largely for transport purposes.

5954. Referring to the written statement, the Chairman observed that Mr. Townsend laid stress upon the necessity for bringing the existing railways up to a proper standard of efficiency before making further extensions. He said that he believed everybody agreed with this view. Referring to Mr. Townsend's written statement that the practically perennial shortage of goods wagons on the North-Western Railway is lamentable, the Chairman ascer-

tained that Mr. Townsend did not mean to imply that the number of wagons on the line is necessarily too small, but that the wagons are not available for the transport of goods for whatever reason—whether shortage in number or lack of facilities. Mr. Townsend said that it had often been brought home to him that there is an immense amount of merchandise locked up at stations awaiting transport and that the monetary losses consequent on this must be very considerable. The Chairman expressed some surprise at this complaint in the Punjab in view of the fact that the North-Western Railway appears to be much better equipped with wagons than other lines. He remarked that statistics show that the wagons on the North-Western Railway do not do as much work as on other railways. Mr. Townsend said that he could only speak of what he has seen for himself as to goods awaiting transport.

5955. Mr. Townsend said that in saying that third class passengers are as a rule disgracefully overcrowded, the word " disgracefully " was perhaps a little too strong, but undoubtedly the overcrowding is very great. He could not say how it compares with the position in other provinces; but it was specially noticeable in the more populous districts of the Punjab, so much so that practically free fights take place between would-be passengers and those already travelling who do not desire others to get into the carriages. He observed that the railway staff maintain an air of majestic aloofness. In the latter connection, the Chairman mentioned that it had been said that the railway staff remain aloof because of the fear that if they actively interfere to regulate the movements of the crowd, they may be held responsible for aiding and abetting overcrowding.

5956. Mr. Townsend said that there is no organised connection between the public and the railways to enable the latter to be fully advised of the requirements of the former. He mentioned, however, that questions are occasionally asked in the provincial Legislative Council and that the Punjab Chamber of Commerce at Delhi, for instance, takes up matters of interest to its members. He admitted that in practice only influential people can now secure attention, and that individual ryots have little chance of getting their grievances considered. He thought it an excellent suggestion that there should be appointed a local Advisory Council, comprising representatives of various classes of the community. He thought that the facility which this would afford to the adminstrations of the railways to explain their difficulties would serve a useful purpose, as he thought that much of the criticism of the railways in the past was due to ignorance of their difficulties. He would like to have the Council as small as possible. He did not think there would be any difficulty in ensuring the representation on it of the ordinary people as well as particular interests. He observed that there are a good many representatives of the agricultural class in the new councils. He believed that a scheme for the establishment of such Advisory Councils would undoubtedly be acceptable to the public as it would be in accordance with the trend of popular opinion.

5957. With regard to the need for more control by the local Government over the railway administration, Mr. Townsend agreed that dual control between the local Government and the Imperial Government would not be practicable. He considered, however, that something could be done to ensure greater consideration of the views of the local Government. He mentioned a case, within his experience as Director of Agriculture, which occurred some four years ago, when it was a matter of urgent necessity that cotton seed should be moved in time to permit of sowing. The matter was so urgent that in February, 1917, the Financial Secretary to the Punjab Government with himself interviewed the Traffic Manager and Agent of the North-Western Railway. They were very sympathetic, but said that they could do nothing, being bound by orders received from the Traffic Controller in the Railway Board's office. He did not know with what authority these orders had originated. The matter was so serious that he brought the refusal of the railway administration to the notice of the local Government. The Lieutenant-Governor wrote personally to Delhi with the result that a member of the Railway Board visited Lahore, and ultimately set the matter right. Mr. Townsend said that he was speaking of ancient history, and that the present administrative officers of the North-Western Railway give all possible help. It depends, however, upon the disposition of the individuals, and he considered it necessary that steps should be taken to require the railway administration to consult Local Governments and attach due weight to their recommendation in such matters. Sir Arthur Anderson mentioned in this connection that he believed that somewhere about that time a Committee sat in Simla to decide upon the commodities which should receive preferential treatment in transport by the railways, and he understood that it was that Committee which had laid down the order of preference underlying the orders of the Traffic Controller.

5958. Mr. Townsend observed that no authority at Simla can deal properly with such matters, as conditions not only vary very greatly between provinces but vary from month to month. He agreed that it is unlikely that in future the Central Government will have occasion to issue priority instructions of the kind to which he referred; ordinarily railways decide these matters for themselves but he considered it necessary that they should be required to consult local Governments as is done at present voluntarily by the agent and traffic manager of the North-Western Railway.

5959. The mistake in the particular case to which he referred was due to the fact that seed for sowing should have been included in the priority list together with foodstuffs. Mr. Townsend did not think that it would be a practicable measure to rule that no priority orders should be issued before public notice is given, as he said that undoubtedly in any case there would be hundreds of protests from interested parties; but he thought that a responsible representative of the local Government should be consulted by the railway administrations. Mr. Townsend mentioned in connection with this matter that the disturbances which occurred in the Punjab a few years ago were due largely to high prices, and he thought that, if the local Government had had more voice as to what commodities should be given preference in transit, there might have been less difficulty on this score.

5960. Referring to Mr. Townsend's statement that during the last seven years the North-Western Railway has practically never had sufficient wagons to cope with the traffic offering in certain commodities, the Chairman asked if it was a fact that this condition of affairs had lasted during the whole period of seven years. Mr. Townsend said that when he used the words " practically never " he perhaps worded the phrase too widely. He meant that it is a constantly recurring state of affairs that there are not sufficient wagons.

5961. Referring to the instances given in his written statement of delays in the carriage of traffic offering at stations on the North-Western Railway, Mr. Townsend said that this had happened at all stations in the canal colonies and was especially noticeable in the winter and spring of 1918, during which period hundreds of bales of cotton lay about waiting for wagons. He instanced especially the case of the attempts to introduce Punjab-American cotton—a new variety of cotton—which the Agricultural Department had been " pushing " during the past eight years. He explained that he had got the management of the Empress Mills at Nagpur in the Central Provinces to buy a fairly substantial quantity of this cotton in December, 1917. The following autumn he happened to visit Nagpur and went over the mills and asked the Manager how he liked the Punjab-American cotton. His reply was, " We like it all

right, but we are not going to buy any more." He gave as his reason the fact that the cotton bought in December, 1917, had not reached Nagpur until July, 1918, and they could not afford to have their money locked up in that manner. Since then, to the best of Mr. Townsend's information, these mills had purchased no more Punjab-American cotton, and the withdrawal of a competitor like this from the purchasing market obviously tended to reduce the price which the cultivators could get for their cotton.

5962. Incidentally, it had been mentioned to Mr. Townsend that during the long period of delay the coverings of the bales had been torn off and it had been found difficult to identify the consignments. He said that this cotton is going at present largely to Japan and is shipped from Karachi and Bombay. Experience was that it was easier to carry the goods to Karachi than to Nagpur. He recognised that the North-Western Railway has to cater for the Karachi traffic which he thought was comparatively well served, as much as a million tons of grain being shipped from that port in a good year. He stated that the wheat traffic comes in a rush, especially during the months of May, June and July. After the rains again the traffic increases, in October, and lasts throughout the cold weather, but to a less extent than in the months just before the monsoon. He thought that facilities were reasonably good before the war. At the present time the grain traffic to the ports is not very heavy and he was not aware of any complaints.

5963. In his written statement, Mr. Townsend mentioned a case in which some 20,000 acres of land were under Punjab-American cotton last autumn, where practically none had been grown before. In this case, the proprietors or lessees of cotton ginning factories on the Lahore-Karachi line, some 100 miles away by rail, had purchased a large quantity of the cotton, one of them having bought about 40 wagon loads. When Mr. Townsend visited the locality about a fortnight ago, the cotton was still lying in the goods stations, and the merchant asked for his assistance in securing its transport, complaining that his money was locked up and that, while the cotton was lying useless at the goods stations, his ginning factories 100 miles away were entirely unemployed. This merchant had refused to buy any more of the cotton during the recent sales, with the consequence that the present price for this cotton is much less than it should be. In this case, he had tried himself to help and wrote to the Traffic Manager of the North-Western Railway, who as usual was most sympathetic, but he was unable to help owing to the difficulties experienced by the railway due to lack of coal, which in turn was ascribed to the shortage of railway transport facilities from the colliery.

5964. The Chairman asked Mr. Townsend to what kind of power pumping stations he referred in that part of his written evidence where he said that these have been finding difficulty in getting coal during recent years. Mr. Townsend said that he referred to irrigation pumping plant; he instanced the case of a pumping plant owned by Rai Bahadur Ganga Ram. This gentleman used principally electric pumping plant driven by water power, but in some cases he also uses coal-burning plant, and has to make constant applications for assistance in obtaining coal. In this connection, he mentioned that the proprietor of a glass and flour mill factory at Ambala had told him that for want of coal he has occasionally to shut down his factory for two or three days.

5965. Mr. Townsend stated that to his knowledge the state of affairs described by him had been much the same for the past few years; matters were not so bad before the war. He was then employed in other appointments, but would have known of them had there been serious complaints. He agreed with the Chairman that the position is that there is now a greater demand and that the supply of railway transport is blocked back.

5966. In his written statement, Mr. Townsend mentioned that serious damage is caused to goods lying unprotected from the weather, by rain, owing to the lack of adequate covered accommodation at the railway stations, especially on the Lahore-Karachi main line running through the now developing Lower Bari Doab colony. He mentioned in this connection that the North-Western Railway had been addressed with a view to providing more covered goods accommodation at colony stations. Considering the vast profits of the Wazirabad-Khanewal line, this request was only reasonable. Annually in the winter rains *toria*, a delicate grain, gets damaged by lying in the open yards. In 1907 the heavy rains in May and June caught the congested accumulation of wheat on the colony stations and these were again rained upon in July and August. When it was finally moved owing to the stench becoming intolerable, many firms found that they had lost all the bottom bags and sometimes two rows of bags. A special staff had to be employed to clear the Gojra, Lyallpur and Chiniot stations of the rotten wheat which was caked into the mud of the open goods yard, and probably a cholera epidemic was only narrowly avoided.

5967. Mr. Townsend said that he attached most importance at the present time to the lack of proper storage accommodation on the line serving the Montgomery colony which has been developed mainly in the last five years and is still developing, and where the railway facilities are not keeping pace, with the consequence that goods are damaged. The Agent of the North-Western Railway was anxious to give what help he could, but had explained that he was hampered for want of funds. Mr. Townsend said that there are large additional areas in the Punjab which it is hoped will come under development in the not distant future, and large additional capital will be necessary to supply the corresponding railway facilities. Mr. Townsend agreed that for the words, "There is no doubt but that very large expenditure on the provision of wagons on the North-Western Railway is desirable now," occurring in his written statement, it would be more correct to say that "a very much more ample supply of wagons will be necessary," as he could not definitely state that it was a deficiency in the number of wagons which is responsible for the existing state of affairs. He impressed upon the Committee that at the present time traffic can only be got through by special appeals and applications, whereas it should be possible to have it accepted as a matter of course when offered.

5968. In connection with the question of restrictions on traffic, Mr. Townsend referred to the fact that the restrictions are mostly of a temporary character, often lasting only for a week or fortnight. He said that particulars of this could be obtained in a convenient form from the North-Western Railway weekly gazette of which he used to receive copies.

5969. With regard to the statement that fodder is in great demand at present in many parts of the province. Mr. Townsend mentioned that the North-Western Railway is doing all it can to move it, in consultation with the Punjab Government. He had no complaint to make on that subject. He attached great importance to the necessity of such administrative arrangements being made as would not leave the province at the mercy of the individual holder of the higher appointments on the railways. He had no complaint whatever to make regarding the manner in which the existing North-Western Railway officers deal with representations; but they might be changed any time, and he considered that the machinery should be such as to eliminate as far as possible the effect of personal idiosyncracies. He agreed that of course no machinery would work well unless it was in charge of the right man.

5970. On the question of railway rates, Mr. Townsend read the following extract from "Punjab Industries, 1911-1917" by Mr. A. D. Badenoch, I.C.S., who had been his assistant when he was Director of Industries, and which had been prepared for the information of the Industrial Commission:—

> "It has always been a habit and a tradition in all countries to attack the existing railway authorities on the score of inequality and

injustice of railway rates; and yet it is a subject which laymen must approach with peculiar caution, being technical in a lesser degree only than exact scientific knowledge. In India attacks have always been pressed with peculiar virulence, but most often with vague and inexact knowledge. The Punjab Industrial Conference of 1911 passed a general resolution concerning railway rates embodying the familiar complaint that the export of raw produce, and the import of manufactured articles is favoured in preference to local traffic and the export of manufactured articles; that there is, in fact, preferential treatment accorded to import of manufactured articles. On the principle of this resolution the then Director of Industries addressed Government, pointing out that there seemed to be, in certain cases which he specified, no connection between the railway rate and the distance for which the goods were conveyed, that one found sometimes a lesser charge for a longer distance. This letter did not receive a reply, but recent discussions on the subject have shown that the railway has a complete answer in every case, that local conditions and direction of traffic or length of lead justify a rate which has never been fixed by mere arbitrary rule of thumb. Recently, in connection with the visit of the Commission, members of the Provincial Committee were asked to give details of any instance where railway rates were unfair. Not a single reply was received, and in one case, where a general allegation had been made, a request for figures elicited the answer that figures could not be given. The general complaint was made by the manager of the Upper India Glass Works Ambala. A reference to the railway officers for information proved that to Karachi, Bombay and Howrah from Ambala, and from these ports to Ambala respectively the freight on glass chimneys was exactly the same. Not only so, but glassware packed booked at owner's risk is charged at rate half pie per maund per mile plus terminal charges when booked from:—

(1) Karachi City or Kiamari to any North Western Railway station and *via* distant 200 miles or over.

(2) Ambala City or *via* Saharanpur (for traffic from Dehra Dun) to any North Western Railway station and *via*.

That is to say, local traffic from Ambala has an advantage over Karachi inland traffic, in not being fettered by a 200 miles minimum distance. In fact, to take typical Punjab cases, the local traffic seems to receive considerable natural protection; rates per maund for glassware, packed at owner's risk from Ambala City and Karachi to Rawalpindi, Peshawar and Multan City are as follows:—

From	To		
	Rawalpindi.	Peshawar City.	Multan City.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Ambala ...	0 15 7	1 4 0	0 15 6
Karachi... ...	2 5 11	2 7 3	1 8 7

Thus, in this instance, the complaint seems effectually to have been disposed of. The absence of organisation in Indian markets and business generally introduces further complications. As a rule in other countries goods moving towards the port and goods moving from the port are different. But in India one finds that manufactured articles are conveyed from the town of origin to the port and thence back to the interior. For instance, a Delhi firm manufacturing sulphuric acid asked for concessions for Bombay and Karachi. Enquiry showed that the sulphuric acid sent to Bombay was rebooked to Ahmedabad and district, and that that booked to Karachi came back into Sind and often into the Punjab; and the obvious suggestion of the railway authorities that a certain amount of freight would be saved, if the sulphuric acid were despatched direct to the customer, was considered quite impossibly to ignore the facts of the case.

Thus one must come to the conclusion that the charge discussed above is not proven: that at any rate sufficient information has not been furnished to us which can bear the criticism of the officers in charge of rates. There have been no well sustained allegations that the North Western Railway is unduly niggardly in the matter of concessions. In certain cases concessions have been withdrawn but only after it has been proved that either the concession was misused, or that circumstances had made it unnecessary. A concession granted on soda for Ambala for the benefit of the glass works was withdrawn when it was found that Ambala was becoming an entrepot for washing soda. Concessions for the import of loose cotton from Peshawar and district to Lahore ceased to be necessary after large numbers of ginning factories had been set up in Peshawar and other places nearer than Lahore.

A certain amount of irritation is caused by the inequality of treatment from different railways. In a certain case the Managing Director of the North India Chalk Pencil Company, Gujranwala, applied through the Director of Industries, to various railways for concessions. He was treated with generosity by the N.W. and E.I. Railways, with a certain amount of consideration by the B.B. & C.I. and G.I.P., but received a curt refusal from the Southern Mahratta Railway.

Thus no general and sweeping alterations in rates seem to be called for in this Province; nor can it be said that the treatment of indigenous industries is entirely unsympathetic. It seems that a greater intimacy of relations between the railway and the Industries Department could smooth many difficulties, and either the appointment of a representative of Industry on the existing Railway Board, or the formation of a Board, where the railway is represented equally with the Department of Industries, would not only expedite decisions, but would save a great deal of unnecessary correspondence."

5971. Mr. Townsend said that he found no reason to disagree with the author of the above note, and he had come to the conclusion that the public have no reason to complain of the rates. In reply to the Chairman, Mr. Townsend said that both the points, namely, whether a rate is too high and whether one man gets an advantage over another, had been discussed by the writer of the above note; but the conclusion was the same.

5972. Mr. Townsend mentioned the case of an Indian firm which got a concession for making a branch line—the Mandra-Bhon Railway. The firm failed to raise the necessary money and had to give back to the prospective shareholders what they had been able to collect. He said that the railway had since been made by an English firm (Messrs. Killick Nixon & Co.) who raised most of their capital in Bombay. He only mentioned this case to show that in the Punjab there is a distinct lack of willingness on the part of the public to invest money for railway purposes. Mr. Townsend instanced another case of a similar kind. The General Electric Company have a scheme at present to put up an electric plant at Rawalpindi and Lyallpur. The firm had complained to him that they could not get on with the work because the necessary capital was not forthcoming in

Rawalpindi. Mr. Townsend said that he had written to the Deputy Commissioner there and asked him the reasons. He had been told in reply that out of a total of Rs.7 lakhs required for the Rawalpindi electric scheme, only Rs.3 lakhs could be raised in Rawalpindi. For various reasons money was very tight. Owing to the fact that no profits could be expected for at least a year or two, people were not willing to come forward. A banya who might get 10 per cent. interest by investing money in this scheme would be able to get from 12 to 20 per cent. elsewhere. In reply to Mr. Purshotamdas Thakurdas, Mr. Townsend admitted that the average rate which he said a banya can get, namely, 12 to 20 per cent., would be got by mere lending; he did not mean that this is a commercial rate of interest.

5973. In reply to the Chairman, Mr. Townsend stated that people in the canal colonies in the Punjab are worth many millions of pounds; they bury by far the greater proportion of it. In the year 1913 there was a great commercial collapse in the Punjab; Lala Harikishen Lall was very largely connected with it, and many of his industrial concerns had failed, though it should be stated to his credit that 16 annas in the rupee had been paid back in practically all his concerns; people at any rate had been kept out of the use of their money for some time, and this had to some extent discouraged them to invest.

5974. In answer to Sir Henry Burt, Mr. Townsend stated that an elevator is worked for Government at Lyallpur by a wheat firm who act as Agents. At present the wheat trade is restricted. So far as experiments have been made, they were successful; about 2,000 tons had been passed last year through the elevator. The success was due to the fact that they have excellent clearing machinery and an excellent officer to "grade" the wheat; with the result that they get four annas a maund more than the rate given for the best bazaar wheat. Another advantage of the elevator was that when a man puts in a quantity of wheat he gets a receipt for it from the elevator manager, and on this receipt the Alliance Bank of Simla (a branch of which has been opened next door to the elevator) advances about 80 per cent. of the value of the grain at once, thus enabling him to get the immediate use of his money. He thought that Indians are getting confidence in this system. In reply to the Chairman, Mr. Townsend said that this is the only elevator in the whole of the Punjab. It is expensive and far too extravagantly built, but was introduced as an experimental measure and gave fair promise of success.

P.S. (1)—As a concrete example of the economic harm caused to the province by the shortage of wagons, Mr. Townsend subsequently furnished the Committee with the following copy of a letter which he had received from the Superintendent of the Government Cattle Farm at Hissar:—

> Some time early in January, some farm employees bought 400 mds. of *kirby jowar* (fodder) at Palwal (Gurgaon district); to bring here to save their cattle. Early in February they complained to me that they could not get wagons to bring it here. I wrote a polite letter to the S.M., Palwal, asking him to give the men wagons, as their cattle were on the verge of starvation. He took no notice; the fodder is still lying at Palwal station waiting for wagons. The benefits of fodder concession rates are being lost to this district this famine. . . . You will benefit the people here greatly if you can do anything towards getting wagons for fodder without hitches.

Mr. Townsend mentioned that he had written to the Traffic Manager of the G.I.P. Railway about this case; he had been told by the N.W. Railway officials that the G.I.P. Railway had been advised that there were no restrictions on the booking of fodder from that line to the N.W. Railway.

P.S. (2)—Another example furnished by Mr. Townsend is explained in the following letter to him from the Assistant Director of Agriculture, Montgomery District:—

> Your D.O. of 28th February, 1921, I received at Lyallapur. On my return I had to spend some time at Khanewal and at Iqbal Nagar. I came back to Montgomery to-day and have made personal enquiries as desired by you.
>
> Booking and loading was restricted on 30th December, 1920. Since then there has been great difficulty and trouble in loading of *Kapas* and *rui*. Japanese being disappointed arranged to get their Kapas from Okara and Chichawatni on camels, and had to pay Rs. -/8/- a maund for camelage, and they brought 6,000 maunds of Kapas from Okara and the same quantity from Chichawatni. By rail their expenditure would have been Rs. -/3/- a maund including freight, cartage and choukidari, etc., *i.e.*, they have lost Rs. -/5/- a maund. The version of a railway man that Japanese are taking Kapas on camels for their own facilities is wrong. They were obliged to bring their Kapas by camels because they could not get it by rail. Recent correspondence shows that the restriction still exists:—
>
> 1. D.T.S. Multan letter No. 6 T/46 dated 4th March, 1921, in reply to Japanese letter dated 25th February, 1921, to T.S., says "Loading and booking is restricted."
>
> 2. D.T.S. Multan letter No. 6 T/48 dated 4th March, 1921, says loading is restricted, in reply to Japanese letter dated 1st March, 1921.
>
> 3. T.M. letter No. 44 S.R./21 dated 4th March, 1921, says that D.T.S. will do his best, if he can, to clear up their goods, but there are few foreign empty wagons moving.
>
> So far they are disappointed and say that their goods (Kapas) for ginning and rui for export are lying as under and not booked and they are not allowed to bring their stuff to the station yard:—
>
> | | | |
> |---|---|---|
> | Chichawatni ... ... | 3,000 maunds | Kapas. |
> | Montgomery ... ... | 2,000 bales of | rui. |
> | Mian Chanu ... ... | 100 | do. |
> | Multan ... ... | 200 | do. |
> | Khanewal ... ... | 53 | do. |
>
> Station master Chichawatni told me yesterday that orders have been received to book but one wagon daily and Japanese say that no action is being taken.

Mr. Townsend drew attention to this letter as disproving the suggestion, made during the examination of the N.W. Railway representative, on the 28th February, that possibly the cotton (*Kapas* and *rui*) referred to in this case was brought to its destination by road rather than by rail for the convenience of the merchants.

Mr. A. G. WATTS, Manager, Bhupendra Flour Mills, Bhatinda, was called, and examined upon a written statement which he had furnished to the Committee.

5975. Mr. Watts stated that he was manager of the Bhupendra Flour Mills at Bhatinda, which is a station on the North Western Railway, between Lahore and Delhi, in the Patiala State.

5976. In his opinion railways should be owned and managed by the State and not by companies. The Chairman observed that from Mr. Watts' evidence it appeared that he considered the management of the only State railway, of which he had had experience, namely, the North Western Railway, is a disgrace, and absolutely out of control, and that it appeared a little strange, in the circumstances, that Mr. Watts should recommend State management. Mr. Watts explained that, in his opinion, railways should be managed by the State, but that the State management as at present known should be reorganised. The Chairman referred to the commendation of the existing administration of the North Western Railway which had just been given by Mr. Townsend. Mr. Watts stated that, on the other hand, he had himself frequently to apply to Mr. Townsend for assistance in securing his requirements from the railway, and that though Mr. Townsend had done his best, he had not always succeeded.

5977. His statement that industries are handicapped owing to the apathy displayed by the superior officers to the irregularities of their subordinates, referred specially to the question of corruption in the matter of wagon supply. This, he said, had got worse during the past few years. He thought there must be a shortage of wagons, and that this is taken advantage of by those administering the system. He said he had been representing the matter since 1917 to the traffic managers of the North Western Railway, the Bombay-Baroda and Central India Railway, and the other railways with which he was concerned. Sometimes, through the kindness of these officers, he succeeded in getting a special allotment of wagons for his merchandise, but more often he did not. Even when allotments were given the wagons were not always forthcoming.

5978. Mr. Watts alluded to a case which occurred about 18 months ago in which the clerk in charge of the goods shed at Bhatinda was convicted at Ferozepore of having illegally made a sum of Rs. 4,750 in three days. In that case both the clerk and the merchant had been sent to jail. The case was, however, reversed, by the Political Agent of the Patiala State. The point he wished to emphasise was that corruption on so large a scale could not exist without the knowledge of the superior officers of the railway. He thought the railway was responsible for not ensuring that publicity was given to such cases as that quoted. Mr. Watts was of opinion that the higher officers of the railway must know what is going on. He mentioned that recently a newly appointed district traffic superintendent of the Bhatinda District had held a meeting in the bazaar, addressing the merchants and urging them to come direct to him with complaints in case of difficulties in connection with wagon supplies. This showed clearly that the existence of the corruption and malpractice on the part of the subordinate staff is well known to the higher authorities. Mr. Watts said that this was a particular case of an attempt on the part of the North Western Railway to improve matters, but he did not feel confident that they would succeed very rapidly.

5979. With regard to his written statement that, during the past four years, through the inability of the North Western Railway to handle their goods, the Bhupendra Flour Mills had on an average lost six working days in a month. Mr. Watts stated that this was largely due to the practice of the railway taking possession of coal sent to the mills with the consequence that the mills frequently ran short of it. The mills had recently been burned down, but just before that happened they were so short that they would have had to shut down altogether. He mentioned that the position was generally so bad that he asks for compensation for the coal taken by the railway company to be made by actual replacement of the coal and not by paying a sum of money.

5980. Mr. Watts stated that he nevertheless pressed for State management, being a liberal in politics and holding that railways should be administered in the interests of the people and not in the interests of companies whose efforts must necessarily be directed to making profits. He thought that the State railway management could be greatly improved.

5981. He mentioned that he himself had come out to India as an expert miller to manage a mill, and thought that, similarly, railways should import trained railwaymen and not inexperienced youths who have to learn their business in the country. He mentioned that at present railway officers come out without training, and, after flitting through different departments, are put in charge of districts. He though that real experts should be obtained from England for all classes of appointments from general managers down to yard inspectors.

5982. Being asked to explain his reply to questions Nos. 21, 22 and 23 that "a State holding capital should be raised by method of taxation," Mr. Watts explained that, in his view, the State should raise the capital required for railways by direct taxation and not by borrowing. He considered that such rates and fares should be charged as would cover working expenses and that profits, if any, should go in relief of taxation. He considered that a wise and daring Finance Minister would have unlimited scope for raising money by such means. Asked whether a Finance Minister who raised vast quantities of money for capital purposes by means of direct taxation, would not be unpopular, Mr. Watts said he would not mind the unpopularity—a Finance Minister was always unpopular. He was opposed to raising rates and fares at present, but would not object to additional taxation for the purpose indicated.

5983. Mr. Watts urged, with regard to rates, that the rate for *atta*, being a staple food of the country, should be lower that that for wheat, as well as that for flour. The latter commodity he regarded as a luxury. He considered also that grain for export should be booked at a higher rate than for home consumption.

5984. Mr. Watts was of the opinion that there should be a tribunal properly constituted to settle disputes between traders and railway administrations.

5985. The Chairman observed that he would not go into the question of risk notes, as he had little doubt that this matter would be satisfactorily dealt with.

5986. Mr. Watts said that on the North Western Railway booking is at present closed for certain goods, including the classes of goods he turns out in his mills. The Chairman asked whether the embargo is in force all over the system. Mr. Watts replied that there were fluctuations in the opening and closing of districts to particular kinds of traffic. Bhatinda is capable of handling only one-third of the local traffic that offers there. From Bhatinda his mills could only send two-thirds of what they are capable of producing. The mills had at no time handled more than 65,000 maunds, though they could deal with 100,000, and this fact gave them no encouragement to increase their capacity. They made *besn* of special quality, which is in demand all over India, and, though prices are high in Bombay, they could not take advantage of them, as the railway could not carry the maximum quantity they could produce. They would require at least 200 wagons a month, if not more. Even without any further extension the mills could double the output, and it would pay them to do so. Further, *besn* is a staple food, and if there were greater railway facilities more could be manufactured, and

thus the price to the poorer Hindu population would be reduced.

5987. Mr. Watts was of the opinion that, as the railway administration is not in close touch or in sympathy with the requirements of industries and trade, it would be best to have a consultative body of representatives of traders and manufacurers to talk these matters over with the railway officials. The three instances he gave in his answer to question No. 32 clearly proved that the railway took a very long time to accept claims the reasonableness of which any business man would readily see. There was a case, in which he made the request for the appointment of an arbitrator to decide whether goods booked at owners' risk, lost and then found only after eight months, were in good order or whether the consignor had a reasonable claim for damages, which had been going on for about 12 months. Only that morning, possibly because it was known that he was about to appear before the Railway Committee, had he been asked to forward the original railway receipt. In a case of damaged machinery the railway stated that they were not responsible as it was badly packed. When he went to the railway office he found there were no papers connected with this case, and he was told that his claim was time-barred. In answer to Sir Henry Burt, Mr. Watts said that from the railway point of view the dispute might have been 'settled' by this answer, but not from the point of view of the mills. Such cases hang on for a considerable time, and he was inclined to think that interest could be charged for the amounts belonging to the mills which the railway held.

5988. Referring to the question of payment for wagons, the witness made the statement that "there is no doubt that the bazaar merchants are as much, if not more to blame for this system" because they bid against one another for wagons. This bidding is done openly. One station master of Bhatinda, whose name he would not mention, said that he would shut the mills up as they would not pay him. The Chairman asked whether Mr. Watts had complained against the conduct of that station master. Mr. Watts replied that he had written a letter to the station master detailing his complaints regarding the inequitable distribution of wagons, and threatening to report matters to higher authority. He had subsequently made a report to the Traffic Department, but could not find that he had specifically mentioned to them the details which had been set out in his letter to the station master. The Chairman observed that he should have sent a copy of that letter to have enabled them to have dealt effectively with the matter.

5989. In reply to Mr. Hiley, Mr. Watts said that he had several times represented to the traffic manager of the North Western Railway how badly his mills were treated, and that the traffic manager made a special allotment in preference to transhipment, which is a rare thing, and that, in spite of all this, he had to fight for the supply of wagons. He had complained in June, 1917, to the District Traffic Superintendent of the Bombay Baroda and Central India Railway about the shortage of wagons; and to the District Traffic Superintendent, North Western Railway, Ferozepore District, about the Patti Station Master's preferential treatment. The District Traffic Superintendent of the Bombay Baroda and Central India Railway, Delhi, whom he saw three years ago, in connection with the irregular and insufficient supply of wagons, remarked that the reason why other merchants got wagons was that they buy them. Mr. Watts did not know whether this officer was still in Delhi. The Deputy Traffic Manager of the North Western Railway, whose office is at Lahore, and to whom Mr. Watts complained of unfair treatment in regard to allotment of wagons, observed that he had probably not paid enough to the Chief Goods Clerk. The gentleman who was Deputy Traffic Manager on 7th July, 1920, was the person to whom he was referring. The Chairman subsequently asked if the remark, that he had probably not paid enough, did not suggest that he had paid something. Mr. Watts emphatically repudiated any such suggestion.

5990. Sir Henry Ledgard asked whether a register of applications for wagons is maintained at the North Western Railway Stations. Mr. Watts could not answer the question as his mills had its own siding. The railway had posted a clerk at the siding and whenever they wanted wagons they prepared special indents, sent them through a peon, and obtained acknowledgments of their receipt in the peon's book. He did not know how others put in applications, whether there was kept a priority register, or whether allotments were made in the order of the dates in which the applications were received.

5991. In answer to Mr. Purshotamdas, Mr. Watts said he had no other remedy to suggest for the present bad system of working than he had already suggested. He could not say whether the system of corruption had been the custom of the country, but it seemed to have become so. He thought it was due to shortage of wagons. He had said that the merchants "liked" it, but agreed that really they acquiesced in it only because they could not help it. They would not be sorry if some method could be devised to improve matters. He believed that the money was distributed among the station staff. In Bhatinda there was no broker who bargained with merchants to supply wagons.

LALA MULK RAJ BHALLA, Managing Director, Punjab Co-operative Bank, was called and examined upon a written statement which he had furnished to the Committee.

See Written Statement No. 70, Vol. IV., P. 232.

5992. Lala Mulk Raj Bhalla stated that he was Managing Director of the Punjab Co-operative Bank which is a local institution of Lahore. He was also Vice-President of the Indian Chamber of Commerce, Lahore. He had formerly served in the Audit Department of the N.W.R. as Inspector and Accountant, and on the B. & N.W. Railway and Assam Bengal Railway as Government Accountant. He left the railway service in 1904.

5993. In his opinion the State should manage its own railways and he believed this would also be the view of the Indian Chamber of Commerce, Lahore. They were not very well pleased with the existing system of State management, but believed that it could be improved and should be beneficial to the country and to the State.

5994. The point on which he wished to lay stress was that the chief officers of the railway were not easily accessible. He was in favour of the establishment of local Advisory Councils containing representatives of the people and of different commercial interests, which would meet the railway officers. He thought it important that it should have access to the heads of departments dealing with the public as well as to the agent. The Chairman said that he presumed that the Traffic Manager would take part in meetings of the Council and would be referred to by the Agent on matters concerning his department. The witness explained that he not only wished the people to be able to approach the Railway Administration but that the Heads of Departments should also take the public into their confidence and communicate freely with them.

5995. He thought the size of the N.W. Railway administration is too great, having regard not only to the volume of traffic handled but also to the extent of its mileage. He thought that each railway administration in India should only be of about 1,000 miles in extent. He did not think the case would be met by leaving the existing system untouched, and establishing other Advisory Boards at Karachi and elsewhere. What he considered necessary was that there should be fewer officials and with lower salaries in order to reduce the distance between the officials

and the public, and that there might be fewer knots in the red tape. He did not think that the increases of the number of administrations due to breaking up the larger systems into smaller ones would lead to any greater interference than at present from the Central Government.

5996. The witness urged that Indians should be employed in whatever posts they are fit to fill.

5997. He said that he would prefer State management to company management, but if companies had to be employed, he would prefer to have these domiciled in India.

5998. He considered that the Railway Board interferes too much in small matters, but the instances cited by him in which exception had been taken to such trivial things as the purchase of a book by an Agent and the employment of an additional peon by an Auditor, were not cases of interference by the Railway Board but by a Consulting Engineer. His information was not recent and he did not know if there had been a change in the matter of detailed interference since the Railway Board came into existence and the Consulting Engineers had been abolished. The witness said that he had not known of an instance of control exercised in the interests of the public using the railway, in the matter of comfort of passengers, or expedition of the despatch and delivery of goods, or the speedy disposal of claims. He thought that it would be a good idea that the Railway Board should have a special staff of Inspectors whose duty it would be to travel and enquire into such matters as these.

5999. He was clearly of the opinion that the supply of funds for railway purposes is inadequate and believed that many profitable railway lines can and should be constructed. He recognised that the railway officials might be jealous of the establishment of alternative routes but he thought that in the interests of the public these should be made in many cases. He cited as an example the need for another line from Lahore to Gurdaspur with a branch from Amritsar to it. He thought the people in Lahore would readily subscribe money for these railways.

6000. Regarding the branch line terms, he considered that these need revision in view of the increased price of money and that it would be reasonable to guarantee 6 per cent return and give two-thirds of the profits to the branch line companies. He considered that overcrowding is serious in all classes on the railway, excepting the first class. He cited a case in which he had travelled in a second class compartment which was so overcrowded that he wanted to leave it to change his ticket and get into the first class, but he had been unable to get out owing to the crush in the carriage.

6001. With regard to the use of goods wagons for passengers he said that these are used on many branches, quite apart from special conditions of pressure due to mela traffic. It made no difference if the wagons were described as "converted goods wagons;" they were really goods wagons and not passenger vehicles. He knew personally of the constant use of such wagons on some branches, for instance, on the Jullundur Doab Railway, but had been informed that it is common on many others. He considered that the people should be made to realise the attractive nature of investment on Indian railways, and referred to the high return secured on the railway property, as brought out in the administration reports. He thought that Government should make it its business to advertise such figures as these, as is done in the public Press in other countries. He thought the Publicity Department and other methods should be used to give publicity to the figures in India. The Chairman observed that it is one thing to publish figures but another to make people read them; the witness thought, however, that they would be read with interest by the commercial community.

6002. In answer to Sir Henry Burt the witness said that a high rate of interest must now be offered to attract capital. He thought that branch line railways must have a guarantee as well as a share in the profits. He cited the case of the latest Bombay Development Loan as one in which a high rate of interest had been offered. He thought money would be readily forthcoming for the small lines and that these would easily be able to earn 8 or 9 per cent. He did not think that the main line terms should be worse than those offered for capital for branch line enterprises.

6003. In the witness's opinion, the number of railway officers could be reduced. He thought that substantial additional funds could be secured by raising rates and fares and in this connection cited the following figures. The total earnings of railways in India from first class passengers for the year 1918-19 came to Rs. 1,11,69,000. The witness thought that the first class fares should be increased by 50 per cent. The income on the second class for the same year was Rs. 1,72,66,000. The fares for this class should be increased by 25 per cent. An increase of 10 per cent. in the intermediate class and a slight increase in third for short distances would fetch another Rs. 2 crores. The Chairman pointed out how even a slight increase in third would fetch a great sum. The witness said the fares for first class have not been increased of late, whereas rates of inter and third have been considerably raised.

6004. The Chairman suggested that if 50 per cent. increase were made in the rates for first class, it might raise the revenues from Rs. 1,11 lakhs by about Rs. 56 lakhs, but that this addition, not relatively very substantial in itself, might easily be discounted by some passengers deciding to go second class instead of first. The witness however did not think that this would happen. He thought that the first class passenger would not hesitate to pay the higher fares for their accommodation.

6005. The witness thought the goods tariffs excessively complicated and susceptible of simplification. He believed that by raising slightly the goods rates an extra Rs. 6 crores annually could easily be secured. He recommended higher rates of carriage on luxury articles such as fine cloth, and also that the rates on export traffic should be increased. The Chairman observed that grain destined to feed Bombay is carried to that place at the same rate as grain intended for shipment to Europe. The witness thought that the export grain might be charged a higher rate, but if there are difficulties in that, the rate for all the grain might be increased. He did not think that a moderate increase would be felt by the consumer at Bombay or in foreign countries.

6006. He believed that there was plenty of money in the country and that it could be elicited for railway purposes, if banking facilities were properly extended, these should be placed at the people's doors, and Indian banks should be encouraged. He mentioned that bank deposits are steadily growing. He thought that the railway securities should be treated as gilt-edged, and that facilities should be given for subscriptions through Post Offices and District Treasuries.

6007. Mr. Purshotamdas observed that the witness recommended the sub-division of the N.W.R. into separate administrations, mainly for the reason that the officers are too important and too distant from the people. He asked whether, if any other scheme could be adopted to make these officers more accessible to the people, this would not meet the witness's point, as he did not apparently object to large systems in themselves. The witness however did not think that any alternative method would be practicable. He considered it necessary to lessen the importance and localise the interests of the railway officers in question in order that they might be more in touch with the people.

6008. He stated that if methods could be devised for putting a stop to corrupt practices in connection with the supply of railway wagons, it would be extremely welcome to the trading public.

SETH PRABHU DAYAL, M.B.E., Mill-owner, of Multan, and Member of the Advisory Board to the Director of Industries, Punjab, was called, and examined upon a note furnished by him to the Committee.

See Written Statement No. 71, Vol. IV., P. 233.

6009. Mr. Prabhu Dayal stated that he had formerly owned 24 ginning and pressing factories in different parts of the Punjab and Sind, but that owing to domestic circumstances he had reduced them to 12. He said that in Multan he was putting up a flour mill.

6010. The Chairman observed that Mr. Townsend had told the Committee of the difficulty in getting cotton taken to the ginning factories. The witness said that the position is very serious as instanced by the fact that for the past month not a single wagon load had been carried from any station in the Multan district and two or three other districts. His factory at Gojra had had to close down on account of shortage of coal. He mentioned that he had met the Director of Industries that morning and had obtained from him a letter addressed to the Traffic Manager, North Western Railway, requesting him to arrange to carry weekly from Multan to Gojra, up to eight wagons in all, two wagons of wood to supplement coal fuel. The witness explained that this would cover requirements for four weeks, after which the cotton season would be closed and the necessity would no longer exist.

6011. The Chairman asked what the position is with regard to getting cotton to the ginning presses. Mr. Prabhu Dayal said that the system is that the factories are generally situated at the stations where there is a large stock of cotton, but now-a-days American cotton is being grown with the assistance of the Agricultural Department. That department holds auctions wherever there is good staple cotton and asks the Zemindars to bring the cotton in their carts to the auction. The cotton seed is also auctioned. The merchants purchase the cotton and take it to Multan. A fortnight hence, the sowing season will commence, and at present the seed is lying at stations waiting to go to its destination. Sometimes bags of seed rot and become completely useless.

6012. Mr. Prabhu Dayal said that Mr. Scott, the Director of Industries, had recently induced the Agent of the North Western Railway to supply 200 wagons daily to take pressed cotton to Karachi. The North Western Railway would take it only to Karachi and not allow transport off its own lines. It goes ultimately from Karachi to Bombay by sea The witness mentioned that as merchants make forward contracts they lose heavily owing to their inability to deliver to time. It was for these reasons that the people are willing to pay as much as Rs. 300, which he stated had been paid for the supply of a single wagon. He said that this is an open secret that such bribes have been paid owing to the great scarcity of wagons.

6013. In reply to Sir Arthur Anderson, he gave figures showing that the value of a wagon load of cotton seed may amount to Rs. 1,800. He agreed with the Chairman that the position is that, whether it is a matter of transporting seeds to growers, cotton to the presses, coal to the factories, or pressed cotton to the consumers, blocks constantly occur everywhere on the railways. The position had not been so bad before the war, but during and since the war, that is, for the last six years, it had been very serious.

6014. He thought that under State management matters would be much better as trucks when unloaded would be used to take away merchandise and not returned empty to the parent line as at present. Sir George Godfrey questioned the accuracy of the statement and the Chairman referred to Mr. Boalth. General Traffic Manager of the North Western Railway, who was present during the witness's examination. Mr. Boalth stated that all wagons are pooled and can now be used for any purpose irrespective of their ownership. He explained that for the last month there has been an absolute stoppage in the matter of carriage of goods. From the 29th January onwards, the orders were to stop all booking, the coal situation being critical. Mr. Boalth said that a few days after that, the Director of Industries pointed out to the railway that cotton should be sent to Cawnpore and that is being done now. He said that under the system of pooling wagons now in force, foreign stock can be used not only for traffic back to the parent line but also for traffic in other directions. He agreed to the Chairman's suggestion that he should send a telegram to the District Traffic Superintendent at Multan asking why the orders not to return foreign stock empty, are being ignored as stated by the witness. The witness said that, whatever the orders on the subject might be, it was within his knowledge that wagons had not been used at Multan City but were sent away empty. Mr. Boalth thought it unlikely that the orders on the subject could have been misunderstood by the District Traffic Superintendent, Multan District, though the station staff at one station might possibly have misunderstood them. The witness also maintained that the facts were as reported by him. He said that he would enquire further into the matter on his return to Multan.

6015. Sir George Godfrey questioned the witness with regard to his statement that the lower class traffic officials who come in contact with the travelling public are paid very low salaries as compared with State managed railways and that consequently these officials prey on the public and make up the deficiency. He asked the witness what was meant by "lower class traffic officials." The witness said that he meant subordinate staff from District Traffic Superintendent downwards. He had not in his mind the higher officials but only the station staff. The stationmaster in Hassi gets only Rs. 100 a month which he considered very small. He said that he could not give comparative salaries for those men as between State managed and company managed lines.

6016. Referring to his observation in the statement submitted to the Committee that all higher grade appointments in the company managed railways have been closed to Indians, the witness agreed with the Chairman that it was not fair to say that companies do not appoint Indians in the superior grades seeing that some of them have appointed a number of Indians of late and that others are trying to follow suit.

6017. The Chairman asked whether the witness agreed with Lala Mulk Raj Bhalla in thinking that a single administration should only manage 1,000 miles of railway. The witness said that he did not agree, as it made very little difference whether the Agent managed a line of 5,000 or 10,000 miles. He stated that in his opinion, all would be well if only the District Traffic Superintendents were easily accessible to the public so that they could be talked to freely. He mentioned that he himself, though a man of standing, had personally twice been refused an interview by the District Traffic Superintendent at present at Multan. He left it to be judged what hope there was of persons of lower standing obtaining attention. In his opinion the difficulty is due entirely to red tape and to the District Traffic Superintendents dealing with the matters only on office files.

6018. The witness said that he was in favour of the establishment of two Advisory Boards, one to assist and advise the Railway Minister, the other to co-operate with the District Traffic Superintendents; he considered the latter very important. Once it drew the District Traffic Superintendent into contact with the representatives of the public and of commerce, there would be an improvement. He considered that corruption on railways would die within a year, once the District Traffic Superintendent came into personal touch with those concerned. The witness regretted to say he believed that 99 per cent. of the subordinate railway staff is corrupt. He admitted that corruption exists also in other departments, for instance, the police and the municipalities, but he believed it was much worse on the railways than elsewhere. It had not been so bad on the railways before the war, but had

been aggravated by the shortage of railway wagons. He considered that an Advisory Committee including the Minister in charge of the railways would be useful in dealing with questions relating to rates and fares. He would not object to an Advisory Board at the railway headquarters to advise the agent, but did not think that this should take the place of the district committees associated with the District Traffic Superintendent as proposed by him.

6019. He considered that some branch lines may be expected to pay very well. Asked by the Chairman why, in the circumstances, they should not be built without Government assistance, he said that at present the money which might be made available for railway construction is hoarded. He thought that it would be necessary for Government to give a guarantee and a share of the profits; if this were done, it would readily be forthcoming.

6020. The Chairman questioned the witness with reference to his written statement regarding the weight given to the opinions of the European Chambers of Commerce and their influence in favour of the export trade. The witness said that there is an Indian Chamber of Commerce in Lahore, but Government are very unsympathetic in all departments towards it. For example, it refused to supply official documents, such as railway administration reports, or to recognise the Chamber in any way. He admitted that such documents as the administration report could be purchased for a few rupees, but cited the matter to indicate the attitude of Government towards these bodies.

6021. The witness explained that when saying that under State control railway trucks "will fall like rain," he was referring to the facility with which wagons belonging to different systems could be utilised as already explained by him.

6022. As an example of the ill-effects of the uncertainty with regard to wagon supply, the witness stated that his factory at Gojra, which is now working, will be closed next week for want of trucks for coal or wood fuel, as loading in several railway districts on the North Western Railway is stopped, and that cotton worth lakhs of rupees is lying in the factory compound. He admitted that the Director of Industries is giving great assistance, and recognised that this is a case in which more sympathy has been shown by Government Departments than had been the usual experience. He had no personal experience in connection with agriculture, but believed that the Director of Agriculture also gives much help to those with whom he comes in contact.

6023. With reference to the question of corruption in connection with which the witness mentioned that a European District Traffic Superintendent at Multan and his train clerk were recently sentenced to imprisonment, the witness did not think that the railways do all they can to prevent corruption. He believed that they were themselves satisfied that they did so, but urged that they must be more accessible so that people could come and see and speak with them. He considered in fact that it should be the principal part of a D.T.S.'s work to keep in contact with the people, and that ordinary office work should be relegated to an assistant. In reply to Sir Arthur Anderson, the witness stated that his experience had been mainly at Multan and Lyallpur, but he had had factories at Shikarpur in Sind and many other places. On two specific occasions he had attempted to obtain interviews with the present District Traffic Superintendent at Multan and had failed, but his opinion, based on wide experience, was broadly that officers of this class are not accessible to the people.

6024. Referring to the witness's statement that company managements generally indent for their railway equipment from outside India, Sir Arthur Anderson asked what class of equipment the witness had in view. He said he had in mind wagons and all sorts of equipment of the kind. He admitted that attempts are now made to get them in India, but not to the extent to which they ought to be.

6025. Sir George Godfrey drew further attention to the statement of the witness that the State railways pay better salaries to their lower paid servants than the company-managed lines, and that the latter consequently prey upon the public. The witness mentioned in support of his statement the case of the Hansi station where the station master was paid only Rs. 100 a month. He believed that much higher rates of pay prevail on the N.W. Railway. He said that merchants' books everywhere would show that for every parcel booked, a payment of one anna has to be made to the station staff. After further discussion, he explained in reply to the Chairman that his point was that on State railways there should be less temptation to corruption, but in fact the State railway staff appear to be as corrupt as the others.

6026. Sir George Godfrey asked with reference to the witness's recommendation in favour of a court of arbitration, whether the courts of law are not open to them. The witness thought that Government would suffer greatly if cases were taken into courts of law. He said that there would be thousands of cases against the North Western Railway alone, and it would take years to settle those references. His personal opinion was that the law courts are a curse to the country and ruin those who have recourse to them.

6027. In reply to Mr. Purshotamdas Thakurdas, the witness stated that a priority register exists at Multan in connection with wagon supply; corruption nevertheless prevails. He explained that not every merchant goes to the station himself; moreover, they cannot all read English, nor can they always obtain access to the registers which the officials are unwilling to show them. He admitted that if a trader is an influential man, he may get some attention from the District Traffic Superintendent, but ordinarily they can get no attention, nor can they even obtain replies to letters. He would not himself attempt again to see the District Traffic Superintendent at Multan having regard to the refusal to receive him on previous occasions.

6028. As an instance of the undue influence of British firms, he mentioned the case of the woollen mills at Dhariwal and Cawnpore in favour of which special rates for wool from Fazilka to the mills are quoted. There are no corresponding special rates in favour of Indian mills elsewhere. Mr. Purshotamdas observed that in any case these are industries established in India and employing Indian labour, and asked whether similar concession rates have not been given where Indians are concerned. In reply, the witness instanced the case of flour mills at Shahdra, Lyallpur and elsewhere. He said that flour despatched from these mills for export to Japan and elsewhere gets no concessional rates.

6029. The witness said that he was not in a position to speak as an expert on financial matters. He thought, however, that the Indian commercial community would freely subscribe for railway purposes in view of the advantage to their businesses. He thought that a guarantee of at least 6 per cent. would be necessary in the case of Government loans and that a higher rate would be necessary in the case of loans not guaranteed by Government. He believed that, subject to a reasonable return being guaranteed, liberal subscriptions might be expected if the public knew that money was wanted exclusively for railway facilities and development; people would naturally subscribe more readily if they were assured of having a voice in the railway management.

6030. The witness stated that he would certainly be surprised if told that the Indian commercial community liked the bribery system which at present prevails. He stated that, on the contrary, they adopted it only under compulsion and would be only too pleased if it could be abolished.

6031. In answer to Mr. Hiley, who asked if the witness could produce traders' books showing the entries of the extra anna per parcel to which he had

referred, the witness stated that the books would show a charge in such cases under headings such as "station expenses." He said that he could not obtain their books from merchants for this purpose, but traders themselves would readily show any number of books containing similar entries, if assured that they would not themselves be prosecuted.

6032. He regarded the co-operation of Advisory Boards with the District Traffic Superintendents as essential for the purpose of bringing these into closer contact with the people. He thought that these District Advisory Boards should be brought into existence, whether or not an Advisory Board to co-operate with the Agent, to which he had no objection, is also established.

6033. In answer to Sir Henry Burt, the witness stated that, at Multan, brokers act largely on behalf of merchants in the booking of goods and procuring wagons. He believed that such firms as Ralli Brothers sometimes employ brokers and sometimes act through their own staff. He believed that they had the same difficulty as the others at the stations, and would have even more difficulty, as they do not pay bribes to the railway staff, were it not for the special influence that such firms can exercise with the District Traffic Superintendents.

FORTY-SEVENTH DAY.

(Lahore.)

Friday, 25th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. E. A. SCOTT, Director of Industries, Punjab, was called and examined upon a written statement which he furnished to the Committee shortly before the meeting.

See Written Statement No. 72, Vol. IV., P. 235.

6034. Mr. Scott stated that he had been employed as an engineer on construction and open lines for 13 years. He was subsequently Signal Engineer of the North Western Railway, which appointment he held for 10½ years. During the war he became Deputy Controller of Munitions, Punjab, in addition to his railway duties from 1916-19, in which position he was able to get an insight into the difficulties both of the railway and of the commercial community in so far as moving of goods was concerned. For the past 18 months he had been seconded from the railway service and employed under the Government of the Punjab as Director of Industries and Director of Civil Supplies. He believed that the appointment of Director of Industries would continue as a permanency, but did not think that that of the Director of Civil Supplies was likely to remain in existence very long.

6035. Mr. Scott stated that he had travelled a great deal as an ordinary passenger, and had seen for himself that the industrial population had very great difficulties in carrying on their business in the existing conditions of railway transport. He had also been in a position to appreciate the special difficulties experienced by the railways. Mr. Scott took the opportunity of stating that, in all his dealings with the North Western Railway in his official position the railway authorities had given him such assistance as was in their power, considering the difficulties under which they carry on their work. A point on which he wished to lay special stress was the need of doing something to obviate delays in the carriage of traffic.

6036. The Chairman drew attention to Mr. Scott's written statement that, in respect both of equipment and staff it could be shown that company management has the advantage in equipment, because funds are more likely to be provided when asked for by an experienced Board than by the Agent of a State worked line, and in staff because of the more business-like system of recruitment and selection.

6037. Mr. Scott laid great stress upon the latter consideration. He urged that companies are in a position to pay less regard to influence and more to selection of recruits on their merits. He urged that there is no real standard test on the State railways in some departments. Special qualifications are required in the engineering and locomotive departments, but not in the traffic department and others, and he believed that some of the men appointed by the State railway traffic department under the existing system were quite unsuitable for their posts.

6038. The Chairman expressed surprise at Mr. Scott's statement that funds are more likely to be forthcoming when asked for by a railway company than by the Agent of a State-managed line. He referred to the evidence which had been given to the contrary to the effect that the State railways are the favourite children of the Railway Board. Mr. Scott thought that the directors were in a position to bring influence to bear upon the Railway Board in support of their applications for funds. The Chairman said he was unable to understand how they can do this in practice, being located so far from India, and not being in direct correspondence with the Railway Board. The point was not pursued.

6039. Mr. Scott discussed the system of recruitment especially in regard to the Traffic Department both on State and companies' lines. The Chairman drew the conclusion in which Mr. Scott agreed that the method of recruitment from England is bad, and that followed in India is worse. Mr. Scott mentioned that appointments to the State Railway Traffic Department are made solely on nomination. It was subsequently explained by Sir Arthur Anderson that Mr. Scott's information was not quite up to date. The practice had been to make appointments solely on

nominations up to about five years ago, and the Railway Board had difficulty in dealing with the hundreds of applications that used to be received. It was accordingly arranged that in future the Board would consider the applications of men possessing certain prescribed educational qualifications, only after these had been sifted by the several local Governments and Administrations; the practice introduced being that the local authorities would send up only one or two names in each case. From the relatively small body of applicants so nominated the Railway Board made their personal selection after interviewing and personally examining the nominees. Sir Arthur Anderson pointed out that it was incorrect, therefore, to represent that appointments are now still made in the undiscriminating manner indicated by Mr. Scott, or that personal influence carries the same weight as he had believed.

6040. Mr. Scott mentioned as an instance of the lack of capacity of some of the young men recruited in the Traffic Department, that he had to give lectures on signalling to a class of young officers, and, on one occasion, he gave a lecture using a diagram illustrating by colours the connection between certain signalling and interlocking devices. In a subsequent examination some of the class showed that they had been able to understand the diagrammatic illustration so little that they believed that actually the corresponding equipment in practice is painted in the colours which Mr. Scott had introduced for the purpose of distinguishing the different portions of his diagram. Mr. Scott said that, even if there be an educational standard for the recruits, this is evidently too low. In answer to Sir Arthur Anderson he stated that he had over 23 years' service on railways and thus had opportunities of forming an opinion at first hand of the qualifications of the traffic officers; he had not served with the Railway Board and did not know in exact detail the procedure connected with their appointment. But he believed it was a matter of common knowledge that influence is still used to a large extent in procuring appointments. He stated that there is only one departmental examination after appointments have been made.

6041. Mr. Scott stated also, in reply to Sir Arthur Anderson, with reference to his observation that, though Government promotions would be made wholly by selection, this had not been, and is not being, done in practice, though he was aware of certain exceptions, for instance, the case of the present Agent of the North Western Railway. Mr. Scott urged, however, that these were exceptional instances, and that promotion generally goes by seniority in State railway service.

6042. Mr. Scott expressed the opinion that the question of transferring the State-worked railways to companies should be considered. He thought it might be feasible in the case of the Eastern Bengal Railway and the Oudh and Rohilkhand Railway, but it would be more difficult in the case of the North Western Railway owing to a considerable portion of this line having been built for purely military purposes which could not be worked economically except as part of the main system.

6043. In Mr. Scott's opinion the system of control by means of a Board is satisfactory, but the Board should have a President who would also be a member of Council of Railways. He should be assisted by as many members as might be considered necessary, one of these being appointed wholly to attend to, and deal with, the interests of commerce and the public, this member ranking next to the President. Mr. Scott thought that this member should be a merchant who would understand the commercial point of view. He thought that he would get sufficient guidance as to railway technicalities from his colleagues on the Railway Board.

6044. He did not suppose that this one man could personally do the whole work. He would have to organise a special staff with local representatives to help him at the large commercial centres. In answer to the Chairman who asked whether it would not be better to have a committee of, say, half-a-dozen representatives of different interests advising the agent of each railway, Mr. Scott thought it would be better to have a single man with a staff as suggested by himself, so long as the appointment was necessary. He admitted with regard to the last point, that in view of the magnitude of the railway system, it might probably be necessary to provide a permanent machinery for the purpose indicated.

6045. Mr. Scott drew attention to the fact that the Board's subordinate staff are at present all State railwaymen whose experience is generally limited to State railways. A certain number of the staff should be taken from company lines, their service with the Railway Board being limited to a fixed number of years.

6046. As regards the construction of new railways and feeder tramways, Mr. Scott considered that the powers of the Railway Board required modification, the final voice should rest with the local governments who are in a much better position to recognise the requirements of their provinces than the Railway Board could be. Mr. Scott explained that he was speaking only of railways of purely local importance and not of trunk lines. With regard to new construction Mr. Scott thought that there are many lines which have been surveyed and are badly required to develop the country, but for which funds are not forthcoming. He referred especially to feeder railways. He agreed that in present conditions the first thing to be done is to bring the existing railways up to the mark before further congesting them by additional traffic from new feeder railways.

6047. Mr. Scott placed before the Committee a copy of the North Western Railway's Gazette of November 29th, 1920, which he had picked at random, and invited attention to the engineering and traffic restrictions detailed in it. The Chairman examined the Gazette, and read out some of the restrictions imposed. For instance, in regard to engineering restrictions, he mentioned a case on the main line in the Lahore district in which speed was reduced to 25 miles an hour due to bad sleepers. In another case, speed was restricted to 5 miles an hour for down trains entering "A" platform from Lahore and Kasur side at Amritsar owing to bad track. In Saharanpur district the speed of trains was restricted to 10 miles an hour at a certain point due to a defect in the masonry of bridge No. 275. In another case in Lyallpur district the speed of all trains was restricted to 20 miles an hour, and the running of heavy class engines on the section had been stopped.

6048. Sir Arthur Anderson expressed the opinion that, having regard to the mileage of the railway, the number of restrictions indicated, many of which would doubtless be due to ordinary renewal operations, did not seem to be numerous. Mr. Scott mentioned that the list to which he drew attention was merely illustrative. He did not think that it represented a reasonable state of affairs.

6049. With regard to traffic restrictions which were detailed in 16 foolscap pages, the Chairman pointed out that the Gazette contained not only restrictions imposed by the North Western Railway, but also those imposed by other administrations. Mr. Scott observed that these restrictions are altered every week, and that the public are at the mercy of the railway staff, as it is impossible for them to familiarise themselves with all these details.

6050. In his opinion the member of the Railway Board in charge of the commercial side of the railway working would consider the commercial point of view. He believed that, without adding to the existing difficulties of the railways, such a member could help, through his provincial representatives, in securing more reasonable decisions as to which traffic should receive preference and which should be restricted. He observed, for example, that, though it is quite reasonable to give preference to the movement of foodstuffs, it is not necessarily reasonable to restrict traffic in materials upon which a man may be depending for his livelihood and without which he cannot

purchase the foodstuffs for his use. For instance, if undue restrictions were imposed on the carriage of cotton, the ginning presses and cotton spinning and weaving factories would have to close down, resulting in a large force of labour being thrown out of employment, and thus deprived of the means wherewith to buy their food. If sheet iron is not allowed to be carried, the merchant who deals in articles made of this, stands to lose a great deal, as his men, to whom he had advanced money, would go away, there being no work for them.

6051. At the present time Mr. Scott explained that he was acting as Director of Industries and Director of Civil Supplies, and does his best to help in such matters by representing the requirements of the public to the railway administration. But he considered that it required the whole-time attention of a special officer. The Chairman cited the case in which a witness recently showed to the Committee a letter from Mr. Scott to the Traffic Manager of the North Western Railway asking for special facilities for certain fuel traffic. Mr. Scott considered that, by such action, he is in a position to better the existing situation, and believed that the railway officers agree generally in this. He did not think that they accept his recommendations to the extent they do, merely to pacify a troublesome official.

6052. Mr. Hiley commented on the danger of appointing men with no railway training to the Railway Board, as being likely to lead to his asking for impossibilities on the one side and also to his being too easily put off, even in the case of reasonable proposals by the railway experts urging technical objections which he was not able to meet. He asked whether it would not be better, if such a person could be obtained, to appoint a commercial minded man with railway training rather than an outsider, Mr. Scott agreed that this would be preferable to the suggestion that a man of only commercial experience should be appointed.

6053. Referring to his written statement that the standard on which railways are built under the branch line terms might be lowered, Mr. Scott expressed the opinion that there is a tendency for the main line, which controls the standard of construction, to demand that this should approach that of its own trunk lines, and that the Government Inspector of Railways also is disposed to insist on an unnecessarily high standard in engineering matters. He thought this led to lines being built too expensively, and that it would be advantageous if they could be constructed more cheaply. He said that, for example, when a station plan is circulated for approval the head of each department of the main line adds to the requirements to suit the convenience of his own department. He said that in a few cases railways of a cheaper standard had been built, for instance, the Jodhpur Bikanir Railway, on which the station buildings are frequently only grass huts, which would certainly not be accepted on the North Western Railway. He thought also that the main lines are apt to insist on an excessive staff being appointed. Sir George Godfrey asked for details to illustrate Mr. Scott's observations which he remarked were quite contrary to his own experience. Mr. Scott mentioned the case of Mandra Bhon Railway which was built by a separate company under branch line terms. Under the influence of the North Western Railway, to which this line is a feeder, Mr. Scott considered it had been built to too high a standard, and he believed it almost certain that the branch line company would have constructed it more cheaply if left to itself. He thought, for example it was quite unnecessary that this line should have been fenced as it had been.

6054. Sir Arthur Anderson agreed with Sir George Godfrey that, in his experience the main lines had not exercised their influence in the manner indicated by Mr. Scott. He thought, however, that it was possible that Mr. Scott and he disagreed as to what would be a reasonable standard of construction. He drew attention to the fact that the Government inspector is commonly a director of the branch line company. The Chairman remarked that it might be natural for the main lines to press for a high standard of construction so that this would make the subsequent working cheaper. Sir George Godfrey agreed that this consideration might operate.

6055. Mr. Purshotamdas observed that Sir Henry Procter had quoted the Sara Serajganj Railway case as one in which the main line had insisted on too high a standard of construction. The Chairman observed that this was a special case as the Eastern Bengal Railway's view was based on the intention of running an express train over this line, which it subsequently decided not to do, Sir Arthur Anderson thought it would be foolish economy, for instance, to build a line with an unballasted road. The Chairman remarked that he had travelled thousands of miles on such lines elsewhere. Sir George Godfrey observed that conditions are different in India where there is a liability to extremely heavy rainfall at certain times. Mr. Scott concluded by saying that his general impression was that the main lines had exercised their influence in favour of too costly a style of construction as stated in his written evidence.

6056. Mr. Scott drew attention to the views expressed by the Indian Industrial Commission on the subject of assistance by railways to Indian industries. He thought that attention to this matter would be one of the chief functions of the commercial member of the Railway Board suggested by him.

6057. He agreed that a Railway Commission under the Railway Act for settling disputes is a cumbersome and unworkable machine. The commercial member of the Railway Board would undoubtedly take up this matter. The Chairman remarked that a single officer dealing with such questions would almost inevitably tend to have a bias in favour either of the railways or the traders. Mr. Scott was of opinion that, if he developed a bias towards the commercial community for instance, this would be corrected by a tendency in the other direction on the part of his colleagues.

6058. Mr. Scott thought that the bribery problem is a very difficult one. The only remedy he could suggest, was that a responsible and capable officer should be posted to a centre where bribery was known to be prevalent. He thought that it would be necessary for such an officer to remain there for a year or more, and to devote all his energies to stopping the practice, and ensuring that wagons were allotted in the proper manner. He thought that, if the practice were stopped for a fairly long period, it would not revive, people having begun to appreciate the altered position. This example would spread and would have a good effect throughout the railway. He agreed that the task would be a very difficult one, but could think of no other remedy in the situation.

6059. Mr. Scott urged that there should be appointed on the railways, under the direct orders of the agents, efficient officers whose duty it would be to travel about, and enquire into the causes of inefficient working, and to suggest remedies. He thought that keen men might be obtained from the existing railway staff, and put on this work. He thought even on State railways the practice of selection by seniority would not prevent an Agent from picking suitable men for such special appointments, his views on the matter of promotion by seniority referring rather to promotion in the regular departments of the railway. He observed that, even on State railways, men are usually chosen for such special appointments as those of deputy and assistant agents.

6060. In reply to Mr. Hiley, Mr. Scott said that his statement "regarding recruitment from England certain qualifications are said to be necessary, but these are not concrete enough to ensure generally capable recruits" applied to State railways. He did not know how selection was made for companies' lines. He was not aware that there was no more careful selection for companies' railways than for those of the State, and that the recruits are only nominated by the boards of directors instead of by the Railway Board. He was of opinion that recruits

should have some recognised degree, preferably an engineering degree. He said that he would not employ men in the engineering or locomotive departments unless they had qualifications, such as B.E. or A.M.I.C.E. This would ensure a certain amount of technical training and education. He would insist on similar qualifications in the case of Indian appointments. As there exist in the country suitable engineering colleges, men with those qualifications would be forthcoming. He thought engineering knowledge is particularly helpful to officers in the traffic department. He observed that the existence of such a criterion as he proposed would make it much easier, without causing offence, to reject unsuitable applicants who had been nominated by influential people.

6061. In reply to Mr. Purshotamdas, Mr. Scott stated that no case had been brought to his notice in which Indian industries in the Punjab needed railway concessions which the railway would not give. Mr. Scott was aware of applications for assistance in securing movement of traffic. He had generally been able to get assistance from the railway on this matter except in respect of coal transport.

6062. Mr. Scott did not believe that the Indian commercial community had got so accustomed to the idea of paying bribes to secure allotments of railway wagons, that they would regret it if the bribery system should be stopped.

Mr. L. E. BANFIELD, Master, Punjab Trades' Association, was called and examined.

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6063. Mr. Banfield placed before the Committee a written statement which he had prepared, but which it had not been possible for him to submit in time for the Committee's prior consideration.

6064. Mr. Banfield explained that the Punjab Trades' Association is a body of European tradesmen in the Punjab, comprising practically all of these in the province. It has 38 members and has a Committee in Lahore, of which he is the Chairman. The members are retail traders as distinct from wholesale merchants. The Association had been in existence since 1892.

6065. Mr. Banfield said that he had not had sufficient time to call a Committee meeting and obtain the considered views of the members of the Association. He submitted his memorandum therefore as an expression of his personal opinion, though he believed it would represent the general views of his community.

6066. The Chairman observed that Mr. Banfield urged as an advantage of company management that under it the public would have the benefit of healthy competition between bodies independent of each other. Mr. Banfield said that he did not mean to press for competition in the same sense as it exists in England. He wanted rather that there should be independent bodies each of which might serve as an example and model for others. He did not think that it would be a commercial proposition to lay down new competitive lines in India, for instance, to make another route between Lahore and Calcutta.

6067. In his opinion the working companies should be domiciled in India. The Chairman asked, in view of the fact that at present the main working companies are located in England where their shareholders and Boards of Directors are established, what inducement Mr. Banfield would hold out to these to transfer their domicile to India, assuming, as might be naturally done, that the shareholders would not be willing to do this without some special inducement. He remarked in this connection that the companies have not been allowed to increase their share capital. Mr. Banfield said that he would give companies permission to raise additional capital in India and encourage them to do so, and thus lead to the transfer of domicile when the Indian shareholders became the predominating body.

6068. He did not think that it would be difficult to ensure a return of 5 or 6 per cent. on the railway property, and thought that the commercial community would accept this as a sound investment. The shareholders should have a guarantee of 5 per cent. certain with a prospect of sharing in profits. He believed that this would attract a considerable body of Indian money. The Chairman remarked that the Government of Bombay have recently had to pay 6½ per cent., free of Income Tax, to raise money for the development of Bombay. Mr. Banfield explained that he was not considering so much the immediate situation, but was looking ahead. He said that he would be prepared to submit to the existing disabilities due to the defective railway system, and wait to attract the large quantity of money required until it could be obtained under a 5 per cent. guarantee. He admitted that, as urged in his written statement, the existing defects of the railway system cause great inconvenience and loss to the commercial community, but he thought that they had suffered so long that another few years would not make a great deal of difference. The Chairman said that he could only congratulate Mr. Banfield on the patience he was prepared to show.

6069. Mr. Banfield thought that the third-class passengers would be willing to pay somewhat higher fares for better accommodation and more comfort. The Chairman remarked that they are at present paying about one-seventh of what is paid by third-class passengers in the United Kingdom.

6070. Mr. Banfield thought that the commercial public also would be willing to pay higher rates for the certainty of expeditious transport of their goods. They would be very glad to see an express goods service in this country and he believed that this would be largely availed of if the freights charged were somewhat less than those now charged by passenger trains. The Chairman remarked that express goods services exist all over the Continent, and that the charges are usually double the ordinary goods rates.

6071. Mr. Banfield stated that members of his association deal mostly in merchandise in small packages and not in bulk commodities. He placed before the Committee a statement prepared last year by his own firm, Messrs. Walter Locke and Co., of delays in goods traffic from Howrah. The Chairman read out some of the instances of the delays which indicated that in these cases, admittedly selected not as representatives but as bad instances, the traffic had taken on an average about three weeks in transport from Calcutta and Karachi to Lahore. As regards parcels sent by passenger trains, numerous instances of excessive delays were also quoted. Sir George Godfrey suggested that these were probably cases in which packages might have gone astray which might happen under any administration. Mr. Banfield, however, observed that they were simply instances of abnormal delay in transport. He did not think that more than 10 per cent. of the traffic from Howrah gets through in the 2½ days which might reasonably be allowed for its transport by ordinary passenger trains. Normally the passenger traffic might take anything from three to eight days, with frequent cases of much longer delay. The letter from which the above information was taken was addressed by his firm to the secretary, Punjab Trades Association. About the same time there was a similar letter from Messrs. Cutler, Palmer and Co., who reported that it had taken 31 days for 195 cases of whisky to be despatched from Karachi to Lahore about March, 1920. A representation had been made by the association to the Railway Board on the 16th November, 1920, and this was acknowledged in a letter from the Railway Board dated the 22nd November, but no further action appeared to have been taken.

6072. Mr. Banfield stated that up to the time of the occurrence of the war the railway service was reasonably good except that the goods traffic had always been unduly slow. He did not think it reasonable that traffic should take four or five weeks from

Calcutta to Lahore. He thought that, even if the pre-war standard could be attained, there would still be a demand for an express goods service. He believed that under company management these matters would be looked at more from the commercial point of view than they are likely to be by State-managed railways.

6073. He had had no personal trouble in connection with the treatment of complaints and disposal of claims. On the contrary, he found the traffic authorities most sympathetic. They seem, however, to be handicapped in controlling the disposal of traffic at out-stations, and what he complained of was inefficiency in handling.

6074. Mr. Banfield stated that neither had his own firm nor any of the European firms, so far as he was aware, to pay money to ensure the despatch of parcels by railway staff. He had heard of such things being done, but had no personal knowledge of it, and did not believe that it was in any way common amongst the European commercial community.

6075. He could not say where delays in transit occurred, but imagined that these take place at the intermediate junctions as well as at Howrah, where he had heard of goods accepted for despatch being discovered as much as a week afterwards. He believed that, if railway companies were located in India, the local shareholders would ensure much closer attention to such matters as they would make their voice heard at Board meetings.

6076. In reply to Mr. Hiley who referred to the statement made by another witness to the Committee that one anna has invariably to be paid to the station staff to ensure the despatch of a parcel, Mr. Banfield repeated that he had no personal knowledge of this nor did he believe that the European trading community had any part in this practice.

6077. In answer to Mr. Purshotamdas Thakurdas he stated that he had not found the railway administration quite so prompt in dealing with claims in respect of missing parcels as he could wish, but, generally speaking, he did not have much trouble in settling difficulties locally. There was more tendency to delay in cases of claims which have occasionally to be made on the E.I.R. with the officers of which he was not in close contact. He found it an advantage to have the claims officer on the N.W.R. easily accessible to the public.

RAI BAHADUR GANGA RAM, C.I.E., M.V.O., was called and examined.

See Written Statement No. 74, Vol. IV, P. 238.

6078. Rai Bahadur Ganga Ram said that he is a Member of the Institute of Civil Engineers and of the Institute of Mechanical Engineers. He had formerly been employed in the Public Works Department, and since retirement has been engaged in business as an agriculturist. He is also owner of three ginning factories and one ice factory. He spoke as a member of the commercial community and of the travelling public.

6079. The Rai Bahadur was examined by the Chairman with reference to a written statement which he had furnished shortly before the meeting commenced, and which it had not been possible to distribute to the Members of the Committee. The Chairman, reading from the Rai Bahadur's written statement, said that he observed that he considered that the railways as now managed, whether by the State or by Company, are very bad, unsympathetic and callous; that the subordinate staff are thoroughly corrupt, and that the whole system is unsatisfactory and unsuited to the requirements of trade as well as of the travelling public. The witness said that he believed that he represented public opinion in this matter.

6080. The Chairman mentioned that Mr. Townsend, the Director of Agriculture in the Punjab, had spoken on the whole favourably of the efforts of the railway administration to meet public requirements as far as possible with the facilities at their disposal. The witness admitted that the present Agent of the North-Western Railway has shown himself anxious to do as much as possible, and to that extent, matters were improving. He could not give this certificate generally. He admitted that greater improvements would probably have been effected, were it not for the North-Western Railway being hampered by war conditions. He stated that before the war trade obstructions were not so bad as at present. He had never heard before of such traffic restrictions as the total stoppage of bookings which is now common. The third class passengers' difficulties, however, had been just as great before the war as at present.

6081. With regard to the corruption of subordinate staff, before the war only "reasonable sums" had been paid for wagons, though the charges had never been as low as 4 annas a wagon, as had been suggested by one witness. He could not say definitely what they used to be, but they are far higher now than they were before the war.

6082. With regard to the supply of wagons for his own ginning factories, the witness said that his position is probably better than that of others, as it is known that he can approach the higher railway authorities with facility. He agreed with the evidence given by another witness to the Committee that it is most important that district traffic superintendents should be accessible to the public, and it was with that idea in his mind that he had drafted his written evidence. He had had no personal experience of Indian district traffic superintendents, and could not say whether they were more easy of access than the European officers. He considered that district traffic superintendents should travel freely as ordinary passengers, and, in particular, should pay surprise visits to stations on the line, in disguise if necessary. He thought that this would be quite practicable, and that even if they could not arrive before telegraphic warning of their visits they could still do something in the direction indicated.

6083. He did not believe that the best use is made of existing wagon stock. He considered that wagons are badly designed, the tare varying from one-half to one-third of the carrying capacity. He considered that it ought to be possible to bring the tare down to one-fourth of the capacity. The Chairman observed that he thought this too optimistic, as, so far as he was aware, the latest American practice was to secure a carrying capacity of 100 tons on a dead weight of about 30 tons. The Rai Bahadur said that he thought it would be good business to scrap all old-fashioned wagons and introduce new stock of better design. He also referred to the failure to use empty vehicles returning to foreign lines. In this connection, the Chairman observed that recently the wagon stock had been pooled, and the practice of not utilising foreign stock no longer existed. Sir George Godfrey said that this change had come into effect about a year ago. The witness said that he had not been aware of this. He had himself suffered by the rule of empty wagons going to Bombay which he was most anxious to use for traffic in that direction.

6084. The Chairman asked who is to blame for the defective carrying capacity of the railways. He mentioned that figures given by the G.I.P. Railway showed that the replacement of about 4,000 old vehicles was in arrears. The fault lay with the Finance Department, which had not allotted sufficient money. The witness said that he had not a high opinion of the Finance Department, in view of the experience of the past two or three years. He would like to give a freer hand to the railway Agents to make the best use of funds at their disposal.

6085. He thought that a considerable saving of carrying capacity could be effected by introducing corridor carriages, as on the Continent. In this connection the Chairman referred to the severe criticisms heard in Madras of carriages of that type which had been introduced on the South Indian Railway. The witness thought, however, that though they might not be so comfortable they would be useful, especially on branch lines, on which sleeping

accommodation is not necessary. He believed that in the Punjab they would prove quite popular. In reply to Mr. Purshotamdas Thakurdas, he said that for purdah ladies, special accommodaton or carrages should be reserved.

6086. With regard to the witness's observations regarding the waste of coal on locomotives, the Chairman suggested that any engine 40 years old, like so many of those in use on the Indian railways, must be out of date and uneconomical. The witness doubted if much progress had been made in the design of high pressure engines used on railway locomotives. He thought the reason why they wasted coal was because the drivers cannot or will not keep the boiler tubes clean. It was ultimately a question of lack of supervision.

6087. The witness considered it desirable that a special technical committee should be appointed to investigate the use of coal in the Railway Department. He said that he had not considered the question whether it would be better to have separate committees all over India.

6088. With regard to finance he considered that the surplus earnings of each railway should be utilised in the improvement of that particular railway so as to create a healthy competition between the different systems. He considered that the profitable character of some railways is disguised by consolidating the accounts of all the systems; for instance, in the case of the Indian canals of the Irrigation Department the profit of the canals is shown at the figure of 11 per cent., but it is a fact that the Punjab canals make 50 per cent. He would divide up the railways, and would keep the accounts of each system quite separate. The Chairman suggested that this might suit the Punjab very well, but not be very satisfactory in the case of a poor province such as Assam. The witness did not think that the Punjab should be responsible for helping another province. He did not think that the principle of the strong helping the weak could be carried very far. It might be urged, for example, that the wealthy zemindars in provinces like Bengal which have a permanent settlement should do something to help their poorer neighbours where the settlements are not permanent. The Chairman said that it appeared to him that the witness's view was that he would envy the wealth of Bengal, but would not pity the poverty of Assam. The witness said the two cases were not analogous; he did not see, however, how the case of Assam could be provided for.

6089. With regard to raising money the witness said that he considered that the call for what is necessary should be made first in India and then in England. Preference shares should be offered at the rate of 1 per cent. above the highest rate for Government paper. The shares might be offered as debentures, preference shares and ordinary shares. The Chairman mentioned that the Secretary of State had hitherto refused to allow the main line companies to increase their share capital. The witness thought that, if this permission were given, the capital should be subscribed in rupees and the guaranteed interest paid in rupees also. The subscribers in England should make their own arrangements for remittance to and from India. He believed that there were plenty of people in England who would readily subscribe rupee capital. The witness considered that anything remaining after meeting charges on capital should be devoted to improvements such as building wagons, etc.

6090. The witness considered that the Government of India should be the final authority in all matters of railway management and in the inception of schemes and sanction of projects. He admitted that if English people put in money they would naturally wish to have access to the Secretary of State. He did not mean to preclude the Secretary of State from controlling the larger questions of railway policy.

6091. At this point, the witness handed in for the information of the Committee a pamphlet bearing the title "Why borrow at 5½ per cent. when you can get at 3 per cent." He explained that the scheme for raising money set forth in this pamphlet rested upon the proposal to allow a cultivator with a settlement running for say 20 years to compound at 33 years' purchase of the present revenue. He had taken 5½ per cent. in his pamphlet as the rate of interest current when it was written, but at the higher rates now prevailing, the figures would be even more attractive to Government. The witness considered that this is the only way in which the hoarded wealth of India could be brought to light and made available for railway development. The attractiveness of the scheme lay in the fact that it would enable the cultivators, who represent some 70 per cent. of the population of the country, to acquire their land as their own absolute property—a consideration which would appeal to them with the greatest force. The Chairman said that he sympathised the more readily with the scheme as he wanted money to be made available for railways and was not likely to be Finance Minister responsible for the Budget in 20 years' time; it was a new suggestion which the Committee would examine in due course.

6092. The Chairman asked what the witness's opinion would be with regard to the establishment of an Arbitration Tribunal with an independent chairman and assisted by representatives both of railway and commercial interests, to deal with questions in which there might be disputes between the railways and the public. The witness doubted the efficacy of such an arrangement in India where he thought the arbitrators might not prove really impartial. He did not see much need for it in any case with regard to claims; in such cases if it is a simple question of loss, the proper remedy is the severe punishment of the negligent staff.

6093. The witness said that railway conferences are held every year by a technical body to settle disputes between each railway. He thought that similar conferences should be held for purposes of trade and rates, that is, generally to consider the grievances of the public. He would like to have a conference for all India and a sub-conference to help the Agent of each railway. The Chairman said that a great many people had expressed themselves of much the same opinion as the witness in favour of the establishment of Advisory Committees comprising representatives of different parts of the country and different commercial and other interests; and similar provincial Advisory Committees at individual railway headquarters. He thought that few would be found to oppose this suggestion.

6094. The witness considered that trading firms should be allowed to own their own wagons in return for which they should receive preferential treatment from the railways. He explained that his idea was that a trader might contribute, say, the cost of 10 wagons to a railway, and should then be in a position to claim preferential allotment up to the extent of that number of wagons, the claim to be allowed at intervals—perhaps of a week or a fortnight—to be settled on an examination of the details of the proposal. He had put this suggestion before Mr. Hadow, the Agent of the North Western Railway who had, however, not been favourably disposed towards it; and he had accordingly not pressed it. His idea was that after obtaining the advantage of the preferential supply of wagons in this manner for a period of, say, 20 years, the subscriber would surrender any claim as proprietor of the stock and thereafter rank as an ordinary member of the public. Sir George Godfrey suggested that this would amount to his securing an undue preference over others. The Chairman said that it would clearly imply the grant of preferential treatment, but it could hardly be said off-hand that such preference would be undue, having regard to the fact that it would be given to a trader in consideration of his contribution.

6095. The witness expressed the opinion that there was no reason why railways should not earn more money by charging, say, 25 per cent. more on the occasion of running special trains for fairs and visits

to holy places. He had not gone into the question of putting up goods rates and was not able to say how far it might be reasonable to increase these in view of the general rise of working expenses, but he thought that more money could be earned by a careful revision of individual rates and the elimination of empty wagon mileage. He suggested for instance that coal wagons returning from the Punjab might carry at low rates such commodities as oil, oil seeds, salt, etc.

6096. In reply to Mr. Purshotamdas, the witness stated that he was not of opinion that branch lines, such as the Mandra-Bhon Railway, in the Punjab had been built—at the instance of the main line—to too high an engineering standard. He spoke of the Mandra-Bhon line specially as he was a director of that company and had inspected the line during construction. He considered that the reason why it was not paying was not because it was built to too high a standard, but because it was unfortunate in the war breaking out shortly after its construction. He thought also that this line should be extended to the salt range, which could easily be done and would be a great convenience to the trade and the public and would be an alternative line for salt traffic. The witness agreed that fencing of the Mandra-Bhon railway is not necessary. He was not aware that it had been fenced since he inspected it.

6097. Mr. Purshotamdas referred to the Jodhpur-Bikaner Railway as a line which it was said had been constructed on a more modest scale. The witness thought that no comparison was possible between a metre gauge line such as that and a broad line like the Mandra-Bhon Railway. Grass huts might be fairly suitable in Bikaner, but would be quite unsuitable in the climate of Punjab.

6098. With regard to the employment of Indians in the superior posts on railways, the witness thought that a fair attempt is now being made towards this on State managed lines, but that much scope had not been afforded to Indians on the company managed lines. Asked if the latter were not now making a move in the direction of employing Indians in superior posts, the witness said that he was of opinion that if a man is worth anything he need not seek employment. Mr. Purshotamdas pointed out that it was not a question of seeking employment. The witness expressed himself as unwilling to pursue the matter.

6099. Referring to his answer to the Chairman regarding the likelihood of Arbitration Boards not being impartial, the witness said that he was only talking of India. Pressed on this question, he said he could not speak for the whole of India but only of such parts as he had experience of. Mr. Purshotamdas observed that in most other parts of India, the Chairman's suggestion for the establishment of a tribunal with an impartial chairman had met with general approval, and he was anxious therefore to ascertain more clearly what the witness's views were as he appeared to regard the suggestion with some disfavour. The witness said that he did not care to add to what he had already said on this subject in reply to the Chairman.

FORTY-EIGHTH DAY.

(Lahore).

Saturday, 26th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. F. A. HADOW, Agent, North Western Railway; who was accompanied by Mr. V. H. BOALTH, General Traffic Manager, and Mr. K. V. AYYAR, Deputy Auditor; was called and examined upon a written statement which he had furnished to the Committee.

See Written Statement No. 75, Vol IV., P. 239.

6100. The Chairman observed that Mr. Hadow's experience, as stated in his written statement, showed that he had been employed entirely on State railways or with the Railway Board except for the period from 1909—11 when he had acted as Manager and Engineer-in-Chief of the Bhavnagar-Gondal-Junagadh-Porbander Railway system in Kathiawar. Mr. Hadow mentioned the appointment of Assistant-Manager which he had held on State railways for some time, was the same as that now designated Assistant Agent.

6101. Mr. Hadow explained that the appointment of the Secretary to the Railway Board, which he had held from 1916 to 1919, had not always been filled by an officer of technical qualification, the post having been held successively by Mr. Priestley, a traffic officer, Colonel Browne, a R.E. officer who had specialised in audit and accounts, Mr. Volkers and Mr. Ryan, officers of the Finance Department; himself an engineer, and so on, the appointment being filled at present by a locomotive engineer. The main function of the secretary was to pass forward the orders of the Railway Board to the proper quarter. During Mr. Hadow's time he had been the only secretary, the appointment of joint-secretary not having then been brought into existence. He had to deal practically with all important instructions issued by the Railway Board, and acted on occasions in the Board's name in anticipation of orders obtaining their covering sanction subsequently. Even the assistant secretaries in the Board's office could dispose finally of cases which were quite clear and covered by precedents. He said that orders were usually issued in the name of the Board, but might sometimes be issued in the name of the Government of India, more particularly when a question of policy was involved, or if a reference had been made to the hon. member in charge, to His Excellency the Viceroy, or to other Departments of Government. Sir Henry Burt observed that the Railway Board's letter paper is

headed "Government of India, Railway Department (Railway Board)."

6102. Referring to the Kathiawar railways, Mr. Hadow explained that these were a number of small railways owned by the several States which were worked, in his time, as a combined system. There was joint management, but the accounts were kept separate. For instance, when a new item of rolling stock was built, this was paid for by an individual railway. The management was under the administration of a board of control consisting of the Dewans ministers of the four States which formed the original combination. There were a few other railways worked by the combination. Joint working had not proved harmonious, and it had been practically decided during Mr. Hadow's time that it should be abandoned, each line being left to be worked by itself. In Mr. Hadow's opinion the failure was due to jealousies between the different States and the rivalry between their respective ports.

6103. Arising from that case, the Chairman asked how far control of railways by individual Indian States conflicts with Indian Railway policy as a whole, and whether any joint organisation, at least for traffic and operating purposes, was feasible or desirable. Mr. Hadow said that this was too general a question to admit of a ready answer. He had never heard of any difficulty due to the working of H.E.H. the Nizam's Railway. He did not think that, if the Indian State railways were worked on sound lines, there was any reason why they should restrict development of the railway system as a whole. He agreed, however, that it is not so easy to make convenient arrangements for through traffic when dealing with an Indian State railway as it is with one of the main British administrations. He attributed the difficulty in India to the lack of business aptitude in the administration of Indian State railways. He agreed that it would be in the interests of the country to have a uniform railway policy, but was doubtful whether a means of achieving this could be devised without offending the susceptibilities of the Indian States. The Chairman observed that it obviously could not be done by dictation, but possibly Indian States might be represented on a controlling body, and dealt with on the footing of equals. Mr. Hadow thought that possibly something might be done in that direction. He said that in the case of the Kathiawar railways they worked harmoniously with the neighbouring Bombay Baroda and Central India Railway, being represented in discussion with this administration either by himself or by the Dewans of the States concerned. In the latter connection he mentioned the satisfactory results secured by the Dewan of Bhavnagar, Sir Prabhashankar D. Pattani, who had always dealt with railway problems in a most reasonable manner.

6104. Turning to Mr. Hadow's written statement, the Chairman observed that he considered that there might be a time in the early stages of a country's development when it is inadvisable to work State owned railways on commercial principles, and when, consequently, it would be necessary to work them by State agency. Mr. Hadow explained that he meant it might be advisable for a time, in the interests of the general development of a country, not to aim at securing early dividends. He agreed that, taking a long view, this might be in itself a commercial attitude, as in the case of sinking a shaft for a gold mine, which could not be expected to pay in the early stages of development. He agreed, however, that it did not necessarily follow that a line should be worked directly by the State in such a case so long as Government were willing to pay interest on the capital, as, for instance, it did when paying the guaranteed interest in the case of the East Indian Railway in its early stages.

6105. Mr. Hadow said that he would hesitate to admit that three-fifths of the North Western Railway is of no military importance. He thought military considerations constantly came in. For instance, before the war, the line to Karachi might not have been regarded as one of military importance, but the experience of the past few years was that in war time, they had been forced frequently to provide facilities specially for military purposes. He agreed that from the point of view of military traffic, it is not necessary to work the line by the State. He thought all that was necessary, could be secured by making suitable agreements with working companies. He regarded the lines on the frontier as exclusively military in scope. He stated that to some extent, the accounts of the purely military section of the Railway are at present kept separate. Asked by the Chairman whether such works as the doubling of the line between Ambala and Lahore had not been dictated by military considerations, Mr. Hadow hesitated to admit this. He agreed, however, that military considerations had some weight in deciding all such measures, and admitted that, having regard to the great economy prevailing generally in Indian railway development it might not have been considered necessary to double this line so soon, for instance, as the line between Moghal Sarai and Calcutta, were it not for these considerations, though he believed this was justifiable with regard to the commercial importance of the railway by itself.

6106. He arrived at the conclusion, in respect to the question of working by companies, that although it is true that Government pays a premium to the working companies in the shape of a share in the surplus profits, there is a considerable saving to Government, which should be set against this, owing to the railways being managed on more efficient and business-like principles. He expressed a definite opinion that, if it were not for the existence of the company worked railways, the State managed lines would have found it very difficult to work on commercial principles. He attributed the fact that they had done so to some extent to the spirit of emulation which the co-existence of the company worked railways fostered.

6107. He admitted that it is difficult to say exactly how a Board of Directors situated as far from India as London can influence the administration in the direction of real economy better than the Railway Board at Delhi. He thought that possibly the feeling that shareholders had to be faced at annual meetings contributed towards this result. The Chairman said it seemed to him that in India the system of control of the railway system is so complicated, and the powers of interference of the Railway Board so considerable, that he thought a Company Board of Directors need never feel apprehensive about justifying the results of their administration, since it would always be an easy matter to transfer any blame to others. Mr. Hadlow agreed that this seemed possible.

6108. With reference to Mr. Hadow's opinion that, to a considerable extent, the reason why the State railways in India had been successful from the commercial point of view, was that they had commercially worked company railways beside them, the Chairman suggested that it might be attributable to the other fact that they were managed by a practically despotic Government which had not to face public opinion. This, he said, was the position in the only two other instances, namely, those of Prussia and the Transvaal in the time of Kruger, in which State railways had been commercially successful elsewhere. Mr. Hadow thought that this could hardly be the reason as, when the Government of India was most despotic, the State Railways were not prosperous, and recently they have had to pay more attention to public opinion. The Chairman observed however, that the public might have been free to criticise, but they had not until now been in a position to make their voice effective. He thought that the Robertson enquiry of 1901-03 to which Mr. Hadow referred, might be due as much to a desire to make railways still more profitable as a desire to conciliate popular opinion. Mr. Hadow agreed that

it was easier to keep commercial considerations in the front when no effective public opinion exists to demand attention to other considerations.

6109. The Chairman questioned Mr. Hadow as to whether there is any necessary connection between the practices of making promotion by seniority and of transferring officers between different lines, and the system of management by the State. He observed that officers are freely moved from one railway to another in America. Mr. Hadow agreed that such transfers are not always disadvantageous. There might, for example, be a need to transfer a promising officer whose advancement is blocked on one line, to give him the chance of an opening occurring elsewhere. It was bad, however, to transfer a man from one railway to another merely because of his claim for promotion, on the score of seniority, to a vacancy occurring elsewhere. He thought that the practice of making promotions by seniority exists to a great extent in all Government services, and it would be very difficult to prevail against it though the Railway Board are now trying to do this. He mentioned a recent case in which one of his own officers had claimed to be transferred to fill a temporary vacancy occurring on the Eastern Bengal Railway. The Railway Board in this case had told the officer in question that his chance on the North Western Railway would come soon and that the Board were not willing to move him to fill a temporary vacancy. If he had been transferred to the Eastern Bengal Railway he might quite easily have been in the position, a few months later, to claim a re-transfer to the North Western Railway for similar reasons. Mr. Hadow explained that applications for transfers to fill vacancies are made more frequently, and are more likely to be considered in the case of the higher administrative appointments, such as those of Chief and Deputy Chief Engineers, and the corresponding grades in the Traffic and other Departments than in the case of Assistant and District officers. He thought that in the lower grades in the Engineer service, transfers would be less likely to be pressed for in the future, owing to the operation of the new time scales of pay, which makes increase of pay less dependent on the occurrence of vacancies. He agreed with Sir Henry Ledgard that the time scale had been introduced for the purpose of obviating blocks in promotion and not with any view to the result to which he now referred, but it had nevertheless the advantage which he ascribed to it. In reply to Sir Henry Burt, Mr. Hadow said that he thought Government would be much more liable to influence in such matters as affect promotion than private companies would be, and it would be very difficult to break down the system.

6110. Mr. Hadow said he was unwilling to discuss the question of how additional capital should be raised for railways as he did not claim to be a financial expert. With reference to the suggestion that working companies might hold a considerably larger share of capital expended on the railways administered by them, he recognised that Indian opinion is strongly opposed to any increase of the interests of the companies. Although he pointed out that the association of foreign capitalists with railway enterprise is not peculiar to India, he agreed with the Chairman that, so far as he knew, there was no case in which foreign capitalists, sharing in the profits of State owned railways, had only a relatively small capital interests in the concerns. This, the Chairman remarked was the peculiar feature of the Indian system. Mr. Hadow thought that sooner or later the working companies must be domiciled in India and hold Indian capital. He recognised the force of Indian opinion, and considered that it must be reckoned with. He stated that he was unable to suggest how the transfer of the existing companies from England to India could be effected.

6111. Mr. Hadow said that, so long as the existing companies are domiciled in the United Kingdom, he could not say how any Indian Board could exercise any function other than advisory, however influential this might be. Controlling power must, in his opinion, rest with a Board situated in the country where the company is domiciled. He agreed that an advisory board should be extremely useful to the agent of a State railway, and referred in this connection to the advantages, which he fully appreciated, of the recently instituted Board of Communications in the Punjab. He thought that each State railway agent should have an advisory committee associated with him.

6112. He thought it would also be to the advantage of the Railway Board if it could be brought similarly into touch with all-India opinion as to requirements, but was inclined to think that an advisory committee formed to act in this capacity with the Railway Board would tend to be too numerous and unwieldy. Apart from this difficulty he thought it would be advantageous to the Railway Board to have the advice of such a body in connection with such matters as rates and the treatment of the public in general. He thought that perhaps the Railway Board might be able to get sufficiently into touch with local opinion through the medium of the provincial railway advisory committee. He recognised, however, that a central committee might be of some advantage in assisting in the adjudication on conflicting claims of different provinces and railways.

6113. Asked whether he thought that a Board of Drectors in London would be of any use to himself, he was doubtful on the point. He observed that, in the purchase of stores, he has now the assistance of the Director-General of Stores, who has recently been transferred from the control of the Secretary of State to that of the High Commissioner for India. He thought that possibly a board in London might do something to expedite business by settling on the spot references from the Director-General of Stores, which have in existing circumstances to be referred to India.

6114. With regard to the suggestion that there might be one Government Director on any board of directors domiciled in India Mr. Hadow said he had no practical experience of a Government Director's work. He was inclined to think that such officers would be useful, acting as liaison officers between Government and companies, and that by being able to place the Government authorities in full possession of facts they would be able to save a lot of unnecessary references. He did not think that a Government member would be necessary on an advisory committee, which is a different kind of organisation.

6115. Mr. Hadow said he would not mind if the North Western Railway were transferred to an Indian company, though this is the one railway where there might be room for doubt. He thought in some ways it should be better for the Eastern Bengal Railway to be worked by a company for reasons already indicated. But his main point in connection with this question was that if it be a question between all the railways being worked by one system or another, then he was strongly in favour of all being worked by companies. If some were managed in one way and some in another he did not think it mattered very much whether the Eastern Bengal Railway was dealt with in one way or the other.

6116. With regard to the Railway Board Mr. Hadow said that he considered it is much overburdened with detail. He promised that he would try to furnish the Committee with further instances to illustrate the extent to which the Railway Board and the agents of railways respectively are unduly restricted in their powers. The Chairman explained that although the Indian members of the Committee knew how the machine worked, the English members were anxious to be placed in possession of specific instances for their information. As one example of unreasonable limitation of his powers, Mr. Hadow mentioned a case in which at a certain station more quarters had been built than were subsequently found necessary for working. An oppor-

tunity arose for one of the houses to be rented to an outsider, but as agent he was not allowed to settle such a matter for himself. Sir George Godfrey mentioned another case in which the agent of a railway was not allowed to order in the country leather for covering railway seats. It transpired in discussion that the prohibition in this instance was due to the operation of the general stores purchase rules laid down under the orders of the Secretary of State for the guidance of all State Departments in India. Sir Arthur Anderson thought that this particular case might perhaps be defended on the score of general policy, but that many other cases might be cited. Sir George Godfrey said that in such matters as stores purchases the agents of State Railways are much more restricted than those of company worked lines, on which the Stores Purchase Rules do not apply. The Chairman said that he would be glad to have other examples, in the compilation of which Sir Arthur Anderson would doubtless assist.

6117. Mr. Hadow expressed the opinion that the President of the Railway Board should be a member of the Viceroy's Executive Council. The President should not himself be in charge of a definite section of the work, but should have the assistance of more members than at present. He agreed that it would be desirable that the Railway Board should have leisure to discuss and authority to enforce their decisions in such matters as those of standardisation on the railway system in general.

6118. The Chairman mentioned the complaint of the O. and R. Railway regarding the refusal of the N.W.R. to use the transhipment yard at Khan Alampura and insistence on the use of their own more crowded yard close by at Saharanpur. Without going into the rights or wrongs of that question, with which the Committee was not concerned, the Chairman asked whether Mr. Hadow would not agree that there should be an authority competent to adjudicate between different administrations (which would not necessarily all be State railway administrations) in such matters. Mr. Hadow agreed that this is desirable at least in theory, though he did not know whether the want of this has been felt in practice. The Chairman cited in this connection the case of vacuum brake equipment, in which there appeared to be a need for a co-ordinating authority in India. Mr. Hadow thought that the Railway Board would already have interfered in that case had it not been for want of money. He entirely agreed that the Board should be freed from petty details to deal with such matters.

6119. As another example, the Chairman cited the fact that it would be possible to introduce on the Indian railway system broad-gauge vehicles of a width corresponding to the unusually wide gauge, and mentioned that he had been told that if this were done all the tunnels on the G.I.P. Railway would need reconstruction. Mr. Hadow agreed that it was arguable whether, if such a measure as the enlargement of the standard rolling stock dimensions were decided upon, it would be fair to saddle the G.I.P. Company with the whole of the heavy cost involved on its own line or for the cost to be shared amongst those who would derive benefit from the introduction of the wider vehicles. He agreed that there should be a central authority in a position to take broad views of such matters.

6120. Referring to the Railway Administration report, Mr. Hadow stated that the Railway Board does not furnish the current operating statistics of other railways to the several administrations month by month or in any way except in the annual report. He agreed that it would be of some advantage if this were done, though he thought that the greatest use that could be made of statistics depends on comparison between different railways or sections, but upon the comparison of the results of individual lines from one period to another.

6121. He recognised the difficulty experienced by the Railway Board in dealing with demands coming from all parts of India in deciding which should receive a share of the available funds. He thought that the Board had done fairly well in this matter, however, being assisted to some extent by the Government Inspector's reports as well as by the personal knowledge of the members. He agreed that the personal element no doubt still plays a considerable part in the decision how much money should be allotted to each Agent. He thought that the Railway Board has adequate material to enable it to judge of the necessity for all such projects as the one instanced for doubling a line of railway. These proposals are not checked when the demand for money is being made, but when the project estimate is submitted for consideration.

6122. Asked what the Agent has to produce in order to justify a doubling project, Mr. Hadow said that he would send up an estimate with a report showing why a single line is not sufficient where the doubling is required, and why the difficulties could not be got over by other means, and so on. The Chairman inquired how much detail was required of him. Mr. Hadow stated that this depends on the extent of the Railway Board's personal knowledge of the case. If they are not well up in the local conditions, they frequently refer back to the Agent of the railway for fuller information. He believes that the Railway Board are given as full information in such cases as he would consider necessary to obtain, as Agent, from his heads of departments.

6123. In reply to Sir Henry Burt, he agreed that, admitting the importance of individual projects, it is very difficult for the Railway Board to judge between claimants from different parts of the country in respect of their several claims.

6124. Mr. Hiley mentioned another case in which adequate machinery appears to be lacking at the Railway Board's headquarters, when, for example, one company requires facilities to be provided on another line for the transport of its traffic. To illustrate this, he mentioned the block of the coal traffic which occurs, not on the East Indian, but on the G.I.P. Railway. It was quite conceivable that the G.I.P. Railway might not wish to spend money on additional facilities which would be required by the East Indian more than by itself. Mr. Hiley thought that, unless the Railway Board have very full personal knowledge of the conditions, a case of that kind would not be properly represented to it by either line. Mr. Hadow admitted the difficulty, though he thought it was got over to some extent by the Board's local knowledge and touring.

6125. He mentioned that the Government Inspectors learn a good deal outside their immediate work which relates specially to engineering works, but he agreed that it would be advisable that the Railway Board should be strengthened by having a staff of Inspectors of different kinds of training experience who could travel about and keep abreast with requirements. He had mentioned in his written statement that the Board should have a mechanical engineer for such purposes and agreed that Traffic Inspectors also would be very useful. His only fear was whether it might not lead to overcrowding at the Railway Board's headquarters, a danger which he apprehended was that officers want clerks, clerks want their brothers, brothers want cousins, and so on, there being a great tendency to multiply establishments, especially in India, in this manner. The Chairman mentioned that he had been told in France that inspectors without clerks are good, and that this was Mr. Hadow's point also. The inspectors should be able to put up cases to the Railway Board in a concise form which would enable them to pass orders with confidence, that they had been examined adequately from the technical point of view.

6126. As an instance of the complexity of the unnecessary restrictions of the rules and regulations to which he referred in his written evidence, Mr. Hadow mentioned that though he has certain grades of appointments under him, he is not allowed to bring in a suitable man at an intermediate state in the grade when he considers this necessary; and is thus prevented sometimes from engaging a suitable man who is unwilling to enter on the pay of the lowest

grade and who will not wait while special sanction is being obtained from headquarters. In this connection, the Chairman observed that it would be necessary for the Committee to enquire into the extent of the difference between restrictions imposed on companies and State railway administrations in such matters. Mr. Hadow also drew attention to a case mentioned in his written evidence in which valuable time had been lost trying to obtain the sanction of the Finance Department to a special salary proposed for an officer who was not on the ordinary establishment but was wanted to fill a special appointment.

6127. He thought that the attention paid to petitions causes great waste of time. He referred to petitions of all sorts, not only to those against orders of dismissal, and mentioned a recent case in which he and the Traffic Manager had been compelled to waste hours of valuable time digging into the details of a case which was obviously entirely undeserving, merely because the man had appealed to the Viceroy direct and a report had been called for. He thought that company administrations have an advantage in such matters. The company's employees would not be able to claim such an unreasonable amount of attention.

6128. In reply to Mr. Hiley, Mr. Hadow stated that the difficulty mentioned was not due to the provisions of the Civil Service Regulations, but to the fact that it is an understood thing that in Government service, everybody has a right of appeal up to the highest authority. Orders had, however, recently been passed limiting the right of appeal in certain cases to one authority above that whose decision is questioned.

6129. With regard to his observation that he did not think that the supply of funds for maintenance purposes had always been adequate, Mr. Hadow stated that, to some extent, he believed the railways themselves were to blame, as a few years ago they had not taken the trouble of working out regular renewal programmes. These now exist, and there is not so much difficulty in securing recognition of the need for funds for carrying out these programmes. On the N.W.R. there is a regular renewal programme in which provision is made for the renewal of engines and rolling stock after certain fixed periods which are accepted as their normal lives. He promised that he would endeavour to supply the Committee with details showing the extent to which renewals of locomotives, goods and passenger vehicles are now overdue. In this connexion the Chairman observed that it seemed to him that the N.W.R. is much better off than its neighbours. He quoted the following statistics which suggest that the N.W.R. is much better stocked than the E.I.R.:—

	E.I.R.	N.W.R.
Locos. per mile of line	·51	·30
Wagons ,, ,, ...	12·51	5·83
Traffic density	20,72,000	7,52,000
Average lead (miles)...	355	282
Miles per day Locos. ...	79	52
,, ,, Wagon ...	63	35

6130. Mr. Hadow stated that there are special considerations which should qualify the Chairman's conclusions. For example, the N.W.R. has to keep extra engines against the possibility of military concentration on the frontier, and there was no doubt that the line was relatively over-stocked for ordinary commercial purposes in view of such possibilities. This he considered applied in the case of wagons also. He agreed that the line should not therefore be short of locomotives or wagons for ordinary purposes, but mentioned that they suffer greatly from the way in which the military use the facilities. Even at the present time there is a great deal of military traffic notwithstanding the fact that there are no frontier movements.

6131. The Chairman mentioned that the Committee had been told that it is as difficult to obtain wagons for ordinary merchandise on the North Western Railway as on any other lines. In this connection, Mr. Hadow explained that he believed the difficulty was due not to shortage of rolling stock but to the lack of facilities for moving it. He said that it is a matter of common knowledge that the North Western Railway is badly off in the matter of station facilities. If he had money he would use it to improve these. Mr. Hadow said he did not know how the North Western Railway compared with other lines. He said that the condition at Ambala is very bad. Saharanpur is another bad instance. In the latter place there is a yard at Khan Alampura, built by the Oudh and Rohilkand Railway to provide for down famine traffic into the United Provinces from the Punjab. It was not designed for up traffic but nearly all the traffic is now up traffic. That is one of the reasons why he would sooner have the facilities at Saharanpur improved than use Khan Alampura. He thought that the fact that the Khan Alampura yard had been built was the reason why Saharanpur itself had not been improved, though the yard at Khan Alampura was made for an entirely different form of traffic.

6132. The Chairman observed in this connection that it seemed to him that the North Western Railway did not appear to a traveller passing over it to be so badly hampered as other railways. Mr. Hadow said that it was difficult to judge from the present appearance as both passenger and goods services were much restricted owing to want of coal.

6133. Mr. Hadow thought that the number of trains that could be run over a line depends largely on the relative speed of the trains running. If all the trains do not run at the same speed, and if there are a few Mails and Fast Passengers, it would restrict capacity greatly. He did not consider 15 trains each way a day on a flat single line as excessive. The Chairman referred to the evidence tendered to the Committee by another witness and said that it had been stated that if a line had 15 trains to run both ways, it was very nearly overcrowded. Mr. Hadow thought that it might be so in sections involving special difficulties. At present on the section between Lahore and Rawalpindi on which there are very heavy gradients the actual number of trains run to-day was as high as 15, but he added that they are contemplating doubling this line.

6134. The Chairman asked Mr. Boalth whether Karachi has been given any sort of understanding that it is entitled to have so many wagons allotted to it or whether it gets any preference. Mr. Boalth stated that the export traffic is given a certain amount of consideration in view of the fact that it represents so large a part of the business of the railway; roughly about 66 per cent. of the goods earnings coming from Karachi. Preference to Karachi was more pronounced during the war owing to the necessity of getting away wheat.

6135. A discussion then took place on the difficulties caused by the system of accounts and budgets in force on Indian railways and Mr. Hadow said all stores purchased for use or consumption on the railway were charged in the first instance to capital account. The Chairman observed that he understood that supposing spikes or other articles immediately usable are got from England for revenue account, they would remain at the debit of capital till such time as they are used and that capital is not credited with interest on the money so locked up. He thought that by this peculiar method capital is depleted for the benefit of revenue, and asked whether any reason could be assigned for this system. Mr. Hadow stated that he thought that this practice was not peculiar to India. Sir Arthur Anderson explained that it was due to the distance from which the articles had to be obtained. If they could be had locally they would be bought as required and be charged off directly to revenue.

6136. Referring to the observation in the written statement that the difficulty of working to an annual capital budget, that has to be prepared on the assumption that certain articles would be received in a certain time, is very great and leads to the necessity for perpetually reviewing the Budgets. Mr. Hadow stated that there are separate Capital and

Revenue Budgets. Revenue works which involve an element of betterment have to be shown also in the capital budget as a corresponding part of the cost goes against capital. For instance, if replacements of 75 lb. rails by 90 lb. rails have to be made though they are mainly a revenue charge, a portion of the cost has to be shown in the capital account. Works of betterment are shown in the capital forecast, and the figures shown in the revenue column of this go into the revenue budget. Owing to the division of the cost of numerous works between Capital and Revenue the Capital Budget cannot be altered without altering the revenue budget as well.

6137. The Chairman asked whether any instance can be cited where in India anything that could be honestly from the accountant's point of view charged to capital is in fact charged to revenue. Mr. Hadow said that " new minor works " costing up to Rs.2,000 are always charged to revenue irrespective of the fact that they may be purely additions and thus theoretically chargeable to the capital. This is the rule on State as well as company railways.

6138. Mr. Hadow said that as far as he could remember up to 1904 replacement of engines, etc., was entirely charged to revenue, whatever the improvement in the new engines might be. From about 1905 or 1906 owing to the division of interests between the companies and the State, the Government adopted the existing system of dividing the cost of improved works, stock, etc., between capital and revenue with due regard to the extent to which they represented respectively betterments and replacements. In the State railways also, they had adopted the same system in order to avoid a difference in method. In reply to Sir Henry Burt, Mr. Hadow explained that all these rules were based on the principles of allocation laid down in Sir Charles Wood's despatch of 1864, but he thought that there was a distinct change made in 1904-05 as regards the method of applying the principles in practice. So long as Mr. Hodson was Secretary to the Government of India in the Railway Branch of the Public Works Department, he had insisted that the whole cost of a new engine should be paid for entirely from revenue.

Lala KASHI RAM (Senior), Proprietor of the Sutlej Flour Mills, Ferozepore City, was called and examined.

Written statement p. 76, Q. IV., 6212.

6139. Lala Kashi Ram placed before the Chairman a written memorandum of his views which he had prepared but which time had not permitted him to send in advance to the Committee.

6140. The Chairman observed that from the written statement it appeared that Lala Kashi Ram owns a flour mill at Ferozepore in connection with which he handles nearly six lakhs of maunds of wheat and flour annually. He also owns four cotton ginning and pressing factories situated in the Punjab and elsewhere. In connection with the business of his firm and otherwise, he has occasion to travel to Karachi, Bombay and Calcutta.

6141. The witness was in favour of the management, by Indian domiciled companies sharing in the profits, of the railways owned by the State. He considered it desirable that the North Western Railway should be transferred to such a company, if one could be floated, which he thought would very probably prove possible in the Punjab. He was in favour of starting small companies in the first instance. He agreed that a company would have to subscribe a substantial amount of capital before it could be entrusted with the management of a State railway, and thought that if the capital of the railway were Rs. 60 crores, a company should put up about Rs. 10 crores to qualify it. He thought that money could be procured on this scale in the Punjab if the Indian States in the province could be induced to contribute; he would not object also to the supply of English capital. He agreed that at the present time it might be difficult to float an Indian company to purchase at once the whole of the stock in trade of the North Western Railway.

6142. Questioned with regard to the possibility of securing the transfer to India of the domicile of such an existing English company as the Great Indian Peninsula Railway Company, the witness thought that it might be effected in course of time by means of Indians acquiring a preponderating part of the share capital. He thought that Indians would come forward for such purposes if they knew that it was in accordance with the policy of Government to secure the transfer of the management to India in this manner. The Chairman said he thought it might be accepted that the policy of the Government was indicated by the decision of the Secretary of State to transfer the management of the East Indian Railway to India at the end of 1924. The witness thought from the manner in which money is forthcoming for industrial purposes in India, that there are good hopes of procuring it for railways also. He preferred company management because he thought that if Government were the manager as well as the owner of the lines, the customers would not get fair treatment. He would prefer that the railways should be managed by companies, and that the Government should see that both the administration and the public get fair treatment.

6143. The Chairman said that he thought that all would agree with the witness that the treatment of Indians at present is not what it should be. He had recently seen a train with people travelling on the footboards, which nobody could defend. The witness said that in the past matters were not so bad in this respect as at present, and that overcrowding and shortage of stock is now worse than it had ever been. The Chairman observed that the railways' answer to such complaints would, of course, be that if they get more money and more coal, they would improve the service. The witness said he did not know any details, but there was a strong rumour that a large quantity of rolling stock had been sent to Mesopotamia. It was true that the traffic had grown but so also had the profits from the railways, which had not been utilised as they should have been to secure improved facilities. The Chairman explained that the transfer of rolling stock to Mesopotamia did not apply to the broad gauge lines.

6144. Asked whether he would prefer to have a railway worked by an English company or directly by the State if he had to choose between these alternatives, the witness stated that the order of preference which he would set up would be *first*, management by Indian companies; *secondly*, management by other companies, even English; and *thirdly*, direct State management. He would take away the working of the North Western Railway from the State and put it under a company in India. He thought that the directors of an Indian company should be appointed by the shareholders, the post possibly of Chairman and one or more seats on the Board being reserved for nominees of the Government. He was not afraid of any lack of continuity in Boards of Directors in India. He did not think that a sufficient number of Directors could be found in Lahore at first. His idea was that the transfer of the railways to large companies in India would be a gradual process and that the Directors would be forthcoming when required. He thought that the first thing to be done is to make a start with a small administration, and that private companies might start in a small way and work their own lines, competing with Government lines. He was anxious, however, that the principle advocated by him should be accepted.

6145. The witness observed that at present the North Western Railway runs from Lahore to Ferozepore *via* Raewind, and suggested that another line

might be built *via* Kasur. He would not allow the question of spheres of influence to impede the construction of such a railway. He said that the prevalent idea is that Government do not like railways to be owned by private companies. In the case of the new line suggested by him to Ferozepore, he said that he would like the new company to use the existing stations at both ends. He thought that the question of gauge was a matter of detail. The Chairman said that he thought that it would turn out to be an important matter, because if the line were built on the broad gauge, it would take traffic from the main line, whereas if it were built on the metre gauge, it would carry only local traffic; and the decision as to permitting its construction might depend upon which gauge was chosen. The witness was of opinion that it is neither practicable nor desirable to work a single railway by two companies, one in India and one in England.

6146. The witness laid stress upon the overcrowding of passengers in the third-class carriages and in women's compartments. He appreciated that passenger trains had been taken off for want of coal, which in turn was due to the lack of transport facilities from the coalfields to the Punjab. The Chairman observed that this was one reason why the accommodation was so deficient at present. The witness complained also that at some stations people are kept waiting inordinate times for the level-crossing gates to open, and that no notice is taken of complaints to the superior authorities. He mentioned that in one case which he had taken to Court he had first repeatedly complained to the railway administration without any success.

6147. The Chairman said that the Committee had been told that district traffic superintendents are inaccessible to the public. The witness agreed that this is the case. He thought that the establishment of a local advisory council comprising representatives of different interests and of the public should be very useful. The witness considered that though the district traffic superintendent is most directly concerned with the day-to-day business of the railways, the agent should also be freely accessible to the public. The Chairman observed that it was hardly possible to have two councils, one with the agent and the other with the district traffic superintendent. The witness considered that at Ferozepore, for example, where there is a district traffic superintendent, a small council might be established to help him; and at Lahore, the headquarters of the agent, the latter should have a council of his own. Asked which of the two he would consider the more important, the witness considered that both were necessary.

6148. The Chairman asked how the witness would propose to stop the corruption which prevails in connection with the supply of wagons for goods traffic, and in other departments of the railway. The witness thought that if cases of corruption were decided on their merits they would cease in a very short time. He said that the idea prevails that the superior officers of the railway will uphold their own subordinates whether they are right or wrong, and that this encourages the subordinates in their exactions from the public. The witness thought that this policy should not be maintained.

6149. The witness said that his firm had suffered heavily from stoppage of bookings, sometimes for months together. He said that it would not help him to tell the purchaser of his goods that the railway to whom he consigned them refused to carry them. He is bound to pay compensation, and yet has no claim against the railway. The Chairman observed that this block on the carriage of goods is likely to continue for a long time. The witness said that he considered that consignors ought not to be held responsible for delays consequent on shortage of transport facilities, and that a protective provision should be made in contracts, as is done in England.

6150. The witness questioned the right of railways to refuse any traffic offered to them, and urged that the traders should be entitled to have their goods accepted by the railways as common carriers. The Chairman said that he thought it would be held that railways are bound to carry only to the extent of their facilities. If anybody was to be prosecuted, it would apparently have to be the Finance Minister for failing to supply adequate funds to bring the railways up to the desired standard. He readily admitted the hardship which the existing system imposes upon traders and passengers. The witness stated that, apart from lack of facilities, the railways may be giving undue preference to some persons. He had raised that point with the district traffic superintendent, but had not referred it to the Railway Board.

6151. The Chairman asked whether the witness would approve of the establishment of an independent tribunal to determine the conditions to be attached to owners' risk and railway risk notes, and also to settle questions as to rates. The witness stated that he would not, of course, approve of any conditions which gave to the railway any right to keep the consignors' goods. He cited the case of a consignment of oil which had leaked in transit, and in which the consignor was required to pay freight for the oil notwithstanding the fact that this remained presumably in the railway's possession. He considered that something should be done to make railway officers more reasonable in the treatment of claims, and agreed that, if a suitable tribunal could be established, to which differences of opinion could be referred, this would be very useful.

6152. Replying to Mr. Purshotamdas Thakurdas, the witness said that he would like the capital of the Indian companies proposed by him to be guaranteed by Government. He did not think that it would be possible at present to raise capital without a Government guarantee.

6153. Asked whether he thought that the control at present exercised by the Government of India or by the Railway Board over the English boards is adequate, the witness explained that he had not been able to study the question of the constitution of the Railway Board. Mr. Purshotamdas pointed out that it was not a question of constitution, but of control of the management of railways worked by companies. The witness said that he had not gone into the question, but he was emphatically in favour of company management, but thought that the companies should be Indian rather than English.

The Hon. LALA HARKISHEN LAL, Minister in charge of Agriculture, Punjab, was called and examined.

See Written Statement No. 77, Vol. IV., P. 244.

6154. The witness placed before the Chairman a written statement of his views which time had not permitted him to send in advance to the Indian Railway Committee. In reply to the Chairman, he stated that he had many interests. He was an agriculturist, had been a barrister and a trader, and had also taken part in public affairs. He is now Minister in charge of Agriculture in the Punjab.

6155. He considered that all railways whether owned by the State or not should be worked by State agency. The advantages would be the:—

(*a*) Nationalisation of management;
(*b*) Profits would remain with the State;
(*c*) Public influence on policy;
(*d*) Independence of foreign influence on rates, etc.;
(*e*) Larger employment of Indians;
(*f*) Growth of subsidiary industries, and
(*g*) Possible smoother working.

6156. He stated that even in the case of such a line as the Bengal and North Western Railway, which has been built at the cost of the company itself without Government assistance, the State should take over the management. He did not consider that there were any such companies which had been allowed to build railways except as a matter of concession. He agreed that fair terms should of course be made with the companies by Government. In pressing for State management, he did not mean that complete uniformity should be aimed at. He would have the system of local management adapted to local requirements. He instanced the parallel case of canals which are mostly owned by the State but managed locally.

6157. Lala Harkishen Lal said that his point with regard to the growth of subsidiary industries was that the Indian people would get a better opportunity of manufacturing the articles that the railways use. He did not object, on general principle, to Europeans trading in India. He was aware that at present to some extent railways do obtain their requirements locally, for instance, they buy locally cloth, waste and other manufactured articles and some stores, such as paints. He recognised that firms such as Messrs. Burn and Company which deal in metal work must be near the coal and iron of the country, but he thought that there are many things which could be made in almost any part of India. He instanced the large consumption by railways of glass articles, small brass fittings, cushions and so forth. He thought that the natural tendency of the management of a railway in India would be to give greater employment to Indians by purchasing such things from them. He realised that companies might do so also, but if there were a number of companies, it would be a matter of bringing pressure to bear upon each in turn, and their policy would not always be the same, whereas if all railways were under State management the exercise of a single influence would be sufficient. In the case of branch line companies also, he would leave the management in the hands of the State, though he would not object to their finance and even construction being entrusted to companies.

6158. With regard to the point (*g*)—possible smoother working under State agency—the witness thought that there would be less chance of friction if the management were one. The Chairman mentioned that in Prussia, which was the most successful instance of State management, although there was only one system, this had been divided for purposes of actual operation into 21 local directorates. The witness urged that all had the same base, and thought that the discussions between different provinces would cause less friction than if separate proprietary interests were involved. He said that he was in favour of the provincialisation of the State railways, but agreed that it would in any case be necessary to have some measure of central authority. He did not anticipate any difficulty in subdividing the administration by provinces. The Chairman observed that in Germany before the war each State owned its own railways, but that immediately after the war they decided to bring all under one central control. The witness thought that differences between provinces in India would not be so great as between the several German States, and that they would easily be adjusted. He considered that it would be easy to devise some acceptable system for the distribution of profits.

6159. The witness stated that he would like to see more rapid growth in Indian railway construction, both by the provision of larger funds and by economy in the working and avoidance of unnecessary embellishments. He cited the case of extravagant provision of overbridges in many cases on the N.W. Railway at stations where they were not necessary. He said he could not vouch for the information, but had been told that over-bridges had been ordered in large numbers together and that this led to their being put up frequently where they were not needed, for instance at places where only one or two trains pass the station daily, and where the bridges are not used by more than half a dozen people. He cited the case of the Lahore station in which unnecessary expenditure had been incurred in the provision of carriage stands and the decoration of the third class accommodation. He agreed that the accommodation provided for third class passengers was not, as a rule, unnecessarily good, but thought that money was being wasted in a manner which would not be tolerated in a business management.

6160. With regard to over-bridges, in reply to Sir Henry Burt, the witness agreed that the state of affairs might be different at Madras where complaints of their absence were made to the Committee, but he spoke from his own observation in the Punjab.

6161. With regard to railway construction the witness said he would like to see from two to three thousand miles of new line added every year. The Chairman said that this is in accord with the recommendations of the Mackay Committee, which recommended a great extension of railways in India. The witness agreed, however, that before adding new mileage the existing trunk system should be made adequate to carry the traffic offering on it. The witness said he did not, however, see where the difficulty came in. He did not speak as a railway expert, but, so far as he could see going about the country at intervals, he knew of lines and yards being brought into existence for which the necessity was not manifest to the layman. He said he could only voice the popular opinion that these things were often put in as a matter of fashion or to suit the whim of some individual. The Chairman said that those members of the Committee who are technically experienced have been satisfied that there is a demand for additional facilities of the kind.

6162. The witness thought that money is now available in India, and would be forthcoming if good terms are offered. He thought money which is at present hoarded might be attracted if reasonable inducements were offered, and, in particular, if banking facilities were increased. In the case of the European banks in which people put deposits these would be much greater if people could easily get into touch with the agents. When people go to the bank, however, they find that the agent is shut up in a room, and that nobody could see him without sending in a card. Before getting access to the agent they are referred from one subordinate to another, and are frequently told in the end that the agent cannot be interviewed. He considered the proper thing is for the agent to be easily accessible to depositors, to talk with them in friendly manner and to treat them courteously. If the agent did so he believed that in many cases people who came to make small deposits would end by making larger ones. He did not think that people who hoard money necessarily hoard the whole of their savings. They frequently put some money in the ground, invest another part in ornaments, and deposit some in the banks. He thought they would put more in the banks if treated in the manner indicated. The witness said he spoke as a practical banker who had experience of these things.

6163. He considered that money should be attracted by floating a loan for railway purposes, but not in the first instance a very big one. He would float a moderate loan in the first year, and would gradually increase the amount. He recommended keeping the railway loans separate from the ordinary borrowings of Government. He would use banks and bankers as well as "non-banks" and "non-bankers" to popularise the railway loan, and give them a fair commission. In fact, he would employ as his agent anybody who could talk to the people and get into touch with those who were in a position to make investments. He thought that, after the first few years, people would get accustomed to the idea and money would be readily forthcoming for railway purposes.

6164. The Chairman mentioned that the heads of the Banks of Bengal, Madras and Bombay, now merged in the Imperial Bank of India, had advised against issuing a separate railway loan on the ground that this would be unattractive to the people who are shy of anything bearing a new "label." The witness said that, in his opinion, this was due to the fact that these bankers had lived practically in water-tight compartments, and had had no experience of the class of investors to whom he referred. As an example of what might be done he said he had himself organised a big Indian Insurance Company, and was told at the time that nobody would touch it. Notwithstanding the newness of the departure it proved successful, and there are now fifty such insurance companies in India. Again, in 1893, when the Punjab National Bank was started, he had gone personally from place to place, and had even had to explain to the people what banks and joint-stock companies were. Now, twenty years later, he found his employees leaving to start banks of their own. He said that labels might be different, but their meaning could be explained, and, where this was done intelligently people would not be shy of a new form of investment.

6165. The Chairman observed that the officers of the Imperial Bank to whom he had referred, must have dealt mainly with men accustomed to investment, and they might be expected to be less shy of new methods of investment than the agriculturists in the Punjab. The witness cited the success of the recent Bombay Development Loan and of the Mysore Loan, notwithstanding the newness of their labels.

6166. He did not think a Government guarantee need necessarily be attached to a special railway loan as people would readily realise the value of the railway security. He considered that what is necessary is suitable propaganda. He agreed that subscribers must be got largely by word of mouth, and that great reliance should not be placed upon newspapers. Sir George Godfrey enquired whether it was not the case that propaganda had led to misunderstanding in the case of subscriptions to war loans. The witness considered that wrong men had been used, who unduly pressed everybody without distinction to contribute to these. He would not propose to make use of officials such as Deputy-Commissioners and others, but would float and popularise the railway loan on business lines. He had gone about himself through the whole of the Punjab, and ultimately his bank had as many as 72 branches. He said he did not remember any Government loan which was not fully subscribed. He believed that money could be got in India normally to the extent of the total requirements of the railways, though possibly not under the present abnormal conditions.

6167. Mr. Tuke asked what rates would have to be offered for loans. Lala Harkishen Lal replied that it would be necessary to offer 1 per cent. over the bank deposit rate. This rate might vary in England from week to week, but it remained the same in India for long periods, changing, say, every three or four years. As it varies from place to place, it would either have to differ according to place or an average would have to be offered. The reason for the extra 1 per cent. was to compensate for the risk which the investor took and the greater trouble which the sale of the security involved. He said he would not confine his borrowing to one scheme. There might be a time when short loans would be more appropriate, and others when irredeemable loans should be issued. In every case it would be at a fixed rate, although the return guaranteed would depend upon the rate prevailing at the time of the issue of the loan. He said he would not object to money being raised on premium bonds.

6168. He did not consider that borrowings for railway purposes would interfere appreciably with ordinary Government borrowings, as these, for purposes other than canals and railways, would not be large except in war time. The Chairman asked Lala Harkishen Lal, as a Minister, whether the Punjab and other provincial governments are likely to borrow for purposes of administration much more in the future than in the past. Lala Harkishen Lal said that they would, but, so far as the Punjab was concerned, it could also finance the requirements of the North-Western Railway. There is no question of building schools or undertaking sanitary installations on a large scale from borrowed capital, the machinery for expanding in the latter direction not being adequate. He did not think Government exercise sufficient control over rates and fares, and was in favour of the establishment of a tribunal with an impartial chairman, preferably a lawyer, and representatives of both the railway and the commercial community.

6169. He did not think that the powers delegated to the railway administrations had been used in a satisfactory manner. He said in this connection the rates quoted were unduly in favour of export traffic. He considered also that European firms obtained undue preference. He cited the case of special rates for the wool traffic to Cawnpore and Dhariwal Mills. He said that as a representative of the Chamber of Commerce he had pressed on the attention of the railway the case of himself and the other members of the Chamber, and that though he was given preferential rates the others were not. It appeared that they were given him in the hope that he would no longer continue to represent the interests of others.

6170. He complained of the behaviour of the railway staff towards the public, and also considered that they handle goods very badly. He agreed that the complaint which had been made to the Committee, that the district traffic superintendents are not easily accessible, is correct. He believed this was true, not only of the district traffic superintendents, but also of the higher railway officers. He considered that pressure should be brought to bear upon them to make them more considerate. He observed that the Director of Industries interests himself at present in drawing the attention of railway administration to public requirements. A difficulty which used to exist up to four years ago—he had not had recent experience—was the constant changes in rates, rules, etc.

6171. He was in favour of the establishment of an advisory council on which there would be representatives of the public and of different interests. He considered this should be associated with the Agent or the traffic manager, and not with the district traffic superintendents. He was inclined to think it was unnecessary for both the traffic manager and the Agent to meet the Advisory Council, but ultimately agreed that there would be no objection to the meeting taking place with the Agent, the traffic manager being present to hear what was said, and to be consulted if necessary.

6172. In reply to Mr. Purshotamdas Thakurdas, the witness said that by bank rate he meant the rate at which the Imperial Bank takes deposits. That is to-day at 5 per cent. It meant that he would give a guaranteed 6 per cent. on railway loans.

6173. Questioned on his observation regarding undue "embellishments," he agreed that nothing had been done on the side of extravagance in the provision of accommodation for third-class passengers. In respect to over-bridges, he objected only to bridges being provided which are not used by the public.

6174. In the matter of employment of Indians, he thought more of these should be employed, though he admitted that some of those at present in the service are as bad as the European officers. He thought the average Indian officer would naturally understand public requirements in India better than European officers owing to their greater familiarity with Indian customs. He cited in this instance the disposal of applications for facilities from marriage and funeral parties.

6175. In answer to Mr. Hiley, who inquired with regard to his remarks about the provincialisation of

railways, he agreed that a reasonable amount of central control is necessary to regulate such matters as standardisation.

6176. In answer to Sir Henry Burt, Lala Harkishen Lal said that he did not think the North Western Railway had done anything to help indigenous industries. Sometimes some assistance was given in such matters as provision of sidings and sometimes it was refused. As there was no difference in the treatment of the Indian public by State and company managements, his preference for State management was based on the other reasons which he had given. An additional reason would be that the State would, under the new dispensation, be amenable to public opinion, whereas the companies might not be susceptible to that influence.

6177. He did not think there would be any difficulty in getting directors for Indian boards of management though there might be difficulty in transferring the domicile of the existing English companies to India. He thought that while much might be said in favour of companies of Indian domicile, quite apart from the immediate possibility of introducing this, there are other advantages in State management which led him to prefer that system of administration.

6178. In answer to Sir George Godfrey who pointed out that many articles of the kind which the witness had mentioned, such as brass fittings, etc., are made at present in railway workshops with Indian labour, the witness admitted that this is the case, but he observed that they only make part of their requirements. The point which he wished to press was that the limited amount of capital available should be expended on new lines, leaving the manufacture of stores and equipment to private enterprise in India. He had no other objection to manufacture in railway workshops.

6179. Asked whether the Punjab would be able to subscribe as much as five or six crores annually for railway purposes, the witness thought that, at the outset, possibly about one crore per annum might be secured, but he thought after five or six years, the annual subscriptions might amount to as much as five or six crores.

FORTY-NINTH DAY.

(Lahore.)

Monday, 28th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

SIR A. R. ANDERSON, KT., C.I.E., C.B.E.
SIR H. P. BURT, K.C.I.E., C.B.E.
SIR G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
MR. J. TUKE.

MR. T. RYAN, C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

Mr. F. A. HADOW, Agent, North Western Railway, accompanied by Mr. V. H. BOALTH, General Traffic Manager, and Mr. K. V. AYYAR, Deputy Auditor, was recalled and further examined upon a statement furnished by him to the Committee.

6180. The Chairman read the following note which had been handed to him by Mr. Townsend, the Director of Agriculture, Punjab:—

> "On February 27th, 1921, I saw 40 camels taking unginned cotton from Chichawatni to Montgomery—25 miles—marching parallel with the railway to the Japan Co.'s ginning factory at Montgomery.
>
> "This was done as cotton could not be booked by rail.
>
> "They were being paid 7 annas per maund for this. It would be interesting to see how this compares with railway freight for that distance. If in excess, it is waste, which somebody must pay for; the railway there is working nothing like up to its maximum capacity."

Mr. Townsend, who was present during the taking of evidence, said that he had been told that the cotton could not be booked by rail. Mr. Boalth said that the freight in this case would have been about two annas a maund, and admitted that unginned cotton had been refused owing to the difficulty of moving this kind of traffic on account of the shortage of coal. It was not in any case a very profitable traffic, the lead being short. The Chairman said it appeared to him that the railway had had to refuse the traffic, and were not very sorry for this as in any case it would not have paid them to carry it. It seemed to follow that the rate charged which was the maximum admissible for unginned cotton was too low for so short a distance, although Mr. Hadow suggested in his written evidence that the maximum rates need not be increased. Mr. Hadow mentioned that there are many other considerations, for example that at present the railway is so deficient of facilities that it could not move everything they would wish to carry. With better facilities it might be profitable to move unginned cotton even at this low rate. Sir Arthur Anderson suggested that the cost of sending the cotton to the station, handling it there, and of removing it from the station at the other end to the factories might make the railway route nearly as expensive in the long run as sending the cotton the whole way by camels. Mr. Hadow thought this quite possible though he could not say whether it was actually the case in this instance or not.

6181. Referring to the evidence tendered to the Committee by Seth Prabhu Dayal that foreign wagons are not all loaded back but are returned empty, the Chairman read the following telegram received from that gentleman as the result of his further enquiries:—

> "After evidence Thursday visited Lyallpur, Gojra, Khanewal, Multan stations made enquiries; not single foreign wagon was loaded for all commodities on public account but returned empty between twentieth January to eighteenth February at Multan City and Khanewal, between twelfth February and twenty-third February at Lyallpur, Gojra, since above dates they are loaded at stations mentioned."

Mr. Boalth explained that the orders are that empty foreign wagons may be loaded but that if N.W.R. wagons are available, they should be loaded in preference to foreign wagons for stations on the home line. As the traffic offering is not sufficient for both foreign and N.W.R. wagons the foreign stock must return empty to the parent line. On an average 350 wagons have to be handed over daily to the E.I.R. at Delhi and Saharanpur for coal traffic. It is the practice for foreign empties to be sent rather than the wagons belonging to the N.W.R. The Chairman pointed out that what Mr. Prabhu Dayal had urged was that in spite of traffic waiting to be moved wagons were being sent away empty. Mr. Boalth said that his District Officer told him differently as seen from the following telegrams which he read:—

From Mr. Boalth to D.T.S., Multan.

Mr. Prabhu Dayal stated before Railway Committee E.I.R. wagons received via Delhi at Multan will not be loaded back to E.I.R. or other Railway via any other junction now or before present restrictions. Wire if this is correct.

Reply from D.T.S., Multan.

Foreign empties are being returned parent line from Multan and Multan City because no traffic is being offered for any foreign railway in wagon loads from these stations although merchants have been advised that we are prepared to accept traffic for foreign railways.

From Mr. Boalth to D.T.S., Multan.

Mr. Prabhu Dayal, Cotton Merchant, stated before Railway Committee foreign wagons are being returned from Multan and Multan City empty and not being loaded with cotton for foreign railways. Reply if this is correct.

Reply from D.T S., Multan.

Mr. Prabhu Dayal's statement quite incorrect: we are acting up to para. 2 notification No. 481 of weekly gazette.*

The Chairman asked whether the explanation is that the railway does object to load foreign wagons except in full wagon loads. Mr. Boalth explained that this was not necessarily the case. If the traffic offered were in the direction of the home junction, then the wagon could be used for local traffic. The Chairman pointed out that Mr. Prabhu Dayal had asserted that traffic was lying at Multan and other places, and that for certain periods the railway had refused to load foreign wagons, whereas the District Traffic Superintendent says that this is not the case. There was nothing more to be said so far as the Railway Committee was concerned except that clearly somebody must be under a mis-apprehension as to facts.

6182. The Chairman enquired whether Mr. Hadow had not admitted, during his examination on the 26th February, that the N.W.R. was less badly supplied with facilities because of the importance of the line from the strategical point of view. Mr. Hadow replied that he could not compare his line with others and say whether the facilities provided on it are better than those on the E.I.R., for instance. He admitted that consideration of military requirements does have some influence. He would not claim that purely from the commercial point of view the line from Ambala to Lahore is as important as the East Indian Railway Grand Chord line. Mr. Hadow explained that in the matter of locomotives the N.W.R. might be somewhat better off than others, but he did not think that the same thing could be said of wagons. The fact that the E.I.R. got a better mileage service from its wagons must depend to a great extent on the different circumstances of that line. The E.I.R. has a more or less straight through line whereas the N.W.R. has treble the mileage in branches where it is impossible to get the same efficiency, and the difference between the mileage secured on the N.W.R. from its wagons and locomotives, as compared with the E.I. Railway results, was not greater than could be justified by this fact. Besides, there are other considerations. The E.I.R. all the year round has 300 wagons coming up every day with a very long lead from the coalfields. No other railway in India has this advantage. The Chairman observed that the N.W.R. is evidently short of wagons whereas others are still shorter. Mr. Hadow said that he would not say this; he thought that the N.W.R. is not short of wagons so much as of facilities at stations and junctions. His point was that, provided the junction and other facilities were adequate, he could move, even with the present supply of wagons, the traffic that now offers.

6183. He stated that he was behind hand in the matter of renewals. The old wagons are no doubt running, but it is obviously difficult to keep old stock in a proper state of repair.

6184. Questioned with regard to reserves kept for military purposes, Mr. Hadow said that, at Chaman, the N.W.R. has 110 miles of rails and construction material in stock. These were used for other purposes during the war but have since been replaced. Mr. Hadow stated that these materials are borne on the capital account of the railway.

6185. Referring to the observation in his written statement about the difficulty that arises in the purchase of locomotives, Mr. Hadow said that if a locomotive is ordered this year, funds have to be earmarked from the provision for the year. "Advance indents," that is to say, orders for supply, certified as to funds against the anticipated grant of a subsequent year, require the special permission of the Railway Board which is sometimes given in June or July of the year before, but they are not always allowed, and in any case the aggregate amount allowed is never enough to cover all requirements. Mr. Hadow explained that the agents of railways at present constantly certify indents to England against what is nothing more or less than an imaginary possibility. Funds have to be hypothecated to meet charges that everybody knows will probably not have to be met, and to the extent to which this is done the occurrence of a "lapse" at the end of the year is almost ensured. Mr. Hadow said he had never heard of advance indents being allowed to be sent forward certified against the anticipated budget grant of the second year ahead.

6186. In reply to the Chairman, Mr. Hadow explained that when locomotives arrive in this country they can be put to work directly without any delay. In the case of wagons, complete vehicles are sometimes imported, in which case it does not take long to put them into use; but where parts have to be imported, it takes a long time to construct the stock.

6187. As regards the question of lapses, Mr. Hadow said that he had nothing to say in favour of the existing system. Whatever the Finance Department may have to say, from the railway point of view it could not be defended.

6188. Alluding to Mr. Hadow's remark in the written statement that delay in opening new lines tends to increase the capital cost, the Chairman said that he had been told by another witness that in one case the interest on capital had accumulated during the construction period to as much as 40 per cent., and asked whether any more instances could be cited. Mr. Hadow stated that he had not particularly examined this point, but 21 years ago or so, when he was doing construction work in Bengal, he remembered a case where the construction of a new line, the Moghulhat-Dhubri extension, had to be postponed for want of funds for eight or nine months. Sir George Godfrey suggested that it might

* No. 481. *Instructions for the use of foreign stock:*—Foreign goods stock may be loaded (1) locally towards any junction with foreign railways (2) to any foreign railway for which the traffic offers.

have been stopped as a result of famine. Mr. Hadow said that it was possibly the case that famine requirements elsewhere, but not in that district, had caused the difficulty about funds. He did not recall the details very clearly, but if he remembered right, work was stopped about December or January. They had just got to work on construction when money was suddenly wanted for something else. After an interval of eight or nine months, it was re-started and finished. He observed that while it is bad enough to waste money by delaying in this manner the construction of a new line once it had been started, it was still more serious to delay important work on an open line, because of the interference which it causes with traffic. As an instance, he mentioned the case of Amritzar station in which, so far as he remembered, the work, still incomplete, of improving the goods yard arrangements had been begun in 1914. If enough money were available, this work could be finished within a year. Mr. Hadow mentioned that provision for the necessary expenditure was made in the North Western Railway capital programme and when the forecast was discussed with the Railway Board, this item was passed as being necessary. It had however to be cut out later owing to reduction of funds. Mr. Hadow could not say how much the re-arrangements at Amritzar would cost. It would be something between Rs 10 and 20 lakhs.

6189. In reply to Sir Henry Burt, he stated that there had been great delay in doubling the line between Rohri and Kotri, a length of about 200 miles. The work was begun in 1913 and had been completed only a few months ago. Equally serious delays had occurred in the strengthening of bridges, but in this case the delay was due more to the difficulty of obtaining material than to restriction of funds.

6190. In reply to the Chairman, Mr. Hadow said that heavy expenditure would have to be faced on the open sections of the North Western Railway to enable the line to carry the traffic anticipated on account of the development of large irrigation schemes in the Punjab. The necessity was unquestionable, and Mr. Hadow thought that a sum of Rs. 4 to 5 crores would have to be spent annually for some time to come on the North Western Railway. He mentioned that the railway forecast for the year 1921-22 was Rs. 395 lakhs—a figure which had been reduced after preliminary discussion with the Railway Board to about Rs. 325 lakhs. He had, however, subsequently received instructions to prepare his budget only for Rs. 125 lakhs. In reply to Sir Arthur Anderson, he said that the last figure had been intimated to him only in December, 1920, and no hope had been held out to him of any additional sum being made available. Mr. Hadow promised to furnish the Committee with a statement showing the sums actually applied for by the North Western Railway administration as compared with the grants actually allotted over a period of ten years, in a form provided to him. Last year the demand was for Rs. 347 lakhs, which was increased by the Railway Board to Rs. 454 lakhs, the enhancement being necessary to provide for certain indents sent by the Railway Board. The modified grant stood at Rs. 265 lakhs owing to provision for 2,700 goods wagons being cut out by the Railway Board.

6191. With reference to the remark in his written statement that he had heard that a large portion of the capital raised for certain railways under the branch line terms had been subscribed in England, Mr. Hadow explained that this rested on the authority of Mr. Bagley, who had told him about it. He had been surprised to hear it. What he understood from Mr. Bagley's remarks was that the money was actually raised in England, and not that large portions of the shares in the Indian company were taken up by English subscribers. The Chairman said that he remembered Mr. Bagley telling the Committee that a good many Europeans had bought shares in branch line companies. Mr. Hadow said that this had led him to think that, if India could not raise enough capital even for small railway extensions, it would not be possible for it to provide the considerable funds which would undoubtedly be required for the trunk lines.

6192. Mr. Hadow said that prior to the war the North Western Railway was keeping fairly up to its renewal programme. As regards engines, it had had only 90, out of a total stock of 1,300, which had passed the assumed life of an engine, namely 30 years.

6193. He considered that the combination of various factors such as the increased cost of materials and of labour, and arrears of renewals consequent on the war, makes it necessary to raise rates and fares. He did not anticipate serious opposition from the public. He did not think that it would be necessary to raise the approved maximum charges for different classes of commodities. Referring in this connection to the incident quoted in the earlier portion of the evidence, Mr. Boalth mentioned that cotton with seed (*kappas*) and pressed cotton are both placed in the second class. Loose cotton—that is, cotton ginned but unpressed—is in the fourth class. It might, of course, happen that in a particular case such as that to which Mr. Townsend had referred, the operation of the maximum rates might cause a particular item of traffic to be unprofitable, but he did not think that this was generally the case or could be used as a justification for altering the general maximum charges.

6194. Mr. Hadow said that he thought that passenger fares in the upper classes might be put up about 30 per cent. all round. He thought that the first, second and intermediate class passenger rates might be increased by about one-third. In the case of the third class, the maximum, which is 3 pies per mile by ordinary train, is already charged. Mr. Hadow did not think that the effect of increasing the passenger fares would be a tendency for people to travel in a lower class than that which they are now accustomed to use. He thought the tendency had been rather the other way in recent years, and people could afford and would be willing to pay the enhanced fares. The Chairman observed that the ratio of the maximum charges between the first and third class fares in other countries is roughly 2 or 3 to 1, while in India it would be about 8 to 1.

6195. The Chairman observed that it had been suggested and agreed to by most of the witnesses before the Committee, both those representing railway and the public interests, that, for the settlement of disputes between traders and railways, there should be established a tribunal comprising on one side railway men and on the other commercial men, with an impartial chairman. He asked whether Mr. Hadow would object to the establishment of such a body as this. Mr. Hadow said he thought such a tribunal might be helpful and might protect railways from unreasonable complaints. He assumed that it would not decide such questions as the raising of existing rates on a railway. In answer to Sir Henry Burt, he said that he understood that the tribunal would not be allowed to deal with claims when the decision turned on questions of fact such as damage to goods, which would naturally be matter for settlement by the Courts.

6196. The Chairman referred to the question of the recruitment of traffic officers, alluding in this connection to the evidence given by Mr. Scott, the Director of Industries. Mr. Hadow admitted that improvements had been made in the system of recruitment from time to time, but he did not like appointments to depend so largely upon nomination. He thought that probationers should have received before coming to railways even for a trial, a certain amount of education in technical subjects. He mentioned that the Railway Board at present contemplates insisting on a Roorkee College engineering training for Traffic Department probationers. Although this would not provide a training in technical traffic work, he thought that it would be valuable as inculcating habits of precise thought. He thought a general defect of traffic officers in the past

had been a tendency to deal too much in generalities. In answer to the Chairman, he said that he believed a degree in economics can be obtained in India, but no special training in railway economics is available such as can be obtained in England. He considered that training on the abstract side of professional work is desirable, and thought that the use of statistics, for instance, can be taught in classes. He thought it would be worth while to put young traffic officers through regular classes on the railways; the difficulty would be to find suitable teachers. The present railway officers have very little time at their disposal, and inconvenience would also be caused owing to the great distances in India.

6197. The Chairman mentioned that a strong complaint had been made to the Committee regarding the inaccessibility to the public of District Traffic Superintendents. He instanced the case of an Indian gentleman of standing who had recently given evidence before the Committee, and who complained that he had twice attempted to interview the District Traffic Superintendent of his district, who had refused to see him. Mr. Hadow agreed that district officers should be more accessible. He thought, however, that it would be very difficult for them to spare time to see all callers. He laid some stress upon the tendency of many Indians to waste an undue amount of time when accorded interviews, instead of stating concisely the subject which they wish to discuss and dealing with this in a businesslike manner. He agreed, however, that District Traffic Superintendents should allow a reasonable part of their time for interviewing the public. Sir Henry Burt remarked that the complaint of inaccessibility appeared to be worse now than it had been in the past. Mr. Hadow thought that this might be due to the fact that the work of District Traffic Superintendents has increased greatly, and too much office work had been imposed upon them. He said that the work is at present very heavy in the Operating Departments, both Locomotive and Traffic, and many of the officers now on the North Western Railway had been unable to get leave to Europe during the past nine years, during which three new districts had been opened. He considered that the number of officers on the railway should be increased. He admitted, in reply to the Chairman, that account must be taken of the fact that it takes longer to get business through in India than it might do, for instance, in New York, and that provision should be made accordingly.

6198. The Chairman mentioned that a suggestion had been made to the Committee that the North Western Railway ought to be divided up into five systems of about 1,000 miles each, and asked Mr. Hadow's views on this point. Mr. Hadow said he thought that the North Western Railway is now at about the limit of size which could be dealt with satisfactorily as a single system. There had been a strong demand for the establishment of a local manager at Karachi. He did not advocate subdividing the railway in the manner suggested, but he considered there was a great deal to be said in favour of the adoption of the Divisional system of administration as in America. He had no personal experience of that system, but understood that under it the line would be subdivided into divisions of about 500 miles, each being in charge of a Divisional Superintendent. He had not thought out the possibility of dividing the line into two or three grand divisions, for instance, one with headquarters at Karachi, one at Lahore, and one at Ambala, but thought that possibly something of this kind might be an improvement.

6199. Arising out of the reference to American practice the Chairman asked whether Indian railway officers are afforded any opportunity of studying railway problems elsewhere. Mr. Hadow stated that it was of fairly frequent occurrence for railway officers to be placed on deputation, usually on two-thirds pay, in England or America. This, however, was usually done when some specific question necessitated an enquiry, for instance, a special enquiry was instituted into the question of creosoting sleepers, and a Committee had recently been appointed to investigate traffic audit and station accounts in England and America. Apart from such special deputations, which are arranged rather in the direct interest of the administration than for the purpose of educating railway officers, assistance is given to officers who wish to undertake study courses during their leave out of India. He thought, however, that Government have been rather shy of putting men on deputation for the purpose of acquiring technical knowledge unless there was a special problem to be investigated.

6200. The Chairman observed that Mr. Hadow had not mentioned any instance of an officer having been commissioned to study the actual science of transportation as a whole apart from any specific enquiry into particular points. Mr Hadow said he could remember no recent instance, but referred to the cases of Mr. Priestley, Captain Freeland and Mr. Couchman, who, some years ago, had been sent to America to study the transportation question. He did not know of any officer having ever been deputed to study the Argentine railway system. He thought that money would be well spent in giving facilities more freely to railway officers for making such enquiries. The Chairman observed that Government would obviously have to pay the officers on a reasonable scale. No officer would willingly go to America on two-thirds of his Indian salary unless he either had private means or was unusually enthusiastic.

6201. The Chairman referred to the question of the train capacity of a single line. Mr. Hadow placed before the Committee a formula on which the North-Western Railway had been working for some time, showing the number of trains which could be run each way on any single-line section, the formula being: $X = \frac{60 \times 24}{a+b} \times \frac{1}{2} \times F$ in which X=number of trains each way per day.

a=longest run in minutes between adjoining crossing stations.

b=*average* stop in minutes at each station, generally taken as 5 minutes.

F=Factor of efficiency, generally taken as $\frac{7}{10}$ on difficult sections where facilities were not very good.

Assuming an efficiency factor of seven-tenths for a particular section of the line, an average halt at stations of 5 minutes and the longest run to be 12 minutes between stations 3 miles apart, it should be possible to run 30 trains each way, or if 20 minutes' run were involved, 20 trains each way. Mr. Hadow said he would not agree with another witness who had given evidence to the Committee that 15 trains a day each way could be regarded as a reasonable maximum on an easy, flat section of the line, unless there were something very wrong with the section of line concerned. He thought that, broadly speaking, it would probably be cheaper as a rule to get rid of any special difficulties attaching to the working of a single line than to duplicate the track. He mentioned the differences between the speed of trains as bearing on the capacity to which the line can be worked. He instanced the Lahore-Rawalpindi section of the North Western Railway as a difficult one with heavy grades lacking facilities, and said that it had been proved possible to work 15 trains a day each way on this section, which he thought a satisfactory result in the special circumstances.

6202. Turning to the question of control of rates and fares, the Chairman pointed out that between the maxima and minima approved rates, which are about in the ratio of 8 to 3 for each class, there is at least a theoretical opportunity for great inequality of treatment by railway administrations. Mr. Hadow agreed that an administration might in theory act very unreasonably within the existing limits, but he did not think there was much in this in practice. He thought it much better to leave the decision regarding quotations of rates and fares to the men on the spot who are closely in touch with requirements. He said he would not object, however, to the public having some simpler mechanism for appeal,

than is at present provided, in the shape of a tribunal such as he had already approved.

6203. With regard to the frequent complaint that lower rates are charged for import and export than for internal traffic, Mr. Hadow said that it seemed to him to be the business of the railway to get as much traffic as it could, and make as much money as possible. The Chairman, however, pointed out that there is a national and public point of view which must also be considered. It might be, for instance, that it would pay a railway best to deal with one particular kind of traffic and to neglect all others. To take a specific case, he asked whether Mr. Hadow would consider it justifiable to attend exclusively to a particular traffic which might be carried at very low but still profitable rates, if it followed that all the glass used in the Punjab had to be imported from Europe, while a glass factory at Ambala was unable to do any business. Mr. Hadow said that he thought that if Government wished to protect an industry it should be done by putting on a protective tariff for its benefit. He agreed, however, that if Government adopted that policy a State-managed railway would not be entitled to fight against it by the quotation of specially low rates for the imported goods.

6204. He said that he did not know of any instance in which local industries with a reasonable claim for special concessions had failed to secure them. Mr. Boalth mentioned that the North Western Railway had allowed concession rates for wool to Dhariwal and for cotton to Lahore. Mr. Hadow said that a cement factory had recently been started in the Punjab, but it had not applied for special rates except in connection with the carriage of its machinery. Some special rates had been allowed for a match factory for some time. Another industry for which special concession rates had been sanctioned was the turpentine and resin factory at Jallo, which is worked by the Forest Department. Mr. Boalth said that he was not aware of any case in recent years in which special rates applied for had been refused when a case had been made out to justify it. He agreed that the railway should be prepared to quote rates for wholesale indigenous industries on the same scale as for import and export traffic, where operating conditions are reasonably comparable. Mr. Hadow agreed that the North Western Railway is quite prepared to act on this principle provided due account is taken of differences of lead and volume of traffic. He admitted that it would be objectionable for the railway to ignore the public point of view, and that a State administration should be prepared to grant something more than might be strictly just, having regard to the desirability of developing local industries.

6205. With regard to the question of private sidings, Mr. Boalth said that there are a great many of these in the Punjab and they are a serious source of embarrassment. He thought the administration had been too generous in this respect in the past. The Chairman instanced the case of a factory, situated near a river for the sake of obtaining condensing water, and said he agreed that it would not be reasonable to ask the railway to work a private siding to it unless a substantial amount of traffic were offered. Mr. Hadow said that in the past, however, private sidings have been put in even where only a trifling amount of traffic could have been expected. It was most troublesome to have to make special arrangements for working a private siding. Mr. Hiley asked whether it is not the custom of the railway to ask for a guarantee of a minimum traffic in such cases. Mr. Hadow replied in the affirmative, but observed that the railway has to bear heavy interest charges, and usually levied a charge of only eight annas each way per wagon to and from the siding. He did not think that the North Western Railway had safeguarded itself adequately in the past. He mentioned, in reply to Sir Henry Burt, that sidings are constructed under rules issued by the Railway Board, and that these make no provision for a special charge for engines; the usual charges levied for the use of an engine are Rs. 7 per hour for Government Departments, and Rs. 10 per hour for the public, but these charges are not levied in the case of private sidings.

6206. Referring to owners' and railway risk conditions, Mr. Hadow agreed that a tribunal such as had been suggested might very well fix the conditions to be attached to both owners' and railway risk consignment notes, as well as the ratio of difference between the two rates, which should be a reasonable allowance to cover the insurance charge in the case of railway risk form. He mentioned that at present the difference is an arbitrary one, corresponding to the difference between two classes in the general goods classification.

6207. Referring to Mr. Scott's evidence before the Committee that the standard of construction of branch lines built by or under the control of the main lines is unreasonably high, Mr. Hadow said that serious efforts had been made to keep down the cost of new branches. He admitted that an engineer who values his reputation naturally does not wish to see shoddy work or doubtful economies; but subject to this, the North Western Railway had made reasonable efforts to ensure economical construction. Mr. Scott had mentioned the Mandra-Bhon Railway, which he said had been unnecessarily fenced. Mr. Hadow explained, however, that Mr. Scott was under a misapprehension, as only one mile of that line, which is 40 miles long, had been fenced where this was necessary for special reasons. As an instance of the danger of aiming at too inexpensive a standard of construction, Mr. Hadow mentioned a branch line which had been built by Mr. Bagley, and in which nearly Rs. 4 lakhs had had to be expended on improving the bridges within four or five years after opening, although the original expenditure on bridge construction amounted only to Rs. 3½ lakhs. Mr. Hadow said that Mr. Bagley, being an engineer of established reputation, could afford to try experiments with a view to economy, as in that case; but the average engineer would risk his reputation by doing so, and must necessarily aim at a more conservative standard of construction from the outset.

6208. He agreed with the Chairman that the interest of a main line company which will have to work the branch line is naturally rather in favour of a high standard as tending to keep down subsequent operating expenses. The main line, for instance, would naturally prefer to eliminate bad gradients. He said that so far as such things as quarters for staff were concerned there would certainly be serious complaints if the branch line built these on a meaner scale than that for the main line employees with which comparisons would be made. The Chairman alluded to the mention which had been made of grass huts being provided for station buildings on the Jodhpur-Bikaner Railway. Mr. Hadow thought that if that example were followed by the North Western Railway there would be every prospect of an early strike. In any case, he personally thought that construction of that type is not economical in the long run. He did not think that, generally speaking, branch line companies associated with the North Western Railway had much ground for complaint as regards the standard of construction.

6209. Sir Arthur Anderson drew attention to certain figures which he had before him connected with engine performances on different railways. He remarked that the statistics show that the results attained on the companies' lines were in every case better than those of the State railways, the North Western Railway being the worst of the three latter. Mr. Hadow said he believed there was some mistake in the figures in the Administration Report which had been used by Sir Arthur Anderson. He had already admitted that the North Western Railway was over-engined in view of the possibility of military concentrations. He promised to furnish the Committee with a statement of the exact position after having the statistics verified. [P.S.—*See* the note appended hereto.]

6210. As regards the use of wagons, the Chairman quoted the following figures showing the daily average mileage run by wagons of the administrations named:—

	Miles.
N.W. Railway	35
B.N. Railway	37
B.B. & C.I. Railway	48
E.B. Railway	35
E.I. Railway	63
G.I.P. Railway	39
M. & S.M. Railway	45
O. & R. Railway	34
South Indian Railway	32

and pointed out that, with the exception of the South Indian Railway, the three State railway mileages are the lowest. It seemed to him to imply that the State railways are better supplied with stock than others. He mentioned that, in each case, the railway named was credited with the total mileage run by its wagons whether on the home or foreign lines. Mr. Hadow said that he was doubtful on this point.

6211. Sir George Godfrey referred to an observation which had been made to the Committee that, if all the railways were managed by the State, there would be an advantage in all the stores being obtained through one agency. He asked whether, in Mr. Hadow's experience, he knew of any cases in which a distinct advantage had been secured owing to materials being ordered through different consulting engineers from those employed by the India Office, his point being that, if all the stores orders were passed through a single purchasing agency, there would be a tendency to over-standardisation. He mentioned that he knew, in the case of the Bengal-Nagpur Railway, of benefits being secured through the introduction of improved types of rolling stock under the present system. Mr. Hadow said that he could not say much on the subject. He remembered a case in which the Director-General of Stores had refused to specify a particular brand of cement when placing an order on behalf of a State railway administration.

6212. As regards engines, he said that the locomotive engineer submits a complete specification to the agent who, if he accepts it, after any necessary discussion with the traffic authorities, passes it on to London for compliance. In answer to Mr. Hiley, he said that the consulting engineer does not decide the type of engine to be sent out, but frequently suggests points for consideration by the authorities in India. Sir George Godfrey laid stress upon the advantage of securing the initiative of different consulting engineers, as is done at present. The discussion was dropped, the Chairman observing that the question at issue appeared to relate rather to the selection of consulting engineers than to the administrative system adopted. Sir George Godfrey said he did not in any way imply a personal reflection on the firms employed by the Secretary of State, but meant to indicate that there are distinct advantages in technical questions being referred to more than one firm of consultants.

6213. Sir George Godfrey referred to the complaint which was frequently made that Indian railway companies only look to dividends, and starve the railways in order to earn more profits. He asked whether overcrowding, which had been said by some witnesses to be due to this action, is not really attributable to a shortage of coaches and want of facilities and equipment to run special trains, and whether this is not as common a defect on State as on company-managed lines. Mr. Hadow agreed that the case is as explained by Sir George Godfrey. Railway agents, both of State and company-worked railways, had to reduce their programmes for the supply of rolling stock, engines, etc., simply to meet the exigencies of the budget. During the war, the policy adopted was that only works which were necessary in connection with the war should be undertaken and all other expenditure should be deferred as far as possible. The Railway Board had recognised that the time for making up arrears had now come, and under their instructions a definite post-war programme for three years had been drawn up with a view to ordering material from home. The materials ordered for the first year of the programme—1919-1920—had not yet been completely received; the requirements of the second year had hardly been touched yet.

APPENDIX.

(*The note by the General Traffic Manager, referred to in paragraph* 6209.)

AGENT,

With reference to your statement to the Railway Committee, concerning average mileages per day of goods wagons on railways, there appears to be some fallacy, and I contend that we get as good use out of our wagons normally as other railways.

From the figures for three years put up, it will be seen that the N.W. Railway did an average of 34 in 1917–18, 35 in 1918–19, and in 1919–20 we fell to 28. This is accounted for by the general holding up of goods traffic during the Punjab disturbances in April, 1919; also subsequently, in the Afghan War, numbers of wagons had to be kept waiting in readiness for military movements. The military were also dilatory in unloading. The labour troubles in this period also account for delays, which tended to pull the average down.

Apart from this explanation, I would like to point out that a special meeting was convened by the Railway Board in February, 1920, at Calcutta, owing to the very critical position in the coal traffic, which the East Indian were unable to carry, and move their own traffic offering at the same time. A member of the Railway Board and the Agents of East Indian and E.B. Railways, and other railway officers were present. The East Indian, in a printed statement,* put forward their position, and in paragraphs 12 and 13 pointed out that when they loaded 2,000 coal wagons a day, "*the normal trade of the country, as represented by transport of goods on the East Indian Railway system, was largely at a standstill.*" They go on to say at the end of paragraph 13 that while loading 2,000 coal wagons a day, they could only do 500 or 600 wagon loads of other commodities. The matter was of such importance that special orders were passed by the member of the Railway Board present, subsequently confirmed, that wagon pooling had to continue and every assistance given to the East Indian to keep the coal traffic going and to move a reasonable amount of their other traffic.

If we look to the number of vehicles that the East Indian and N.W. Railways have for moving traffic, it will be seen that the East Indian had 21,552 wagons, plus 13,053 trucks, equal to 34,600 units, against the N.W. Railway's 22,556 wagons, plus 5,406 trucks, equal to 27,962. It must be remembered that at this time the N.W. Railway had on permanent loan and away on other railways a negative balance of about 3,000 units, while the East Indian had about plus 3,000. It will, therefore, appear that the N.W. Railway had 25,000 goods units against the East Indian 37,000. We regularly loaded 1,800 to 2,000 vehicles, and, in

* Not reproduced.—Dated 17th February, 1920.

addition, had to give over 300 empties daily at Saharanpur and Delhi for helping towards the coal traffic. We were, therefore, operating from 2,100 to 2,300 vehicles a day, with a total of 25,000, while the East Indian complained of their inability to do more than 2,500 or 2,600 with 37,000 units.

Another interesting fact brought out in paragraph 16 of the E.I. Railway's printed note, it will be noticed that they claim they moved 33 per cent. of the N.W. Railway traffic, 33 per cent. of the O. & R. Railway traffic, and about 21 per cent. of the E.B. Railway traffic in *E.I. Railway wagons on foreign lines.* How comes it, then, that State Railways show such a small return for their daily wagon movements, while the E.I. Railway wagons show up so well? The State Railways cannot be moving the E.I. Railway wagons faster than their own. There is, therefore, obviously some fallacy in the figures given in the administration report as to the daily average run of wagons on B.G. Railways in India.

These figures have been compiled for many years without any careful revision, and when our Deputy Auditor brought out a revised system of statistics, he proved that there were many fallacies in the compilation of the old figures, and I feel certain that if these figures were carefully gone into, the fallacy will be noticed.

To go back to the administration report, it will be seen that even the E.I. Railway dropped to 53 in 1919-20 against 63 in the two previous years. Surely, when the E.I. Railway were crying out as to their inability to move traffic and loss of revenue, their wagons would have been doing as good or better mileage than in the previous years, while figures show the reverse. This, I think, will be explained by the fact that in 1919–20 the E.I. Railway were doing more local internal traffic than in the previous war years, and the fact of not having a regular long distance traffic of the previous years brings their mileage down by about 20 per cent. We have had a large amount of short internal traffic in the last few years, and we have numerous branches and ramifications, as well as very heavy grades on the Pindi and Quetta districts, I think, even all other things being equal, our mileage cannot compare as favourably for these reasons with the E.I. Railway, or, say, railways like the B.B. and C.I., who have a very level country to run over.

Statement of average mileage for goods vehicles per day.

Railway.	1917–18.	1918–19.	1919–20.
B.N. Railway	41	37	38
B.B. & C.I.	48	48	38
E.B. Railway	33	35	36
E.I. Railway	63	63	53
G.I.P.	44	39	36
M. & S.M.	47	45	45
N.W.R.	34	35	28
O. & R.	40	34	34
S.I.	36	32	29

Mr. OWEN ROBERTS, of Messrs. Clements Robson and Company, was examined on a written statement which he placed before the Committee.

6214. Mr. Roberts said he had been for the past 17 years in charge of the up-country business of Messrs. Clements Robson & Co., a firm engaged in the export of wheat. He appeared before the Committee to submit his own views and not those of the firm as he had not had time to communicate with his principals on the subject.

6215. The business of his firm had expanded a good deal during the war, and this had necessitated their extension throughout the United Provinces and into Eastern Bengal on the one side, and into the Bombay Presidency and Rajputana on the other. His experience of railway working in India was therefore fairly extensive.

6216. He described his firm's business as that of export of wheat through the port of Karachi. Maize was brought from as far as Katehar in Bengal and taken to Karachi for shipment. This was done to meet the conditions of Admiralty charters.

6217. He said he wanted to speak not on the systematic corruption which appeared to pervade all public Departments in a greater or less degree but only on the question of corrupt practices in connection with the sale of wagons on Railways. He instanced the facts that he had been approached for a charge of 2 annas per telegram for all telegrams delivered to him in Moradabad in the United Provinces; that he had seen a policeman seated over the hole in the petition box outside a Deputy Commissioner's Court collecting a rupee or two from every person who desired to place a petition in the box, and that he had seen parcels clerks charging 2 annas per parcel for booking parcels for people on platforms; these facts were instanced of cases of systematic corruption which appeared to pervade all public departments. In the case of wagons there was a recognised price, called the market price of a wagon, charged as a regular practice at each railway station. This price varied from place to place from about two to ten rupees and was a different matter from the demands made on a small scale in a general way.

6218. As a result of the war all sorts of restrictions were imposed, and bribery was resorted to on a larger scale either to get a wagon allotted, or to get it passed into a district into which its despatch was prohibited.

6219. European exporters had never to his knowledge up to the present time given payment for wagons. Nominally the whole export trade is in the hands of Europeans, but practically it is in the hands of Indians. If an exporting firm purchased anything for shipment, they bought it from Indian middlemen who, to fulfill their contract, had to secure wagons, and deliver within a specified period, railway receipts showing that the grain had actually been despatched. If there was any failure in this respect then the contract was broken, and the contractors were liable to damages. Mr. Roberts said that, in certain small classes of business, the European exporter buys the goods direct, and has in these cases himself to secure the wagon supply, but that even so he does not pay for them. The Chairman observed that evidence had been tendered to the Committee that, though English firms do not pay on individual wagons, they make occasional lump sum payments instead. Mr. Roberts said that this was not true as far as his firm was concerned, nor as far as he knew, of any other exporting firm. He had never heard of payments being made in any form.

6220. In reply to the Chairman he described how before the war his firm enforced compliance with their indents for wagons without paying anything to the station staff. His firm never troubled itself as to whether or not any priority register was maintained at the stations. If they had reason to suspect unfair treatment, they sent their requisitions

for wagons systematically by registered post, and made a note of the quantities of grain sent for despatch and the quantities cleared daily. Supposing 500 bags had been sent to a railway station for despatch on the fifth of a month, and of this 500 only 200 had been moved up to a certain date, only one conclusion could be arrived at, either that no wagons were supplied to the station in the meantime; or, if they had been, and any other exporter's goods had been forwarded, this could only have been done irregularly, and presumably as a result of bribery, his firm being the first on the priority register, is evidenced by the fact that a beginning had been made to move their goods. He then went to the district officer and complained to him, and an enquiry followed. Thus by a system of organised watchfulness his firm succeeded in getting their rights. The person against whom complaint was made was transferred or reduced, but beyond this Mr. Roberts could not say definitely what followed his complaint, as he had never pursued the matter. Subsequently, in reply to Mr. Purshotamdas, he said he considered that the punishments meted out were not really deterrent, as the only really deterrent punishment is dismissal, and he believed that this is not usually inflicted on delinquents.

6221. The Chairman asked if the firm succeeded in getting any more than their rights. Mr. Roberts did not think they did, nor indeed always as much, as they proceeded against a railway servant in the manner described only when they had reason to believe that irregularities were occurring.

6222. He had accumulated facts in this way and put them before district traffic superintendents only about half a dozen times. He had always found that, if the facts were properly placed before the district traffic superintendent, they were dealt with. He had not taken cases up more frequently, as, from the beginning of the war, conditions were different. It was all Government property that had to be moved, and its transport was regulated by Government. It might happen, nevertheless, that occasion for bribery would occur, even within the Government priority orders, as a dealer who had sold grain for early delivery might be willing to pay a bribe to secure preference in the transport of his goods over those of another who had contracted for delivery at a later date but who had already offered a consignment for despatch by rail.

6223. Mr. Roberts said that he had had no difficulty in getting goods moved during or since the war. The Chairman asked whether this applied to despatches both to Bombay and Karachi. Mr. Roberts replied that he had no experience at all of Bombay. The Chairman observed that the Committee had been told that Karachi was receiving better treatment than other places. Mr. Roberts suggested that the truth might be that Karachi was fortunate in having to deal with only one railway. It was a fact that when Karachi merchants got on to other lines there were transhipment difficulties and despatches were bad.

6224. The Chairman enquired how long systematic bribery for wagons had been in existence on a substantial scale. Mr. Roberts said that it had varied; it had been bad in 1905 and 1906, had got better before the war, and became worse again during and since the war.

6225. The Government control of traffic affected the bribery question in that there was "priority within priority," or, in other words, there was competition for wagons between merchants who had sold for near deliveries and those who had sold for later deliveries as already explained.

6226. Mr. Roberts said he had never been asked for a bribe except once on the Oudh and Rohilkhand Railway. As often happens, the station master held the loading contract, and in connection with the loading of the witness's firm's wheat into wagons he came and asked him to connive at an arrangement for securing a double payment. The District Traffic Superintendent of the railway was on the spot, and Mr. Roberts placed the matter in his hands. He did not know what happened to the man except that he was transferred. He had heard that he was back again in the same post.

6227. Mr. Roberts thought that the feeling against this extortion was so strong that it could be used to put it down. He however agreed that it was useless to expect the ordinary small trader to use the same systematic method of establishing irregularities which he had described and had himself successfully adopted.

6228. Mr. Roberts said he thought that, if the railway authorities tackled the question seriously, they could reduce greatly, if not entirely abolish, the system of payment of bribes for wagon allotments. District Officers, he considered, should stay at their headquarters instead of frequently absenting themselves on tours. The Chairman observed that some witnesses had complained that the District Officers stop too much at headquarters. Mr. Roberts explained that in his view it was most important opportunity should not be given, owing to the absence of the District Officer, for complaints to be dealt with by subordinates.

6229. He considered that either the districts should be reduced in size or that the number of officers in them should be increased in order that more efficient supervision might be maintained.

6230. At present railways would not accept a consignment note (a form giving details of the intended consignment) unless the goods to which it refers are in the station. The goods are deposited on the railway premises on sufferance of the railway and lie there at the risk of the owner. The railway company does not give a receipt or accept responsibility until the goods are actualy loaded into wagons, and between the despatch of goods by merchants to the station and the actual loading the consignment note is the only document that is made out. Under this system the man who could read and write could protect himself by seeing that his name was entered on the priority register as soon as he put in his consignment or forwarding note. The ordinary Indian dealer, however, could not do this. Mr. Roberts suggested therefore that the consignment note should be connected more closely with the priority register, and that the merchant should be given a document numbered and dated, stating his place in the order of priority. The particulars of this document should also appear in the priority register and in the consignment note. In addition, Mr. Roberts recommended that on a notice-board such information should be given daily as would enable the Indian merchant to follow the history of his own transaction, as, for instance, the number of wagons supplied to the station, the last priority number dealt with, etc. The Chairman said that he would ask the railway officials how far Mr. Roberts' proposals could be adopted in practice.

6231. The Chairman asked what arrangements Mr. Roberts would suggest to check the stock lying on the station platforms, etc., waiting to be booked. The witness thought that there ought to be inspectors who would pay surprise visits and draw up an inventory. His work would be something like that of an Inspector of a Bank who would, without any notice, go into the Bank, count the cash, and see whether it corresponds with the balance in the books. With the facts obtained from the inventory and the priority register it would be quite possible to convict a station master guilty of any malpractice. Subsequently, he stated in answer to Mr. Hiley, that he did not know whether such an inventory was maintained in railway stations.

6232. Mr. Roberts considered that District Traffic Superintendents should have greater powers to deal effectively with the station staff; he knew that the Agent has those, but he thought it too great a distance from the stationmaster to the Agent. He did not see why a District Traffic Superintendent should not have powers to dismiss a man. The District Traffic Superintendent could not abuse these powers as he would get a bad name for it. It was mentioned that he might suspend from duty any of the staff pending enquiry into his case. Mr. Roberts, however, urged the importance of punishment following rapidly on the offence. Under the existing system it is delayed so long that the moral effect is missed.

6233. In reply to the Chairman Mr. Roberts said that wheat gets no sort of general priority over other commodities, and wheat merchants take their turn with others. The Chairman referred to Mr. Roberts' previous statement that rates of despatch were generally satisfactory, and said that this conflicted with evidence submitted by other traders. For instance, some said they could not get cotton, and factories complained that they could not get coal. Mr. Roberts suggested that this might be due to the fact that wheat was controlled, and the other articles were not. The wheat merchants were able to get into touch with the Railway Board through the Wheat Commissioner. The Chairman remarked that this implied that wheat was better treated than other commodities. Mr. Roberts said that members of the wheat trade also had suffered at times from delays under pre-war conditions.

6234. In answer to Sir Henry Burt, Mr. Roberts did not think that the station staff would allow merchants to apply for a greater number of wagons than they really require, and to sell those that they do not want.

6235. Mr. Purshotamdas asked Mr. Roberts what the Indian merchants thought about the bribery system; Mr. Roberts said that they fell in with it only because they had no alternative and not because they have any liking for it. The whole question was a complex one, as from the time the consignment note is put in till the date of the issue of a receipt there is nothing on which any action could be taken against the stationmaster, and it is very difficult to prove anything against him. Further, the stationmaster could harass the merchants in many ways, for instance, he might not readily give them a "clean" railway receipt.

6236. Mr. Purshotamdas asked whether he had found the District Traffic Superintendents easily accessible, as Indian merchants had complained on this point. Mr. Roberts replied that he approached them only when he had definite facts against the station staff. Invariably he wrote to them setting out his case before asking for an interview.

Mr. F. A. HADOW, Agent of the North Western Railway, was again recalled with Mr. V. H. BOALTH, General Traffic Manager, and examined on his written statement.

See Written Statement No. 75, Vol. IV., P. 339.

6237. Mr. Hadow mentioned that he was short of district officers in the Traffic Department. The Chairman asked whether anywhere in India the operating side had been separated from the commercial side. Mr. Hadow replied that this had been done, he believed, on the East Indian Railway, but his impression was that the complete separation had been to some extent modified.

6238. The Chairman referred to the complaint made by Mr. Roberts that district traffic superintendents did not stay in their offices, and asked if there was not something to be said in favour of a separation of functions, which would enable an officer whose business it is to be in a fixed place to be always available to the public, while another might frequently be away from headquarters, and be able to look into matters requiring attention on the line, and investigate on the spot, operating questions such as congestion in yards. Mr. Hadow agreed that there is a great deal to be said in favour of such a division, though he observed that even in the case of the commercial side there is something to be said in favour of the District Traffic Superintendent going about the line, as many commercial questions can best be settled at the points where the merchants reside and carry on their business.

6239. Mr. Boalth said that Mr. Roberts had discussed with him his suggestion that the consignment notes for goods should be connected directly with the priority register. He thought the suggestion was a good one, and it was at present under consideration.

6240. As regards the suggestion that surprise checks should be made, of the correspondence between the entries in the priority register and the goods actually awaiting despatch at the stations, Mr. Boalth observed that there are two sides to this question, and that there is certainly an impression on the part of railway men in India that, if any such check were made, it might imply an acceptance of responsibility by the railway staff for goods lying on the platforms, and, for this reason, they had been disposed to have as little as possible to do with such checks. The Chairman explained that, so far as this suggestion goes, it is not proposed that a railway should give a receipt for the goods, and that the check is proposed only as a matter of internal action on the part of the railway administration, with which the customers would have nothing to do. He cited, as a parallel case, that of a bank with branches, which sends down an Inspector to a branch to make sure that the cash in hand corresponds with the sum shown in the cash book: this implying no acceptance of extra responsibility on the part of the bank towards any individual depositor. He thought that, in the same manner, an Inspector might be sent to a station to compare the stock of goods on the platform with the priority register, as a matter of purely internal discipline. Mr. Boalth agreed that, by doing this, a railway would not apparently pledge itself in any way to any outside person.

6241. In reply to Mr. Hiley, Mr. Boalth explained that no rent is charged by a railway administration for goods brought to the stations and stacked there pending formal acceptance for despatch. No receipt is given for the goods, nor is there any check of their quantities which would imply liability on the part of the administration. The Chairman said that it appeared to him that, even if there were no sort of acknowledgment, the railway administration would not be in a position to dispute liability if, for instance, it negligently permitted its servants to steal such goods wholesale from the railway premises. He emphasized that the existing state of affairs is so unsatisfactory that it would seem to be worth while for the railway to accept some liability in the matter, having regard to the strong feeling that exists on the part of the public, and the discredit attaching to the railway administration because of the irregularities in the distribution of wagons which are said constantly to take place.

6242. Mr. Hiley observed that in other countries goods would not be brought to the railway station until there was a reasonable chance of their being loaded into wagons, and, if accepted before they could be despatched, rents would be charged for the use of the station accommodation. In India, however, goods appear to lie for months in the station premises. He thought there should be a strict provision against goods being brought to the station before there was a reasonable chance of their being moved. Mr. Boalth explained that, in many producing districts, there would be no facilities for storage of goods other than at the station itself, though in some places there was a '*mundis*' or stores close to the station, in which the exporter could store his goods.

6243. Mr. Boalth said that the subject of corruption in connection with wagon allotments had been seriously considered by all railways. The difficulty was that no solution seemed possible except the provision of so many wagons that there would be no such competition for them as exists at present. The Chairman said that nowhere, except possibly in Russia, had he heard of such wholesale and long-continued corruption as appears to exist in India, and he thought that the railways ought to take much more active steps in the matter. He advised that it should specially be brought before the Traffic Committee of the Indian Railway Conference Association. He did not think it sufficient for the railways to dwell upon the difficulty of establishing proof and to institute the occasional prosecution of individuals. He thought what was necessary was the introduction of a system which would reduce to a minimum the chances of such things occurring.

6244. In reply to Mr. Purshotamdas, Mr. Hadow said that he believed the difficulties in transport ex-

perienced on the North-Western Railway were due less to an actual shortage of wagons than to a deficiency of station and junction facilities, and that this had become accentuated during the war. In this case, Mr. Purshotamdas enquired why the North-Western Railway should not take more advantage of the Amritsar Patti Kasur Railway which provided a shorter lead to many stations than the main line. It would, for instance, obviously be more economical for traffic emanating from Ferozepore and bound for Amritsar and beyond, to be taken *via* the Amritsar Patti Kasur Railway than *via* Raewind and Lahore. He referred to the agreement between the North-Western Railway and the Amritsar Patti Kasur Railway, under which the former credited the latter with the earnings for goods for which the Amritsar Patti Kasur Railway would be the most natural route, whether or not the goods were carried by it. He mentioned that this agreement had been in force from 1912 to 1915, and, though the Amritsar Patti Kasur Railway desired to continue the agreement, the North-Western Railway would not agree. Mr. Hadow said that the North-Western Railway had received no benefit from the agreement. One reason was that goods trains were generally made up in Lahore, and it was simpler to bring wagons to Lahore to make trains up there than to add them to the trains at Amritsar. It would thus be of no advantage for the North-Western Railway to use the Amritsar Patti Kasur Railway route.

6245. Mr. Purshotamdas asked why Mr. Hadow had not said anything in his written statement on the question whether State or company management would be likely to be more efficient though he had dealt fairly fully with the question of the comparative profitableness to the State of each alternative. Mr. Hadow said that he thought the two questions overlapped each other so much that what he said in paragraph 4 of his written statement really answered both questions. Sir George Godfrey said he had read Mr. Hadow's evidence in this way.

6246. Mr. Hadow said that he had, in the previous day's evidence, stated his reasons why a falling off in efficiency might be expected if the State were to work all the railways in India. He thought that a State agency would be less likely to be influenced in favour of efficiency than a company administration which keeps in view what the shareholders are likely to say. He agreed, however, that the force of the Indian taxpayer's claim for Indian Boards of Directors must be reckoned with, but he did not think that this could be introduced in a hurry.

6247. Referring to his remark regarding the success of the State railways being due to their working alongside company administrations, Mr. Hadow said that he did not mean to suggest that State lines take company lines as their model. The two systems reacted upon each other, and he would agree there were both good and bad points in each.

6248. With reference to his observation regarding branch line companies having been largely subscribed in London, Mr. Hadow said that he did not remember the particular branch line companies which Mr. Bagley, who had been his informant in the matter, had mentioned. The Chairman observed that the Committee had been told that a good deal of the capital of the branch line companies was held in India, but that, when the rupee reached an exchange value of 2s. 11d., Europeans largely sold their holding to Indians, and remitted the proceeds to England.

6249. Referring to the question of staff, Mr. Hadow stated that a certain distinction was always made between officers recruited in England and those in India. In some cases this distinction extended to difference in pay, and, in some cases, to differences in the leave rules. In Government service the "Indian Service Leave Rules" applied both to Indians and Europeans appointed in India, and there were several Europeans on the North-Western Railway who came under these rules. Similarly the "European Service Rules" applied to such Indians as had gone to England for their education and were recruited there; there were several Indians at present on the North-Western Railway to whom these rules applied. He was not aware, however, whether his reply would be quite correct now in view of changes which had recently been made in the Leave Rules. The Chairman said he understood that these changes did not involve any racial discrimination.

6250. In reply to Mr. Purshotamdas, Mr. Hadow stated that the European Railway Institutes are self-supporting institutions towards which the North-Western Railway pays nothing beyond maintaining the building. Membership used not to be open to Indian officers, but recently the question of their admission had come up and it had been decided that Indian Officers should have the right of membership Mr. Purshotamdas mentioned that he understood that Mr. Haldar, a late Assistant Traffic Superintendent of the North-Western Railway, had pressed his application to become a member of the Institute, but this had not been permitted. Until recently, though an Indian District Traffic Superintendent might be ex officio President of the local Institute, an Indian Assistant Traffic Superintendent could not even be a member. Mr. Hadow admitted that this used to be the case, but said it had now been put right. He had no recollection of the question being raised in Mr. Haldar's case.

6251. Mr. Hadow stated that special preference is not given to the wheat traffic for Karachi. Mr. Purshotamdas enquired why in this case cotton merchants were not able to get wagons for loading cotton for that port. Mr. Hadow explained that, at the present time, the movement of cotton was not considered so important, and the Railway had to exercise discrimination in favour of the more important traffic, for instance food stuffs, wheat, gur and salt, when serious restrictions were imposed, as was the case at present due to shortage of coal. The Railway had to make such discriminations for itself, in consultation with the Director of Industries.

6252. In answer to Sir Henry Burt, Mr. Hadow said that he thought too much attention was given to seniority as apart from merit in making promotions, and mentioned that he had already expressed this opinion to the Chairman.

6253. Asked by the Chairman whether, in his experience, the Railway Board concerns itself more minutely with the management of the State railways' work than with company worked lines, Mr. Hadow said that in the case of State railways he thought the Railway Board expects more detailed information.

6254. In reply to the Chairman he said that the mass of information reproduced in the Annual Administration Report is submitted by the railways to the Railway Board at intervals of six months. Until 18 months ago these were the only statistics furnished to the Railway Board. Special operating statistics were prepared monthly on the North-Western Railway. He believed that they had been introduced on the initiative of Mr. Scott, an Audit Officer, and not at the suggestion of the Railway Board. This had been done some 18 months ago, and a copy of the figures is now furnished monthly to the Railway Board in addition to the other statistics already mentioned. Mr. Hadow mentioned that these figures make no comparisons with other railways. It had been found that too much detail was being given, and that these statistics were not as useful as they might be. It was now under consideration to omit some of the details. The Railway was aiming at the production of two kinds of statistics: firstly, advance figures which were hurriedly got out in order that, as early as possible, information might be in the hands of the officers concerned; and secondly, monthly statistics, prepared more accurately and issued subsequently. Mr. Hadow thought that the correct figures for any month should be in the hands of the staff by the middle of the next but one following. The Chairman suggested that the administration should consider the adoption of tables of comparison with other railways as being likely to stimulate emulation and lead to better working.

6255. The Chairman asked for information about the Khan Alampura yard, near Saharanpur, to which reference had been made in the evidence of the Oudh and Rohilkhand Railway witnesses at Lucknow. In

this connection Mr. Boalth read the following statement:—

"Khan Alampura yard was decided on after the famine rush of 1906 to the United Provinces. It was built by the Oudh and Rohilkhand Railway and opened in April, 1914, by them without reference to us to train staff and to see if the yard was required with the then existing traffic.

"After some time we objected in 1915, on the ground of expense and small traffic. The Oudh and Rohilkhand, after some correspondence, closed the yard in August or September, 1916, except as a stabling yard.

"They claimed the right to open it whenever they considered it necessary. We contested this. Half the yard was pulled up in 1916-17 for over seas.

"In August, 1920, the O. & R. asked us to open Khan Alampura as a *joint* yard again. We suggested they should open and work it as part of their system, if they wanted it, as we did not think it necessary. They wanted the yard to marshall, etc., as their engine power is limited.

"Both agents suggested a meeting in December or January, but this has been postponed. The yard has not sufficient staff quarters. One of the original points at dispute was the interchange question.

"Cost of working is the only point at dispute and O. & R. could have opened and submitted their case to the Railway Board for arbitration."

6256. Mr. Boalth said that one half of the yard had been re-laid. It had been intended to hold a meeting to settle the disagreement between the North Western Railway and the Oudh and Rohilkhand Railway, but it could not be held owing to other engagements. It was hoped that it would now take place after Mr. Hadow had completed his tour. Mr. Hadow said that the Railway Board did not interfere between railway administrations unless there was an *impasse*. He thought that in the present case a settlement could be arrived at with the Oudh and Rohilkhand Railway at the proposed meeting. The Chairman said that it was not clear to him why the yard could not be brought into use without delay, leaving the terms to be settled subsequently.

P.S.—Mr. Hadow subsequently furnished the Committee with the following information as promised by him during his examination.

A.—PARTICULARS REGARDING APPLICATIONS FOR AND ALLOTMENTS OF CAPITAL FUNDS.

North Western Railway, open line.

Year.	Capital demand in July forecast.	Amount agreed upon after discussion with Railway Board.	Amount intimated by Railway Board.	The grant actually allotted in budget orders, about the end of March.	The final grant as it stood towards the end of the year.	Actual net expenditure at the end of the year.
	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.
1910–11 ...	375·90	255·76	255·77	272·39	207·44	199·09
1911–12 ...	353·77	281·00	256·86	297·65	218·41	221·46
1912–13 ...	313·53	244·81	244·81	257·28	197·79	230·93
1913–14 ...	289·68	236·76	161·76	222·18	269·98	304·17
1914–15 ...	303·97	255·56	255·56	252·00	268·02	248·70
1915–16 ...	411·59	255·56	142·33	136·00	57·35	44·24
1916–17 ...	248·77	255·56	60·51	60·51	41·01	19·62
1917–18 ...	118·15	255·56	95·31	98·04	79·22	47·81
1918–19 ...	134·28	255·56	100·16	100·16	229·32	242·95
1919–20 ...	132·67	255·56	492·36	417·66	336·23	299·97

[N.B.—Similar information was given by Mr. Hadow for the branch lines, but is not reproduced, the figures being relatively unimportant.]

North Western Railway—Construction of new lines.

1910–11 ...	31·00	31·00	45·00	70·00	44·89	43·04
1911–12 ...	89·62	72·57	61·57	61·57	67·68	64·90
1912–13 ...	75·83	56·79	56·79	53·41	61·01	60·25
1913–14 ...	27·74	13·04	19·01	11·77	19·83	20·58
1914–15 ...	9·83	9·68	9·68	9·68	14·07	13·42
1915–16 ...	7·73	7·73	—	7·70	6·80	6·67
1916–17 ...	3·80	3·43	3·43	3·43	4·43	4·39
1917–18 ...	—	—	1·48	1·78	7·83	7·30
1918–19 ...	—	—	5·93	5·44	9·90	8·21
1919–20 ...	7·05	—	7·67	7·67	8·17	6·76

B.—ARREARS OF ENGINE RENEWALS ON NORTH WESTERN RAILWAY.

(*Calculated on basis of* 30 *years' life.*)

	Position on 31–12–14.	Position on 31–12–20.
Number on line over 30 years old	28	21
,, ,, ,, 31 ,, ...	21	18
,, ,, ,, 32 ,, ...	2	11
,, ,, ,, 33 ,, ...	38	13
,, ,, ,, 34 ,, ...	1	13
,, ,, ,, 35 ,, ...	—	68
,, ,, ,, 36 ,, ...	—	26
,, ,, ,, 37 ,, ...	—	1
,, ,, ,, 38 ,, ...	—	21
,, ,, ,, 39 ,, ...	—	—
,, ,, ,, 40 ,, ...	—	24
	—	—
Total arrears	90	216
	—	—

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C.—LIST OF CASES IN WHICH THE POWERS OF AN AGENT OF A STATE RAILWAY SEEM TO BE UNNECESSARILY LIMITED.

1. Agent may not appoint a man in a scale sanctioned by the Railway Board above the minimum pay of that scale, *i.e.*, if the sanctioned scale of a class is Rs. 150—10—250, Agent cannot appoint a man at more than Rs. 150, but the Agent *could* appoint him at the bottom of the next higher scale.

2. Agent cannot sanction a double or special increment in a scale sanctioned by the Railway Board.

3. Agent cannot sanction a personal allowance to a man who has reached the top of a scale sanctioned by the Railway Board.

4. The Agent has power to deal with cases of write-off of losses of tools and plant and stores due to causes for which an employee of the railway can be held to be directly or indirectly responsible, up to a limit of Rs. 1,000 in each case. All cases exceeding this limit must be reported to the Railway Board for orders.

(*Vide* S.O. No. 629, Appendix 2, paragraphs 159 and 160 of State Railway Open Line Code, Volume II. provisional issue).)

5. The Agent's power to purchase English stores in the country is limited to Rs. 5,000, but it has been decided, as a temporary measure, pending the consideration of the recommendations of the Stores Purchase Committee, to increase the monetary limit of the power of an Agent of an open line railway to make purchases of stores in India under either Rule 3 (*a*) or Rule 5 of the Stores Rules, to Rs. 10,000, *vide* G.O. India Board of Industries and Munitions No. 84 dated 6th August, 1920. But such stores must be in the country at the time of purchase, even if the manufacturers have a branch office in India, except in the case of articles under Rule 4 of the Stores Rules. In the case of Government surplus stocks available with the Munitions Board, Agent has unlimited power.

6. The Agent has no powers to purchase any article from any firm outside India except by placing an order through the Director-General of Stores.

Junction Agreements.

7. Agent has to refer to the Railway Board *for their preliminary approval* the terms of agreements for the interchange of traffic before the agreements embodying the same are executed, and submitted to Railway Board for final sanction.

Complimentary Reserved Accommodation.

8. Agent has limited powers in allowing complimentary reserved accommodation. In many cases C. A. raises objections and we have, therefore, to obtain Railway Board's confirmation.

Write off of Irrecoverable Outstanding Earnings.

9. In such cases Agent's powers are limited to Rs. 1,000 in each case. But there are instances where the amount exceeds Rs. 1,000 and in such cases Railway Board's sanction has to be obtained.

Carting Rates for Out-Agencies.

10. The Railway Board's sanction has to be obtained when any change is made in the carting rates for Out-Agencies, &c

Claim for Compensation for Personal Injuries.

11. The Railway Board's sanction has to be obtained when a claim for compensation is over Rs. 5,000.

12. Agent has no power to purchase any article out of India for experimental purposes even if the cost is only Rs. 1, *vide* Rule 7 (iii) of Stores Rules.

13. Agent has to ask Railway Board to apply to the Army Department for sanction to the issue of rifles, revolvers and ammunition for the use of our Chowkidars and train staff working on frontier districts and for replacement of rifles or revolvers which have become out of date and of ammunition used up.

Estimates for Works for which Railway Board's Sanction is Necessary.

14. Estimates for building new institutes, schools, recreation grounds, swimming baths irrespective of cost involved.

15. Estimates for additions and alterations to above, costing over Rs. 2,000 (the present limit of New Minor Works).

16. To utilise an existing building as an institute or a school.

17. Estimates for land to be acquired for a work complete in itself, *i.e.*, sanitary buffers and similar cases. (This power was previously vested in Agent but has not been included in the Revised Rules for acquisition of land.)

18. Estimates for land to be taken up to avoid speculation (though not needed for a particular scheme at the time) irrespective of cost involved.

19. Estimates for land to be acquired for a particular work in anticipation of the preparation of an estimate for a scheme irrespective of cost involved.

20. Estimates for decoration charges on Royal and other visits.

Buildings.

21. The sanction of the Railway Board is necessary for purchase of a building valued over Rs. 25,000 .

22. The sale or the dismantling of a building the original cost of which exceeds Rs. 25,000.

Rent.

23. The sanction of the Railway Board is necessary for remission of the amount of rent disputed by Government Departments other than the railway for periods for which railway buildings remained in their occupation without the knowledge of the responsible railway officer. Under Railway Board's orders we can only claim rent for six months prior to the date of our claim in such cases.

24. Write off of rent irrecoverable from outsiders for railway buildings in cases where the amount involved exceeds Rs. 500 in each case.

25. To reduce or remit rent in cases of employees drawing over Rs. 100.

26. To pay difference between the monthly rent of a hired building and 10 per cent. of occupant's pay.

27. To charge rent to outsiders otherwise than in accordance with the Code Rules.

28. To charge a flat rate for use of rest houses by railway officials when occupied by them as permanent residence, owing to there being no other suitable building available.

29. Grant of rent-free quarters to school masters and mistresses.

Land.

30. The Railway Board's approval is necessary to the documents for land, (viz., plans and schedules) to be acquired in anticipation of sanction to an estimate for the work for which the land is required. Under Head " 40 " subsidized Company's land.

Agreements.

31. The Railway Board's sanction is necessary for agreements for works or materials amounting to over Rs. one lakh each, even if the amount of the sanctioned estimate for the work is more than Rs. one lakh.

Work Orders.

32. Works orders over Rs. 50,000 each have to be submitted to the Railway Board for sanction.

Rolling Stock.

33. The Railway Board's sanction is necessary for estimates for motor lorries, motor cars and motor trollies.

34. Estimates for additional N.G. stock.

35. Renewal, conversion and additions or alterations in rolling stock if the capital portion exceed Rs. 25,000 in each case even if the total cost of the estimate does not exceed one lakh.

FIFTIETH DAY.

(Delhi.)

Wednesday, 2nd March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Messrs. E. A. S. BELL, C.I.E., and A. M. CLARK, Members, and Mr. S. C. TOMKINS, Joint Secretary, Railway Board, were called and examined with reference to a memorandum which the Railway Board had submitted to the Committee.

[See Written Statement No. 79, Vol. IV., P. 245.]

6257. The Chairman observed that the Committee had seen the Government of India's despatch of 1917 to the Secretary of State covering a report in which the Railway Board has expressed the opinion that the balance of advantage seemed to be with company administration, but he saw that the present opinion of the Railway Board as now constituted is that there is no ground for supposing that either system of management is intrinsically superior to the other. Mr. Bell said that as regards actual working the Railway Board do not see any balance of advantage either with State or with company management. People talked about State efficiency or State inefficiency, according to the view they wanted to press. It might depend on local conditions for which nobody was responsible, or it might depend on the qualifications of certain persons, and so forth. In respect of efficiency and economical working either system, if properly administered, would secure equally good results.

6258. The Chairman remarked that some people might say that it was of the essence of the system that on the State railways seniority was given much more weight than would be the case in a company managed concern, with a consequent loss of efficiency, and asked what would be the reply of the Railway Board. Mr. Bell said that they do give a great deal of weight to seniority; in fact, they practically have to. Even if it were possible to cut adrift from the ordinary Government methods and machinery, and to have a Railway Board running all the railways in India on commercial lines, Mr. Bell thought that one would always have to attach a certain amount of weight to seniority. He did not think that State railways would promote the next senior man to be the general manager unless he was also the best man, but if there was not much to choose between the qualifications of individuals, then seniority must carry a great deal of weight. He thought that if the Railway Board could be separated from the Government of India it would doubtless have a much freer hand, but that this would depend very much on the constitution of the Board. He explained that the one reason why seniority is given so much weight in Government service is that anybody can appeal to the Secretary of State, which means that reasons have to be given in writing which would be acceptable to a third party. In a great many cases it might not be possible to promote a man for some reason, such as his not being quite the right sort of man for a particular post. This it might be very difficult to explain in writing to the satisfaction of others.

6259. Mr. Clark thought that, if the Railway Board had all the powers which the present members wish it to have, and if they were free to appoint men on their own terms, State traditions would not force their hands, and that they would have the same freedom as a company. The Chairman pointed out that, if the London and North-Western Railway pro-

moted anybody, it would be considered as the Board's business, and no shareholder was likely to question it, as it would be assumed that it was done in the best interests of efficiency; but in India, even if the Railway Board were a separate organisation, its decisions would be liable to be questioned in the Legislative Assembly. He enquired whether the Railway Board would risk this. Mr. Bell replied that they would certainly do so. He admitted that State management is at a disadvantage in so far as the pressure of tradition leads to appointments being filled on considerations of seniority rather than fitness. The Chairman said that a few days ago the Committee had a gentleman as a witness who had spent all his time on one State line, but was promoted to be an agent on another. Mr. Bell said that, in his view, it was an advantage to transfer a man from one line to another up to about 15 years of service in view of the wider experience he gained, but that after that there should be no more transfer. This was what the Railway Board was aiming at as far as possible; the case of an agent was, however, a different matter. He agreed that, if there was a man who was fit to be an agent on one railway, but with no chance of promotion there, he should be given a chance of becoming an agent on another. In this connection Sir Arthur Anderson said that it was not uncommon for companies to appoint their agents from State railways. The Chairman observed that Sir Arthur's point was that a company line picked the best man wherever they could find him, but that in the case which had been instanced it seemed that the agent had been appointed largely on the ground of seniority.

6260. With reference to the observation in the written statement that the modern contracts are so drawn that the financial interests of the working company are identical with those of the Government, the predominant partner, Mr. Bell explained that the division of surplus profits is now practically on a *pro rata* basis, and that consequently the interest of one is equally the interest of the other. He thought that the companies concerned would therefore try to make as big a profit as possible as well for the sake of Government as for themselves.

6261. The Chairman observed that this appeared hardly consistent with another observation in the printed memorandum in which the Board held the principle unjustifiable which gives to the home Boards an equal voice with the Government of India in the administration of properties in which the respective financial stakes are so unequal. He asked, if the financial interests are identical, why the Railway Board should claim still further powers to prevent the companies from doing as they wished. Mr. Bell explained that the Board's idea was that, although the interests are the same, still in cases of difference of opinion as to how the interests should best be safeguarded or developed, the Railway Board should be able in specific cases to overrule the companies. He claimed that the opinion of the predominant partner should prevail.

6262. The Chairman pointed out that the financial interests of both the State and the companies could not really be altogether identical. He instanced the case of the G.I.P. Railway Company, whose contract will expire in a few years, remarking that it is surely to the interest of the G.I.P. Railway to spend as little as possible on maintenance, and to inflate the net earnings, of which they get a percentage during the short residue of their term, whereas the interest of the Government is that the line should be adequately maintained. Mr. Bell admitted that there might be some divergence of interests towards the expiry of the working contracts. The Chairman pointed out that this divergence could also exist even during the continuance of the contract. He said this even supposing both the G.I.P. and B.B. and C.I. Railway Companies to have indefinite contracts. Both of them take traffic from Delhi to Bombay. Assuming for the sake of argument it to be much cheaper to move the traffic over the B.B and C.I. line than over the G.I.P., it would be to the interest of the State, the predominant partner, that all the traffic should go by the former route, as it would leave a larger net revenue, but this would certainly not be to the interest of the G.I.P. Railway. Taking another example, he instanced the case in which the traffic offering on one line is blocked back because of the lack of facilities on a neighbouring one, to whose interest it may not be to spend the necessary capital to improve the transit facilities. Mr. Bell admitted that, where there is a third party, there is sure to be a divergence of interests. He explained that the Board's statement that the financial interests of both companies and State are identical was a general one, but that there are special cases in which they do differ to some extent.

6263. The Chairman again enquired, if the interests are the same, what is the necessity for the meticulous interference of the Railway Board when an agent is desirous of raising the pay of a stationmaster above Rs. 250. Mr. Bell explained that under the present system these things ramify all over the country. If the pay of a stationmaster on a company line is raised, then a man in a corresponding appointment on a State line claims a similar wage. Concessions thus tend to spread, and it is for this reason that a measure of central control is necessary. He thought that there must be some limit of powers given to the agents, and the limit happened to be at Rs. 250. He agreed with the Chairman that it was logical to say that limitations in the interests of uniformity tend to reward inefficiency because they implied that the inefficient man had a right to claim what was given to a more deserving man.

6264. As regards the potential danger of political interference in democratic countries, the Chairman said that he would not challenge the general proposition which he had himself written a book to establish; but he wanted to know how far it was applicable in the special conditions of India. Mr. Bell explained that, though the danger was not so immediate as in other democratic countries, it was a risk that should be provided against. The new constitution had only just begun to work, and he could not say whether the danger was a thing of sufficient importance to influence one's mind in considering the question of State management. Mr. Clark, on the other hand, thought that there was a definite danger of political interference, possibly not by direct but by moral pressure. It might take the form of pressure in favour of employing certain classes of people to the detriment of efficiency, of the unwise reduction of rates and fares or the grant of other concessions. He did not think that one of the results of political pressure would be the cutting down of the salaries of superior officials, which the Chairman said had been represented by some witnesses as excessive; in fact, this point had not occurred to him at all.

6265. With reference to the observation in the written statement that the danger of political interference is not such as to justify any change in the existing conditions, Mr. Bell explained that at present the State managed railways form only a proportion of the whole. The danger would be greater if all the railways were under the management of the State. He said that the Railway Board are not satisfied that there is such an advantage in State management as to make it desirable to turn all company lines into State. The inference, he agreed, would be that the E.I. Railway might still be managed by a Company after 1924, but with the Board of Directors sitting in India. Mr. Bell explaied that the Railway Board had not yet examined the case of the G.I.P. Railway whose contract is terminable in 1925. He thought that the Board would like to see first the results of the experiment which is to be tried on the E.I.R. He admitted that, when the time comes to deal with the G.I.P. Railway, that experiment would not have had time to show results. Mr. Bell suggested that the contract with the existing G.I.P. Railway Company might be extended. Before deciding the question of future

policy, they would like to have time to see the effect of the experiment on the E.I.R.

[P.S. The Board subsequently, on reconsideration came to the conclusion that the G.I.P. Railway should also have its Board transferred to India when the present contract expires; mainly for two reasons. Business conditions are different in Calcutta and Bombay and an experiment that might prove only a moderate success in one place might be eminently successful in the other. Also unless this opportunity is taken, it will not be possible to proceed further with this system for a long time, as no other company's contract terminates in the near future.]

6266. Questioned with reference to Indian *versus* English Boards, Mr. Bell said that the disadvantage of the English Board was that it was 6,000 miles away, whereas the advantage was the possibility of securing personnel possessing the requisite qualifications. Mr. Clark said that he approves of the existence of railway experts on the Boards, though this was not always customary in other countries. He had found it a distinct advantage to have railway experts on the Board of his own line, when he was acting as Agent of the B.N. Railway Company. Being technical men, they appreciated more readily the view put forward by the Agent. If the B.N.R. Board sat in Calcutta, and if the Agent attended their meetings as a matter of course, the need might not be felt to the same extent; but in his opinion the presence of an expert was an advantage as it brought another view to bear on technical questions. Being in the nature of assistance, it was a distinct advantage to the agent. He considered that in matters of policy the advice of an expert was very valuable.

6267. Referring to the suggested constitution of an Indian company, with a Government director on the board, the Chairman said that his difficulty was to understand the double system. If the Government were regarded as the predominant partner, he could understand that partner appointing half or more of the directors. If the Government were looked at as the controlling authority, it would seem natural that they should control, but that subject to this control, the directors should be free to do what they thought proper. In the constitution proposed however, the two systems were mixed up. Mr. Clark said that he had had no experience of the working of the Government director on the London Boards, and had never heard anything about him, good or bad: he did not know whether he acted in any way differently to other directors. The Chairman suggested for consideration as a possible alternative to the appointment of Government directors, that supposing the agent disagreed with the recommendation of his board, he should have power to refer the matter in dispute to the Railway Board. Mr. Bell said that he would prefer to have a Government director who would act as the representative of Government in the management.

6268. The Chairman referred to the recorded statement of the Railway Board that, speaking generally, they were of the opinion that the London Boards fulfil very important functions which it would be difficult to provide for in their absence. He asked what those functions were. Mr. Bell explained that, among other things, they were useful in providing finance. In the matter of recruiting staff the Boards were also of great help. He said that the three State railways recruited their staff through the India Office. He admitted that if the E.I.R. became a State railway, and recruited its staff through the India Office, this would be just as good. He agreed, therefore, that this did not seem a special advantage of having the Home Boards. In the matter of purchase of stores, Mr. Clark said that he had had no experience of the State railway practice. He did not suppose that there was much to choose between the companies' boards and the India Office Stores Department now under the High Commissioner for India, through which the State railways get their stores. In the matter of finance, Mr. Bell admitted that the companies had not been allowed to do much of late, though he thought that some of them might be allowed to add a fair amount of capital.

6269. The Chairman pointed out that the statement was that the companies' boards do perform very important functions which it would be difficult to provide for in their absence, but that the Committee had not been given any very definite statement in support of this. Putting the case in another way, he asked whether the presence of a similar London board to assist the management of the N.W.R. would be worth paying for. Mr. Bell said that he did not think that it would. The Chairman inferred that the conclusion must be that the functions of the existing Boards are not very important, and could be otherwise provided for. Mr. Clark explained that the Boards at home have the opportunity of approaching the Secretary of State. The Chairman pointed out that it is assumed that the Railway Board will in future be adequately staffed; that the members of the Railway Board will be relieved from routine detail, and will have time to devote adequate attention to such important questions as might be carried to the Secretary of State; and that the head of the Board will be a Minister who, if necessary, can consult all his colleagues in the Executive Council. He asked whether in that event it would really be an advantage that the Board of the Company in London should be able to go to the Secretary of State and say what could very well be said to the Railway Board. Mr. Clark said that it gives the directors an opportunity of putting their views as a whole. The Chairman observed that when a scheme has been carefully considered in India, and when the Minister, where necessary, has got the support of his colleagues on the Viceroy's Executive Council, it would seem reasonable to suppose that a proper decision had been arrived at. Mr. Clark urged that the London Boards can at least do something to expedite action, but the Chairman pointed out that this advantage will vanish when there is enough money available for railway requirements.

6270. In reply to the Chairman, Mr. Clark agreed that the powers of the Home Boards are not very large compared with the powers of a Board of an English railway company which manages its own concern, and that the Railway Board proposed to curtail them still further in very important matters. The Chairman said that the Railway Board held that, if they thought fit to give to the Agent of the N.W.R independent powers of action in certain respects, the Directors of a company railway ought to be liable to be compelled, whether they liked it or not, to give the same powers to their Agent. It would be a decided diminution of their existing powers to deprive the Home Boards of their powers of control over their Agents. The suggestion in the written evidence, that the Government of India should also be definitely vested with power to over-rule the objections of the Home Boards in any matter of general or particular policy in respect of questions affecting the working of the railways, was very sweeping. He said that, if the Railway Board were given the power to specify to the London Boards what particular powers they are to delegate to their Agents, very little authority would be left to the Directors. Mr. Bell said that such a thing would only occur in cases of urgency, or in cases affecting two or more railways. The Chairman observed that it is in cases of urgency that differences arise, and he did not see how any self-respecting person could be asked to sit on a Board with only limited powers, while if the Railway Board did not agree with them on a particular matter, even these limited powers would be liable to be taken from them.

6271. As an instance of what the Railway Board had in view Mr. Bell cited the position in February last. There was a great deal of trouble about wagons for coal, and at a meeting held in Calcutta, at which he presided as a member of the Railway Board, it was decided that the Coal Transportation Officer (who was in charge of wagon distribution) should be

given full powers to compel railways to send their wagons to the coalfields. The representatives of most of the important railway administrations except those of the G.I.P. and B.B. & C.I. Railway Companies had been present at the meeting. When the decision arrived at was eventually communicated to the Boards of the companies, the G.I.P. and B.B. & C.I. Railway Companies refused their consent to the proposal which therefore had to be dropped. Mr. Bell thought that these two railways preferred to carry their profitable cotton traffic instead of sending their wagons to fetch coal. The Chairman observed that this incidentally furnished a good instance where the financial interest of the company diverges from the financial interest of the predominant partner. Mr. Bell's idea was that powers such, for example, as insisting on the companies despatching wagons for coal, would only be utilised on very rare occasions.

6272. The Chairman said that it seemed to him that it would be perfectly competent for the legislature to pass an Act withdrawing the control of wagons from an individual company; he believed there is a clause in the contracts to the effect that nothing shall prevent the Secretary of State from altering conditions by general legislation. Mr. Bell promised to examine this point.

6273. Referring to the statement in the written evidence that it would be desirable to extend the principle of employing advisory committees to all lines, Mr. Clark doubted very much whether an advisory committee on the North Western Railway would give the Railway Board all the advantages that the companies get from Boards in London. He said that the former would lack the knowledge and experience which the London Boards possess. He said, however, that he would not care to pay £2,000 or £3,000 to get a similar Board in England, because he thought that the Public Works Department of the India Office sufficiently represents the railways' interest at home. The Chairman asked why, then, it could not represent the companies' railways too. Mr. Clark said that this would mean limiting the scope of railways very much by keeping them in the hands of a single department instead of distributing them among several Boards. Asked whether it was an advantage to have a number of different people contracting for locomotives instead of one larger purchaser, he was inclined to think that the concentration of purchasing in one authority would be apt to lead to too much stereotyping of designs. Arising out of this, Sir George Godfrey asked whether the existence of somewhat divergent types of rolling stock at present used in India is advantageous. Mr. Clark said he did not think it good policy to have a low standard type of engines, but he thought it would be a mistake to restrict improvements. He admitted that the tendency of Indian railways has not hitherto been on the side of over-standardisation. He thought that the centralisation of purchases might make it easier for manufacturers to establish a "ring."

6274. Referring further to the statement in the Boards' written evidence that the Government of India should be definitely vested with powers to over-rule the objections of Home Boards in any matter of "general or particular policy," Sir Arthur Anderson asked if Mr. Bell could define the meaning of the words quoted. Mr. Bell said that they covered matters affecting the interests of the country generally as well as the interests of a particular railway.

6275. In answer to Sir Henry Burt, Mr. Bell said that in his opinion the future policy as regards the working of railways should be determined with reference to the result of the experiment on the E.I.R.* If, after an experiment of, say, five years, management by a company with its domicile in India is found to be successful, he would recommend that policy for adoption in other cases. If the experiment is not found successful, the alternatives would be either State management or continuance of the existing system. Mr. Bell had not had any experience to show that the London Boards have been useful on occasions in bringing helpful criticisms to bear on important proposals put forward by the Railway Board. Sir Henry Burt explained that in this country, if the Railway Board has a proposal to make, there is no other body to criticise it, whereas in England, if the Board of an English Company proposed a new line, the matter goes before a Parliamentary Committee, and the criticisms for and against the proposal are clearly thrashed out and determined by an investigation. Mr. Bell agreed that no such machinery is available in India, and thought that there is some advantage in the criticisms to which the proposals are subjected in England. Sir Rajendra Nath Mookerjee observed that equally useful criticism might be applied in India.

6276. The Chairman explained that the functions of a Parliamentary Committee were confined to deciding whether a railway project should be allowed or not. It does not go into all the merits of a project or discuss alternatives, nor has it any authority to enforce the prosecution of any project which it may authorise.

6277. With regard to the suggestion that experts were necessary on the Boards of Directors of railway companies, Sir Rajendra Nath observed that there is hardly an occasion in which two or three experts agree on any one point.

6278. Sir Rajendra Nath referred to the suggestion which had been made that there should be Government Directors on the Boards of Indian railway companies. He said that the inspectors who are at present employed in this way on branch line companies are, after all, only engineers. He thought that after a railway has been constructed and when it is being worked, an officer with traffic experience would be a fitter person to look after the requirements of the country. Mr. Bell said that the Government inspectors of railways do acquire a great deal of knowledge in traffic matters, though of course not as much as an expert on traffic questions can have. In reply to Mr. Hiley, he said that the Government inspectors do not now report to the Railway Board on matters of traffic policy, though at one time they used to do so.

6279. Questioned by Mr. Hiley whether companies with English Boards of Directors or companies with Indian Boards would be the most suitable under the conditions existing in India, Mr. Bell said that he would certainly prefer the latter if men of equal ability could be obtained in this country, but he thought it would be very difficult to find people who would be able to give the necessary time to the work of directing a railway. Mr. Hiley pointed out that the directors of English companies do not devote a great deal of their time to railway matters but leave details to be dealt with by the executive staff. Mr. Bell said he thought that English railways are very much nearer a state of finality than Indian railways. He agreed that competent directors of commercial experience might be obtained in India, but considered that it would be difficult to obtain experts with knowledge of railway administration.

6280. Asked whether under the scheme recommended by the Railway Board they would have the final control in technical matters, Mr. Bell said that they did not propose that they should do very much more than at present as regards the companies' railways. For example, the Railway Board's control over the E.I. Railway, if the latter is reconstituted as a company in Calcutta, would be much the same as it is at present. Mr. Hiley suggested that the want of expert knowledge on the local Board of Directors in India could be compensated for by the Railway Board with its enhanced powers and expert knowledge. Mr. Bell thought that, except for the fact that the company would have an Indian domicile, the E.I. Railway would be run just as it is at present, and so far as the Railway Board are concerned, they would get the same number of references as they

* *P.S.*—Subject now to P.S. in paragraph 6265 *re* extending the experiment to the G.I.P. Railway also.

do now. The Railway Board would not exercise the special additional powers of interference which they urge should be acquired by Government except on very rare occasions. Mr. Clark mentioned the probability of frequent changes of English members on the Indian Boards; he thought that these would not be available for service for more than two or three years; the Indian members would of course serve for longer periods.

6281. On the question of promotion by seniority as against merit, as far as State railways are concerned, Mr. Bell said that the Railway Board would be quite prepared to ignore seniority as against merit, if they had the necessary powers. They were even now endeavouring to give as much weight as they can to considerations of merit rather than to seniority. The only additional power required is that they should have the final voice in such cases and that appeals should not be entertained by higher authorities.

6282. He thought that unless the Railway Board have some control over the pay of the staff on companies' railways, confusion would arise which would lead not merely to lack of uniformity but to an increase of salaries all round. If the Railway Board could not control alterations in the scales of pay, this would react not only on other railways in which Government are shareholders, but also on the State lines.

6283. Mr. Bell considered that the G.I.P. Railway Company's contract should be maintained in force until the experiment on the E.I. Railway had time to be brought into trial and its results valued.* Mr. Hiley asked whether, if the E.I.R. was made a State railway, he had considered the question of trying the experiment of Indian company management on another line, such as the G.I.P. Railway. Mr. Bell said that the experiment certainly ought to be tried. In reply to the Chairman, he said that this would mean that the G.I.P. Railway would have to find rupee capital which the East Indian Railway would not have to do.

6284. Mr. Purshotamdas Thakurdas asked whether it was not possible to have a special service called, say, the Indian railway service, having its own set of rules framed on lines appropriate to the conduct of a business organisation. Mr. Bell said that at present the Railway Board are bound by the Civil Service regulations. If the railway administration were to be overhauled, this handicap might be got over.

6285. On the question of political interference, Mr. Clark said that he would object to this only if it were exercised in a manner prejudicial to the successful operation of railways as commercial enterprises. He had known of no cases in either the Imperial or the provincial councils in which the employment of unsuitable people, or the reduction of rates and fares to an unprofitable extent had been demanded.

6286. Mr. Purshotamdas referred to the complaints made in the Imperial Legislative Council on rates and freights, and alluded to the resolutions by Sir Ibrahim Rahimtoola and Sir Vithaldas Thackersey. He asked if there was any objection to an examination of this question by the Legislative Assembly. Mr. Clark said that he had not considered the idea, but he thought there would be no objection. What he would object to would be for the council to pass a resolution adopting fixed rates for certain classes of goods without going into the pros and cons of the subject.

6287. Mr. Purshotamdas instanced the Presidency Banks and Port Trusts in India as cases in which the same objections might apparently have been taken to the constitution of Indian Boards as are now urged against Indian Domiciled Railway Companies. Mr. Bell said that a ring-fenced body like the Port Trust could not be compared to a big railway system. He admitted, however, that Indians who have been tried on these bodies have not been found wanting.

6288. Mr. Bell thought the present interest of the companies which have only a 5 per cent. or 10 per cent. share in the profits is sufficient to ensure the active efforts of the London Boards of Directors, though he said he would like to see their share in the business enlarged. He thought that if there are enough shareholders to press their interests on the Directors, it is all that is necessary to keep these up to the mark. He admitted that he had not known of any cases in which the shareholders had agitated and called upon the Directors to explain why the dividends were not bigger.

6289. He did not know of any business concern in which the 95 per cent. proprietor allowed the holder of a 5 per cent. interest to manage the concern, nor of any other Government entrusting the management of its property to people holding only a small share.

6290. Mr. Clark said that at present the Stores Department under the High Commissioner for India purchases all stores required for provinical Governments in India. He admitted that as a rule the biggest buyer commands the best terms.

6291. Mr. Clark admitted that there have been cases in which companies have imposed maximum rates in order to induce traffic to travel by a route longer in distance, the rate for the longer route being the same as or less than that for the shorter one. He was not prepared to admit that when the State owns the greater part of the capital in both routes, this must be uneconomical; he said that so many considerations come in that it is impossible to generalise, and that each case should be investigated on its merits before a decision could be given. In connection with the question of access by the London Boards of Directors to the India Office, Mr. Purshotamdas asked if Mr. Clark would approve of the Secretary of State concluding a contract with such a Board without consulting the Government of India. Mr. Clark said he would like to know the conditions affecting the case before answering the question. He did not feel entitled to express an opinion on a general proposition of that kind.

6292. Mr. Clark admitted that it is natural that Indians should take a share in managing their own railways. Mr. Purshotamdas referred to the handicaps, if the railways are managed from London, of its being practically impossible for Indians to take a share in the management; and if, on the other hand, a Board is constituted in India, of the English members being frequently changed; and he asked which disadvantage would be the less. Mr. Clark's opinion was that only experience can show which of the two is the most important handicap, and said that this was one reason why an experiment in the direction of company management in India was recommended by the Railway Board. The Chairman observed that the experiment will never indicate the corresponding disadvantages; for example, it can never show how much a London Board loses by not having Indian members on its directorate. Asked to express an opinion on this point, Mr. Bell said that, other things being equal, the Boards in India would be better, and he was inclined to think that the advantages of having Indians associated with the management would outweigh the disadvantage of the European members of a Board changing fairly frequently.

6293. Mr. Bell considered that the existing system of management should continue until the Railway Board have an opportunity of seeing how the Indian Company Board system works in practice. Even if English companies were absolutely to refuse to accept any greater control over them by the Railway Board than exists at present, Mr. Bell would not be inclined to advocate direct State management. He would rather continue the present control, and await the result of the experiment. He would therefore prolong the G.I.P. Railway Company's contract even if the company were not to agree to the new conditions of control, but the Railway Board had never for a moment contemplated that any company would not agree to the new conditions of control.

* *P.S.*—Since modified *see* note against paragraph 6265.

6294. Mr. Hiley drew attention to the conflict of the foregoing statement by Mr. Bell with the following observation in the Railway Board's written evidence:—

> "We are therefore of opinion that if, or for such time as, the London Boards are retained, the Government of India should be definitely vested with the power to over-rule the objections of Home Boards in any matter of general or particular policy, etc."*

Mr. Bell did not think that the two statements necessarily conflicted; the Railway Board's written statement showed the powers they considered they should have, but though desirous of securing them the Board did not consider them absolutely essential, and would not therefore abandon the existing system even if they failed to secure their wishes in this matter. He said he would like, however, to refer this question to the full Railway Board before expressing a final opinion as committing that body.

6295. Mr. Purshotamdas referred to the fact that hitherto in the Legislative Councils it has not been unusual for complaints to be answered by some such statement as that "the matter had been referred to the Railway Company, and as they do not agree to a change the Government regret that they cannot interfere in the mattter." He asked whether under the present conditions such replies as these would not cause dissatisfaction in the Legislative Assembly. Mr. Bell thought that this would depend on the question itself and its importance. Pressed on the point, he said that it was a political question, and he could not give an opinion. The Chairman observed that a general reply that one would get on such questions in the House of Commons would be: "The matter is one within the discretion of the companies, and the Minister of Transport is unable to interfere in the matter." Mr. Purshotamdas remarked that in the latter case, however, the railway capital is not that of the State.

6296. In this connection the Chairman observed that the Indian Railway Committee had recently visited Madras as the agent of the predominating partner in the S.I. Railway, and had desired to discuss certain matters with an employee of the company, namely, the agent of the South Indian Railway. The agent was, however, forbidden by his directors to do anything more than give information on points of fact to the person sent to obtain information by the partner holding nine-tenths of the capital, the Railway Board having no power to intervene with such a case. The Chairman asked whether Mr. Bell would approve of the company retaining the right to act in this manner. Mr. Bell said that he would not, and admitted that there might be one or two further points in regard to which the Railway Board would require enhanced powers.

P.S.—This is also modified by note on para. 6265 to the effect that the G.I.P. Railway Company should be transferred to India.

(The sitting was adjourned until the afternoon.)

Messrs. E. A. S. BELL and A. M. CLARK, Members of the Railway Board, accompanied by Mr. S. C. TOMKINS, Joint Secretary, were recalled and examined further upon the statement submitted by the Railway Board to the Committee.

6297. Mr. Bell said he was of opinion that the Railway Board was entirely over-worked, and it had to deal with a very large mass of detail. The Chairman mentioned that the statistics placed before him showed that there were some 71,000 communications in and out of the Railway Board's office in 1920, and clearly, with the small staff, this must imply that everybody is over-worked.

6298. Mr. Bell said that, in the Railway Board's opinion, what was required was a reconstituted Board with a Minister as President, who would be the head of the department, and who would be responsible for presenting direct in the Viceroy's Council any case which was so important as to require the consideration of the Government of India. It was not proposed that the President should actually have the position of a Member of Council except in so far as relating to the presentation and discussion of railway business. At the present time the Member in charge of railways also has charge of the Department of Commerce, and he is largely outside the Railway Board. The advantage of confining the Member's duties in the Council to railway business is that it would save his time, as he would not have to deal with questions relating to the business of other departments, such as military expenditure. The Chairman suggested that a man who could not exercise the full powers of a Member of Council would be somewhat an outsider; his position would be inferior, and his personal influence would be greatly diminished. Mr. Bell said that the Railway Board did not wish that the President should hold an inferior position, as suggested, but they would put up with any disadvantage which it might entail for the sake of the benefit of his being able to devote himself wholly to railway work.

6299. With regard to the existing status of the Railway Board, Mr. Bell said that it had been created a Department of the Government of India in 1908, up to which time it had been subject to the Department of Commerce. At the present time, though under the same Member as the Department of Commerce, it has the same standing as the latter, the two Departments being under one Member in the same manner as the Public Works and the Revenue and Agriculture Departments are under a single Member of Council.

6300. With reference to the proposed appointment of a Commercial Member on the Railway Board, Mr. Bell agreed with Mr. Hiley that the object of this was to secure all reasonable benefits from the railways for the commercial community. The Chairman suggested that the proper business of a representative of that community would be to represent matters to and not in the Department responsible for railway management. Mr. Bell agreed that he would not put in a representative of the employees as a Member of the Board to see that such matters as wages and hours are dealt with to the satisfaction of the staff. He did not, however, see any objection to a Commercial Member being included in the personnel of the Board. He thought that, in the suggested case of a staff representative, the question of discipline would be involved, and that this differentiated the two cases. The Chairman said it seemed to him that no question of discipline is involved in the determination of reasonable wages, and that it would be as awkward to have a representative of the trading community on the Board demanding a reduction of rates as to have a Labour Member on it to decide wages and hours. He asked what Mr. Bell's opinion would be of the alternative suggestion that representatives of the trading community should sit in an Advisory Council working side by side with the Executive Railway Board, both being under the Chairmanship of the President of the Board. This Council would exercise advisory functions, and comprise representatives of different interests and localities. Mr. Bell agreed that, if an Advisory Council were established, it would probably be satisfactory for the commercial man to be included in it. He agreed that it would have the further advantage that different interests and places would thus be represented, and competing claims for consideration could be discussed in an impartial manner.

6301. The Chairman drew attention to the apparent conflict between two statements in the Railway Board's written evidence, which in one place recommended that a representative of the Finance Department should be included in the Railway Board as a Finance Member, and, in another place, that the administration of railways should be handed over to the control of the Board in such a manner as to eliminate the representation of the Finance Depart-

ment in the business. Mr. Bell said he was inclined to think that the use of the word "representative" was a mistake. Mr. Tomkins explained that the idea was to have a man selected with the concurrence of the Finance Department, but who would thereafter have no direct connection with that Department, though he would be familiar with the Government of India Finance Department's point of view and requirements. Mr. Bell said that he thought that Colonel Waghorn would agree to the word "representative" being eliminated from the Board's written statement.

6302. The Chairman asked why, in the Railway Board's proposed reconstitution, it was recommended that the engineering expert should be a member of the Board but not the locomotive expert. Mr. Bell thought that the engineer would usually have had administrative experience as Agent. In the case of a locomotive engineer with similar experience, he would have no objection to his filling a place upon the Board. The Chairman observed that possibly if there were a locomotive engineer in that position less might be heard of such things as large numbers of bridges with speed restrictions. He thought a locomotive engineering Member would be of assistance in considering such questions as why it should not be possible to deal in India, as is done in Canada, with trainloads of 3,000 tons.

6303. With reference to the Traffic Member, the Chairman asked whether it would not be over-loading one man to make him responsible both for the operating side of the railway administration and for the commercial side. Mr. Clark agreed that if the representative of the commercial community were placed, as had been suggested, on the Advisory Council instead of on the Railway Board itself, two Traffic Members, one specialising in operating and one in commercial work, might be substituted for the one Traffic Member and the one Commercial Member as proposed by the Railway Board.

6304. The Chairman asked Mr. Bell if he could give the Committee an idea of the difference in the extent of the Railway Board's interference with the working of companies and State-managed railways, or, in other words, what amount of additional work would fall upon the Board if all companies lines were brought under State control. Mr. Bell said that, generally speaking, the Board did not look into schemes and proposals from companies in the same detailed manner as those received from State railways. The reason was that, when a proposal was sent up by a State railway, it came in its preliminary stage, whereas proposals from railway companies came up after having been carefully examined and discussed on their merits between the agents and their Boards of Directors.

6305. Mr. Bell mentioned that the Railway Board naturally has also to do a great deal more work in connection with State railways, in connection with establishment questions such as the recruitment, promotion, etc., of staff. He thought that, if all the railways were directly worked by the State, it would be necessary to delegate charge of them to different committees. He thought that the full Railway Board would discuss financial questions and others of importance relating to more than one line, while committees could deal with matters of minor or only local importance. The Chairman suggested for consideration an alternative on the lines of the railway administration in Germany, where, though the central control was in Berlin, this was supplemented by 21 local directorates who managed all local business. He thought such a decentralisation might be possible if the railway administration could be cut adrift from the Finance Department. Mr. Bell said that he did not see any *primâ facie* objection to this proposal, and that, if introduced, it would relieve the Railway Board of many details such as are now referred to it, and might obviate the need for its enlargement.

6306. Mr. Bell said that he would communicate to the Committee the financial powers of the Railway Board in respect of sanctions to capital and revenue expenditure. He subsequently advised the Committee that these limits are, in the case of:—

Capital Works—

(Construction projects)	...	Rs. 12½ lakhs.
(Open line works) ...	...	20 ,,
Revenue Works...	...	... No limit.

Any individual work costing less than the amounts specified could be sanctioned by the Railway Board without reference to the Finance Department, but funds for expenditure on such works would of course have to be found within the Budget grant.

6307. When it became necessary to effect reductions in expenditure, the practice of the Finance Department was not to go into details, but to specify the sum to be retrenched, leaving it to the Board to decide upon which railways or works this reduction should be effected.

6308. With reference to the powers of independent action delegated to railway companies, Mr. Tomkins mentioned that the schedule of these powers was now being examined, and suggestions were being put up with a view to enlarging company administrations' powers. These powers related mostly to staff matters. Obviously something of this kind was necessary since the limit formerly fixed of Rs. 250 above which all appointments required Railway Board's sanction, now corresponds in value to about Rs. 400.

6309. Mr. Bell explained, in connection with the Railway Board's remark that it is impossible without danger to delegate to individual companies the power to adopt measures which would affect neighbouring lines or cause administrative difficulty in the country served, that this really meant that the predominant partner had the right to reserve control in such directions. He agreed that such a statement might not be applicable in a country like England where companies are entirely separate organisations.

6310. With reference to the frequency of references from railway administrations, Mr. Tomkins mentioned that a large part of the 71,000 communications, to which the Chairman had referred as being received and issued by the Railway Board, would be merely returns and statements of various kinds. He promised that he would furnish subsequently to the Committee details showing how the figure was arrived at.

6311. In reply to Mr. Hiley, Mr. Bell expressed the opinion, in which Mr. Clark concurred, that the President of the Railway Board should not be paramount, and the voice of the majority on the Board should prevail. The question had not, however, been discussed by the Board, and the opinions expressed were personal.

[*P.S.*—The Railway Board subsequently intimated that on reconsideration they are of opinion that the President should be paramount and in a position to give the final decision.]

6312. Mr. Bell said that he did not think there was any inconsistency between the two statements in paragraph 24 of the Railway Board's memorandum, namely,

> "The result has been the withdrawal of a great deal of control in matters of detail and the delegation of extensive powers to companies and State railway agents,"
>
> and
>
> "From an administrative point of view, therefore, a general limiting control over rates, wages, conditions of service, adequacy of transport service and conditions of transport must always be necessary,"

the first statement referring to details and the latter to matters of principle. The Board's view was that the new powers, which they suggested the Government should take, should be exercised only in connection with important questions of principle.

6313. In reply to Sir Henry Burt, Mr. Bell said that the Railway Board had not thought of constituting an Advisory Board for work at the Government of India's headquarters. He agreed that such a body would be desirable. It would presumably have representatives on it, at least of different geographical areas, and he thought it would be desirable for it to include also representatives from certain Government Departments, for instance, the Secretaries in the Departments of Agriculture and of Commerce and Industries. The last in particular should be useful in giving an idea as to what railway facilities and concessions would be necessary for industrial development.

6314. In reply to Sir George Godfrey, Mr. Bell said that the Railway Board's original idea was that the Traffic and Engineering Members should have had experience as Agents. The Chief Mechanical Engineer should be a man of general railway experience capable of giving an authoritative opinion on questions referred to him. He agreed that there should be a Financial Member of the Board, and that one of the Traffic Members should be a man with a commercial bent of mind.

6315. The Railway Board had not considered the suggestion that there should be appointed a Minister of Communications who would take charge of Ports, Harbours, and Inland River Navigation in addition to Railways. Mr. Bell said he would not express any personal opinion on the matter. He was not aware of the recommendations under this head contained in Sir Llewellyn Smith's report. Mr. Bell agreed that there seemed to be something to be said in favour of the co-ordination of the Port and Railway Improvement Schemes, and he was disposed to approve of it as a principle of organisation that railway and port work must be linked up and co-ordinated. His only objection was that it would mean that additional work would devolve upon the Board.

6316. Mr. Bell said he did not sympathise with the view placed before the Committee by some of the witnesses that there would not be enough work for one Member of Council for Railway Department.

6317. The Railway Board had not contemplated that the President of the Board should be responsible directly for any specific section of the work. He would be responsible for discussing matters generally with the several members of the Board, and for co-ordinating the work of all.

6318. In connection with the Broach block-rate case which had been brought prominently to the notice of the Railway Committee, Mr. Clark indicated the substance of the reply which the Railway Board was sending to the special enquiry which the Committee had addressed to the Railway Board in this connection. That reply is quoted as follows:—

> "The views of the Railway Board are as expressed in the last paragraph of their letter No. 511, T-16, dated 30th October, 1917, to the Agent, Bombay, Baroda and Central India Railway, which reads as follows:—
>
> > "With reference to your representation that the withdrawal will lead to a reduction of railway rates between Bombay and Broach and consequent loss of revenue, I am to say that the Railway Board have carefully considered this aspect of the case and regret that they can now see no reason for treating the particular case of Broach exceptionally in this matter. There are many places in India similarly situated, and the railways concerned have not been given any special protection, but have to meet the competition of water traffic by sea and river, and even of steamer lines, within their ordinary powers of charge."

Mr. Clark said that this statement represents the present view of the Railway Board. The Chairman mentioned that in the correspondence relating to the Broach case there was a letter from the Railway Board laying down that the universal practice is to allow of a greater degree of competition between railways and water transport than between railways, and observed that the statement in itself might be true and might fairly have been applied by the Railway Board to defend a reduction of rates in order to retain traffic, but not to justify an increase of rates to prevent traffic reaching a port. He had never heard of such a practice being defended elsewhere.

Mr. Purshotamdas enquired whether when railways are short of wagons as at present, and two routes exist, the Railway Board would approve of traffic being retained for purposes of competition to the longer and therefore less economical route. Mr. Clark stated that each individual case must be decided on its merits. The longer route need not necessarily be the less economical.

FIFTY-FIRST DAY.

(Delhi.)

Thursday, 3rd March, 1921.

PRESENT:

SIR WILLIAM M. ACKWORTH (*Chairman*).

Sir A. R. ANDERSON, KT., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. S. C. TOMKINS, Joint Secretary, Railway Board, was called, and examined.

6319. The Chairman observed that Mr. Bell had told the Committee on the previous day that the whole machinery of the Railway Board was overstrained, the Board being burdened with an amount of detailed work with which it should not be required to deal, his own impression being that the Board appeared to have upon its staff too few people who could do responsible work of the more important kind. Mr.

Tomkins agreed that upper clerical staff of the non-commissioned officer type are too few in number. He did not think that numerically most of the sections in the office are too small, but there were too few responsible assistants who could do independent work.

6320. Taking the Stores Department as an example he said that the head of this section is an Assistant Secretary who is a State Railway Engineer, and under him there is a Superintendent drawing at present Rs. 760 per month. Below the Superintendent there are four Assistants drawing salaries of Rs. 275 to Rs. 350. In his opinion there was too large a gap between the superintendent and the assistants. Generally speaking, the superintendent of a section is a man of brains and capacity, but if he is absent the assistants are thrown too much on their own resources. He would like to see more men of the superintendent class, and there should be an understudy between the superintendent and the existing staff. He mentioned that superintendents are promoted assistants, all the subordinate staff below the assistant secretary having only clerical qualifications, and rising from the bottom of the clerical scale.

6321. In Mr. Tomkins's opinion a weak point of the Railway Board's office organisation was that practically none of the subordinate staff had ever been employed on open line work. The result was that the superintendents and the clerical staff dealing with the papers frequently did not know what the subjects dealt with in them really represented. He explained that, for his own branch, he had already successfully recruited a man from the Bombay-Baroda and Central India Railway, and had got another from the North-Western Railway. He had introduced the practice of deputing the Superintendent of the Statistical Branch, during the slack season every year, to the North-Western Railway for a month or so to familiarise himself with the preparation of the statistics used at headquarters.

6322. As regards the qualifications possessed by the clerks, he said he did not know much of the new system of recruitment which had recently been brought into force, but in the past only those who had passed the entrance examination corresponding to the matriculation examination of a university were engaged. Assistants were merely senior clerks, and, when promoted to this grade, are supposed to be competent to undertake a more responsible class of work. Usually they are capable of dealing with cases, although perhaps not of writing a finished draft. Cases are submitted by the assistants through the superintendents to the assistant secretaries. If the assistants are good a great deal of the work is merely initialled by the superintendents, but assistants vary a good deal in capacity. He would like to see a better class of men interpolated between the superintendent and the assistants, and, in his opinion, it would be better to bring men of this class from outside, though he realised that to do this would cause considerable annoyance to the clerks in the office, who think they are entitled to promotion.

6323. The Chairman observed that the Committee had been told that the Railway Board recruits its officer staff solely from the State railways, and neglects the much larger field of guaranteed railway companies. Mr. Tomkins said that hitherto this had been the case, but he did not think that company men would care to come into the Railway Board's office unless superior inducements were offered. Judging from the numbers of men who had come and gone, it did not look as if the headquarters appointments were looked on as very attractive. Ordinarily officers appointed as assistant secretaries receive Rs. 250 per month in addition to their ordinary pay; while, on the other hand, Simla is an expensive place in which to live. He did not think the special amenities of the Simla climate are a great attraction to the officers concerned as they are so frequently bachelors. State railway men had to take these appointments if ordered to do so. He did not know whether the Railway Board would post a man to any of these appointments against his will; but if they chose to do so there was nothing to prevent this. Many officers did not care to come to headquarters for fear of losing touch with their own regular work. In the Projects Section, for instance, the Railway Board had a man who had been very unwilling to leave construction work and to sit in an office criticising agreements, etc. The same had been the case in the Stores Section, at the head of which there is a civil engineer.

6324. Mr. Tomkins explained that the Assistant Secretary, Projects, is usually an engineer of about ten or twelve years' standing. The Superintendent of the branch, as in the case of other branches, is not a gazetted officer, but only a chief clerk who is at the top of his tree and never gets any further. Such superintendents are not technical experts, but have a special knowledge of the Government of India Secretariat procedure. They are liable to be transferred from one branch of the office to another. Mr. Tomkins thought that the Railway Board has a sufficient number of assistant secretaries, there being at present five, of which the one for the Way and Works Section has been sanctioned as a temporary measure. The Railway Board has asked that this post should be made permanent.

6325. He did not know whether any appointments had actually been offered to company men, but he agreed that it would be an advantage to have company men also upon the Board's staff. Mr. Tomkins did not see any objection to a free interchange with companies' lines, both in the direction of sending men to them to be trained and taking men from them, but he thought this a matter of policy with which the Railway Board could better deal. The clerical staff in the Board's office are local service men who could not be sent to work on railways against their will: they could only be given an option of doing so.

6326. In Mr. Tomkin's opinion, under the existing conditions of work, the only change needed in the Railway Board's office was an improvement in the quality, and not in the number of the men, and the provision of understudies for Superintendents.

6327. Mr. Tomkins considered that, if the Railway Board were given a larger range of duties in big matters of policy, and a larger mileage of lines directly managed by the State to supervise, the Board should be relieved of a good deal of the present routine work, which should devolve upon subordinate authorities. There would be a chief engineer who might deal direct with engineering matters. There is at present no senior officer in the Railway Board's office, other than the Board itself, to deal with important questions of Stores, Projects, Operation, Rates, etc. The chairman enquired, supposing the Board confined itself to decisions on important questions of policy, and generally to the large matters of railway administration, delegating decisions on individual cases of less importance to senior officers corresponding roughly to the heads of the existing sections in the Board's office, how these heads of departments would fit in with the organisation. Mr. Tomkins thought it difficult to say how they would fit in if they were to give decisions of their own as distinct from those resting on the authority of the Board. The existing chief engineer does not pass personal orders on any cases. He is a technical officer who advises the Board on engineering matters, although in most cases of course the Board acts upon the advice given by him.

6328. The Chairman enquired whether it would not be a practicable scheme for the Railway Board to have under it a number of senior officers such as Director of Engineering, Director of Operation, Director of Commercial Matters, etc., who could deal with matters of minor importance themselves, and refer questions of greater magnitude to the Railway Board. Mr. Tomkins explained that this is already done on a small scale as the Assistant Secretaries deal with a great number of unimportant references which they do not send up for orders although the letters which issue from the office always purport to convey the decisions of the Board.

6329. He admitted that, if a railway agent sends up a project, it ought not to be possible for a relatively junior official to reject it, and that such authority should not be exercised by a man of a lower standing than the agent himself. Mr. Tomkins explained that in important matters the Assistant Secretary puts up his note to the Board making his recommendations, but the orders are passed by a member of the Board. The Assistant Secretary then usually issues a letter on the lines of the decision without referring again to the Board.

6330. Cases submitted to the members of the Board by Assistant Secretaries are either dealt with finally by the individual member to whom they are put up, or may be reserved by them for discussion in Board meetings at which orders are passed. Mr. Tomkins mentioned that the Railway Board meet daily in the morning, and nowadays usually sit until lunch time. Letters which are received in the day's post are opened and discussed, and where possible orders are given at once. Each Member brings up a certain number of cases which he considers require the attention of the full Board, and these are discussed and orders passed.

6331. Mr. Tomkins admitted that it is at present a matter of difficulty to get through the whole of the agenda at these Board meetings. A good deal of time had lately been taken up in discussing the numerous references from the Railway Committee, this representing a temporary addition to the Board's work. Mr. Tomkins did not think that the daily meetings preclude members from touring to any considerable extent, as it is not necessary for all the three members to attend the meetings. Some difficulty is experienced, however, when the President is absent. Mr. Tomkins did not think that in any case a member could tour for any considerable length of time without being flooded out with work on his return.

6332. He did not think that all the cases which are now brought before the Board require the decision of the collective Board, but, under the existing constitution a member may not care to take the onus of responsibility for giving decisions in certain cases.

6333. Mr. Tomkins did not think that State railways send more important cases up to the Railway Board than companies' lines, though they send a good deal of relatively unimportant matter which is always dealt with by a single member and not by the collective Board.

6334. He thought that a Board with five members would take a longer time to come to decisions than a Board of three.

6335. In reply to the Chairman, Mr. Tomkins said, at present, work is divided among the members, the President being in charge of finance and construction projects, Mr. Bell being in charge of way and works and Mr. Clark dealing with traffic and stores questions. References regarding statistics are usually dealt with by Mr. Clark in the first instance. Mr. Tomkins said that the division of work had undergone several changes from time to time; it depends to some extent on the special nature of a member's past experience.

6336. He said that the Projects Branch receives all applications from the public in connection with the construction of new lines. It carries on correspondence, and comes to a conclusion whether a project is worth proceeding with or not, and finally settles the question of the agreements to be entered into. The Railway Board has not before it at present many schemes for large extensions. In considering a new project the file would be referred to the officer in charge of the Traffic Section, who is usually a senior District Traffic Superintendent. The last but one Assistant Secretary (Traffic) was a more senior officer, being now Traffic manager of the Eastern Bengal Railway. There is at present nobody of a higher standing than a District Traffic Superintendent on the Board's headquarters staff who could study a railway project from the railway traffic point of view. The engineering aspect of a project is examined by the Engineering Assistant Secretary. Both the Assistant Secretaries, Traffic and Engineering, note upon the scheme and submit it to the Railway Board. A member of the Board—at present the President—adjudicates upon the case, having before him the opinions of the two branches as well as the advice of the Chief Engineer if the case presents any special technical difficulty.

6337. Sir Rajendra Nath Mookerjee drew attention to the length of time for which the Railway Board meets every day, contrasting this with the practice of the Government of India, in which eight members meet normally only once a week, though they have to deal with much more important matters than railway questions. The Chairman suggested that, in the case of the Government of India, members of Council must exercise very large individual responsibility, whereas in the case of the Railway Board it would seem to be only in matters of minor importance that the individual members of the Board exercise sole responsibility. Mr. Tomkins was doubtful whether this was a correct conclusion, and drew attention to the practice of the Government of India of circulating papers, and thus of considering them collectively, though not actually at a meeting. He thought that if the Government of India practice were followed it would be necessary for the Railway Board to do much more of its work on paper. In the case of the Government of India all the papers are circulated before the meetings, and when the members of the Executive Council assemble, all of them have seen the papers beforehand, whereas in the case of the Railway Board this is not always done.

6338. Sir George Godfrey said it appeared to him that a weak point of the Railway Board was that it is obliged to bear its responsibility collectively under the existing arrangement. The Chairman observed that the Railway Board apparently had not delegated to any member or to any officer any of the powers which they exercise as a Board, except in regard to relatively unimportant things. Mr. Tomkins thought that, if the members did not consult each other in the manner in which they do, and acted only as departmental heads, this would be really a reversion to the ordinary Secretariat procedure. He said that all official letters issuing from the Railway Board are sent by the Secretary or the Assistant Secretary in the name of the Board.

6339. Mr. Tomkins was not sure whether there are any existing orders providing for the extent to which responsibility should be apportioned between the members of the Railway Board. He thought that in a case of dispute the majority view would prevail. The Chairman observed that in the organisation of American railways the duty of each Vice-President was always clearly stated, and he thought it desirable that there should be some similar allocation of responsibility in India.

6340. Regarding the relations of the Railway Board with the Finance Department, Mr. Tomkins said that the present Financial Adviser, Rao Bahadur K. Balarama Iyer, exercises the double function of the Accountant-General, Railways, and of Financial Adviser. As Accountant-General he is the Chief Railway Audit Officer. He did not think it would be correct to say that in that capacity he is independent of the Finance Minister, but he is directly responsible to the Controller and Auditor-General, under whose directions he compiles the railway accounts and budget. In reply to Sir Arthur Anderson, Mr. Tomkins said that the Controller and Auditor-General is independent not only of the Finance Minister, but also in his audit capacity of every other authority in India. The Chairman remarked that in the chart before him, which had been furnished by the Railway Board, both the appointments of Financial Adviser and Accountant-General, Railways, are shown as dependent on the Finance Minister.

6341. Regarding the functions of the Financial Adviser, the Chairman observed that this designation appeared to be something of a misnomer, as he

understood he does not advise, but is rather a channel of communication. Mr. Tomkins explained that the Financial Adviser is useful from the point of view of his intimate connection with the Finance Department. No specific powers are delegated to him by that Department, but much is left to his discretion. He deals, within that discretion, with all the numerous cases in which there might be small technical objections involving some deviation from established rules, etc. It was very convenient to be able to refer files on such subjects direct to the Financial Adviser instead of to the Finance Department, as used to be necessary.

6342. With regard to statistics, Mr. Tomkins said that in the Railway Board's office there is a special statistical and technical branch. So far as technical matters are concerned, this branch is responsible to the Chief Engineer; and, so far as relates to statistics, to himself as joint secretary. Technical publications are prepared and got into form by the Chief Engineer personally, and the branch merely deals with the mechanical part of the work, such as papers, printing and issue. In reply to Mr. Hiley, Mr. Tomkins said that these publications are mostly original documents. Some of the papers are written by particular officers of the various railways, both company and State managed, with relation to particular problems, mostly engineering. There are no publications by which officers in a remote part of India can be kept regularly in touch with what is happening in the railway world. There are, for instance, no means by which information can be given to railway people of the policy of the United States or Germany in connection with such matters as "block-rates."

6343. Mr. Tomkins mentioned that the original form of the railway statistics was fixed about 1880, and that of the present administration report a few years later. No material changes had been made in the main form of the report for the last 35 years, although railway cost accounting and so forth have changed greatly since that time. The Chairman referred to a very excellent annual report which is submitted to the Ministry of Railways and Communications, Peking, by the Standing Committee on the Unification of Railway Accounts and Statistics. He said that the forms of accounts and statistics contained in this report had been drawn up by a Committee with the assistance of a very eminent American railway statistician. He asked whether this publication had appealed to anyone in the Railway Board's statistical office as a model deserving consideration. Mr. Tomkins doubted if it had even been seen by anybody in the Railway Board's office.

6344. Referring to the Railway Board's annual administration report, he said that the inclusion of many half-yearly figures in this was due to the fact that hitherto accounts had been made up half-yearly Future reports will, however, contain only annual figures.

6345. The statistical branch of the Board's office does little beyond compiling the information sent up for incorporation in the report by individual railway administrations.

6346. The Chairman observed that in the administration report precisely the same space is devoted to the statistics of such relatively unimportant lines in the Indian railway system as, for instance, the Jamnagar Railway in Kathiawar, as is given to those of a main trunk line like the East Indian Railway; he thought that this indicated that there was little discrimination exercised. Mr. Tomkins said that the uselessness of publishing such information, as much of the existing statistics, had been recognised by Government, and a proposal was made five years ago to appoint a Committee to overhaul the whole of the statistics, and to eliminate a good deal which is considered unnecessary, but, owing to the war, no progress had been made with this.

6347. The Chairman observed that the whole of the administration report for 1919-20 contains only a single page of collated figures (Appendix X), showing the main results of the Indian railways treated as one system. No comparisons had been worked out between the separate railways showing the number of miles run per wagon, etc., though there is in the report and its Appendices all the information necessary to enable such comparisons to be extracted and furnished.

6348. He referred also to the statistics published by the Ministry of Transport in England, in which much useful information is given, and expressed the opinion that the whole of the railway statistical system in India needs recasting. Mr. Tomkins said that the difficulty was to find a competent man to do the work. A great deal of money could be saved if it were done; it needed attention also in connection with the working statistics used by individual railway administrations.

6349. Mr. Tomkins mentioned that the staff employed on statistical work by the Railway Board was small, but the number employed on individual railways was considerable, and that practically the whole of the compilation work is done by manual labour, few calculating machines having yet been introduced in India. The Chairman agreed, as the Committee had found that the number employed on such a small line, for instance, as the Eastern Bengal Railway was very high.

6350. Mr. Tomkins produced a voluminous book, entitled "Outward and Inward Traffic of Each Station," printed annually by the North Western Railway, the most bulky portion of this statement being the commodity statement, which occupies a large number of pages. In reply to Mr. Purshotamdas, Mr. Tomkins said that companies' railways also produce similar statements. The Railway Board are not benefited by them. Sir George Godfrey observed that much of the information would be useful to the local authorities in the provinces.

6351. He mentioned that Mr. Scott, the deputy-chief auditor of the North Western Railway, had devised great improvements in the railway operating statistics, and a scheme suggested by him is now under the consideration of the Railway Board.

6352. Mr. Tomkins said that operating statistics are not furnished weekly or monthly to the Board. In reply to Mr. Hiley he said that efficiency statistics are not received in the Railway Board's office, though some use can be made of the figures published in the Annual Administration Report. They are used, for instance, in connection with the consideration of the forecasts of capital demands for rolling stock in relation to which the figures of use of rolling stock on the different railways are studied. The Chairman observed that the Committee had worked out these figures for themselves, and it appeared that the three State managed railways are relatively favourably situated in the matter of rolling stock in relation to the volume of traffic handled by them. The Chairman said that Mr. Hadow's attention had been drawn to the fact that the mileage the North Western Railway gets from its wagons is 50 per cent. less than the East Indian Railway, yet the North Western Railway were being supplied with additional wagons while the East Indian Railway were anxious for more.

6353. Mr. Tomkins agreed with the Chairman that a great deal of money is wasted in having statistics got out which are not wanted, and that many are not prepared which would be useful. He agreed that the first thing to be done by any Committee that might be appointed would be to ascertain what had been done elsewhere in the world, and find out how far the experience of other countries could be usefully applied under Indian conditions.

6354. Mr. Tomkins stated that the Railway Board has a small library in charge of its Registrar. The General Library in the Government of India Secretariat has a larger number of technical publications. The Railway Board gets a good number of bulletins from other countries and weekly and monthly publications, all Railway newspapers, Engineering Magazines, etc. These are circulated in the Board's Office, and useful articles are marked and extracted. He admitted that the Railway Board had

done nothing to circulate these to railway officials elsewhere, who in many places are entirely cut off from the railway world. Sir George Godfrey observed in this connection that the principal technical papers are subscribed for by railway administrations themselves, and are circulated to officers interested in them. The Chairman remarked that, while this was good so far as it went, it appeared to depend largely on the initiative of individual railway administrations, the Railway Board doing nothing in this connection even for the State railways. He mentioned that the Ministry of Transport in England has recently started a bulletin containing references to all the technical papers in the important countries. This does not go beyond the Ministry Staff itself, but he thought there was no reason why such a compilation should not be widely circulated. Mr. Tomkins mentioned that a small annual grant was made to the Railway Board to enable it to purchase books.

6355. In reply to Sir Henry Ledgard he said that the Railway Board gets no statistics to enable it to check the way in which railways are currently dealing with traffic: for instance, they would not ask the East Indian Railway to telegraph information day by day of the number of wagons at Howrah which are awaiting despatch to Cawnpore. In the witness's opinion this would be regarded as undue interference with the East Indian Railway Administration, though he agreed that under the Company's contract the Railway Board has authority to demand any information or call for any returns which the Government of India might prescribe. The Chairman said that he did not think that informaton of the kind mentioned could be held to be covered by the word "prescribed" as used in the contracts. Mr. Tomkins said that it would not in any case be possible for the Railway Board to deal with any large quantity of such information as it would practically mean that one Board of Directors would be trying to supervise 13 or 14 railways. He did not think that such a detailed control is exercised by any Board of Directors.

6356. In reply to Sir George Godfrey, Mr. Tomkins said that a good many returns which used formerly to be sent to the Railway Board had been discontinued, as being unnecessary. The powers delegated to railway administrations had been increased and the question of delegating more powers was under consideration.

6357. In reply to Mr. Purshotamdas, Mr. Tomkins said it would be difficult to say what proportion of complaints received by the Railway Board from the public is passed on to the railways concerned for disposal. Complaints relating to working matters are usually passed on to them for settlement by them. Complaints regarding rates, overcrowding, etc., are usually referred for the supply of information or explanation, and if necessary, pressure is brought to bear to have matters set right. In such cases complaints are not merely passed on to the railways for disposal by them.

6358. Mr. Tomkins said he was hardly in a position to say what action is taken by the Railway Board on complaints of bribery being rampant on any particular railway. He did not know whether any complaints of that kind had been received, as they would not in the ordinary course come to his branch.

6359. Sir Rajendranath Mookerjee remarked that he knew of cases where railways were called on for explanations but was not aware what action was taken after the explanations were received in the Railway Board's office.

Mr. B. A. COLLINS, I.C.S., Director of Industries, Bihar and Orissa, was called and examined on two written statements which he had furnished to the Committee.

See Written Statement No. 80, Vol. IV., P. 259.

6360. Mr. Collins said that he was Director of Industries under the Government of Bihar and Orissa. The first written statement submitted by him might be taken as representing the views of the Government of Bihar and Orissa, and any further evidence tendered by him beyond what was contained in that statement should be understood as expressing his personal opinion.

6361. His general view was that there was room for both State and company management in India. He said that the country in general, and Bihar and Orissa in particular, was suffering for lack of railways and railway development. The Chairman asked whether, apart from the coal and metallurgical industries, in respect of which the Committee had already received much evidence, there were any existing or potential industries which were particularly sufferers. Mr. Collins replied that, as a result of the lack of coal, which had been brought about by the present unsatisfactory railway transport conditions, oil seed crushing mills in Bihar and Orissa were in difficulties; some of them used wood and some of them even had to close down altogether. He had received a letter from the management of a mill at Katihar complaining that they had been unable to get coal for three weeks and had to stop work. He promised to furnish a copy of the letter for the Committee's information. The Chairman said that the Committee was anxious to be placed in possession as far as practicable of precise figures as to the number of factories, mills, etc., affected, the quantity of coal they use, and the labour they employ, so that the position might be accurately appreciated. Mr. Collins said he would furnish information of this kind. He mentioned that he had lately heard that a copper smelting and refinery at Rakha, near Jamshedpur, had closed down for about a fortnight for the same reason. In reply to Mr. Hiley he said that he did not know how far the Tata Iron and Steel Works had been affected.

6362. Mr. Collins said that it might be taken that of the total quantity of coal raised in India about two-thirds are mined in Bihar and Orissa. The Raniganj coalfield of Bengal also yields large quantities.

6363. The Chairman said he thought that Mr. Collins put it very fairly when he said "that no single concern is getting all the coal it would like, many do not get the minimum they require, while all live in a constant state of apprehension of failure of supplies." Mr. Collins agreed that coal supply had always been bad, and though the situation varies from time to time it is only a question of the relative degree of badness.

6364. The Chairman referred to the statement that shortage of wagons prevents the development of coal mines. Mr. Collins considered that it would be advantageous if wagons suitable for overhead loading could be introduced, thus enabling the work to be done quicker and setting free for underground work the coolies who at present carry the coal in baskets to the wagons. Mr. Collins said that his opinion as to the relation between the dearth of wagons and coal development was based on the expert advice of Mr. Kirke, which had been corroborated by others.

6365. The practice in English collieries was that if there were no wagons they ceased working, whereas in India coal was raised and stacked and was despatched later when wagons became available. Quite apart from wagon scarcity he agreed that to a certain extent stacking would be necessary in India, as output is not constant owing to fluctuations in the supply of labour.

6366. Mr. Collins said that the labour force available at the collieries would be insufficient to increase the output of coal by 50 per cent., unless mechanical labour saving plant were used. Regarding the Santalis he said that he had done some settlement and survey work among them, but did not know them sufficiently well to say whether they would develop into steady industrial labourers if offered permanent work.

6367. Sir George Godfrey observed that the phrase "wagon famine" which occurred in Mr. Collins's

statement was not quite correct. Mr. Collins agreed that a better phrase would be "lack of supply of wagons," and added that to an outsider it would seem that there was a shortage of stock if no wagons were forthcoming, whatever might be the real cause.

6368. With reference to the recommendation that railways, other than those for the adequate finance of which Government could provide, should be handed over to companies on terms ordinarily associated with commercial ventures of this class, the Chairman asked Mr. Collins whether it was proposed to limit the profits of companies that would be formed to work the railways. Mr. Collins said that their profits would be regulated by the fixation of rates. He considered the need so serious, that, while the State should raise all it can for the railways, companies should also be given every encouragement subject to reasonable regulation.

6369. He would prefer that the companies should be domiciled in India, and believed that much capital could be raised, if suitable terms were offered, as should be done in the interests of India. He did not care to name a sum, but thought that, to start with, possibly three to four crores could be raised annually, and more when people got accustomed to railway issues. The amount suggested would not be only a trifling beginning, as suggested by the Chairman, as he was speaking of what might be done by a single company.

6370. He thought that the domicile of any company to which the working of a line was entrusted would, no doubt, influence the amount and the source of capital. He thought it would not be difficult to form a company to take over an existing line, if such terms were offered as would give a fair return on the ordinary capital, but he did not think that a guarantee should be given. Taking, for instance, the case of the East Indian Railway, in which the Secretary of State had ordered that the management should be transferred to India, the terms offered should give 8 per cent. on the ordinary shares. The Company would have to work as an ordinary commercial concern on the understanding that, if they failed to earn 8 per cent. they would be allowed to adjust the rates so as to enable them to do so. He thought the big landholders and Indian Princes would subscribe to the capital of such a venture, though they might not subscribe as much at first as they would after they gained confidence. He thought, also, that the holders of capital in the existing British Companies would take up the shares of the New Indian Company to a considerable extent.

6371. The Chairman pointed out that, on account of the operation of the English income-tax 8 per cent. would become 5 per cent. Mr. Collins observed that they were already subject to it, and they would be better off by the extent to which the rate is increased.

6372. The Chairman pointed out that there was another difficulty—rates could not be manipulated on one line without disturbing the flow of traffic unless other companies also altered their rates correspondingly. For instance, if rate for merchandise for export from Cawnpore to Calcutta were raised by the East Indian Railway the traffic would be diverted to Bombay by the Great Indian Peninsular Railway. Mr. Collins said he was thinking of the Bengal Nagpur Railway, but here again it was pointed out there was the competition for coal traffic.

6373. The Chairman asked what would happen if the Company earned more than 8 per cent. Mr. Collins said that there would then be a case for reducing the rates, until this was done the profit would go to the Company.

6374. With reference to the allusion, at the end of Mr. Collins's statement, to the dissatisfaction which exists with regard to rates, the Chairman asked for particulars. Mr. Collins said that the paragraph in which this statement was made had been drafted by the Government, and he could not say to what it referred. The Chairman remarked that the Bihar Government had not indicated the form the control of rates should take, and asked Mr. Collins what he would suggest. Mr. Collins thought that some form of Rates Committee would probably be suitable. The Chairman said that this appeared to be generally agreed so that it seemed likely it would be introduced.

6375. The Chairman said that the False Point Harbour Scheme on which Mr. Collins had written a special note was outside the scope of the terms of reference to the Committee. Mr. Collins submitted that this harbour would be the natural outlet for the whole of Orissa, the south of Chota Nagpur and the east of the Central Provinces. Even if Calcutta port could deal with all the traffic by making extensions he would still be in favour of opening this new harbour in the interests of Orissa and Chota Nagpur. It would provide an easy means of exporting coal from Orissa to Bombay, Madras, Burma and elsewhere. It would more or less be a coal and mineral port. Compared to these the other merchandise might not be of great bulk or value.

6376. Mr. Collins said that he would certainly favour confining expenditure to improving the existing open lines before starting to develop the harbour which would take a very long time.

6377. In answer to Mr. Purshotamdas, he did not see any reason why proper boards could not be secured in India in the same way as Presidency Banks had been managed. The Government of Bihar had offered no opinion on the question of Boards of Management.

6378. Mr. Collins added that coal shortage is sometimes due to short wagons supply and sometimes to small raisings. At present there is a shortage in the quantity of coal raised, and of the accumulated stock most of the first class quality had been removed. If coal companies could be sure of wagon supply they would put in labour-saving devices such as electric cutters, and increase the output. There was no doubt some difficulty in getting labour, but more could be done with the existing labour by introducing labour-saving appliances.

P.S.—Mr. Collins subsequently wrote to the Committee as follows:—

As promised, I enclose copies of two letters on the subject of coal shortage. That from the Cape Copper Company shows how serious the situation is. I wrote to the Coal Transportation Officer and asked him whether he could allow wagon allotment to be cumulative, at any rate in certain cases, but he has replied that he is unable to do so because, if he makes this concession in one case, he must make it in all others. The other letter is typical of several others I have received. It is from the manager of a small oil mill employing about 100 persons. When I was in Bhagalpur last rains, too, I found that of the four or five oil mills there one was closed down and three others were only being kept going by the use of wood as fuel. On other occasions I have found mills working with little better than coal dust. . . .

ENCLOSURES.

(*a*) Copy of letter dated the 24th January, 1921, from the Superintendent, Cape Copper Company, Limited, Rakha Hill Mines, to the Director of Industries, Bihar and Orissa.

Shortage of Coal.

I have the honour to report that the Cape Copper Company's Smelting Works are shut down for lack of steam coal, and have been so shut down for 10 days.

The reason for this is that from the 2nd to the 12th January there were restrictions on the traffic via Asansol, and none of the colliery indents on our account were met, then from the 12th to the 15th January the

collieries were shut down owing to local holidays. In consequence of this no coal was loaded for us until the 19th January, and we have been obliged to shut down our works in order to have enough coal to keep the mine pumps at work.

In view of the above, and in order to prevent a probable recurrence of these stoppages, which make economical production impossible, I have the honour to request that you use your influence to make our allotment of wagons cumulative, *i.e.*, if the collieries do not supply us with the number of wagons allotted to us for any one month, they should be allowed to indent in the next month for our monthly allowance, plus the number of wagons short delivered in the previous month.

(*b*) Copy of letter, No. 316, dated the 23rd February, 1921, from Messrs. Shankar Kali Mill & Company, P.O. Katihar, Dist., Purnea, to the Director of Industries, Bihar and Orissa.

We regret very much that since last four months passed we are not getting any steam coal at all. The X class, what the Coal Transportation Officer has passed for our mill, is of no use, because in that class we are not getting any wagons at all. We therefore beg to you that please send us an order to the Coal Transportation Officer to pass our order in the " Super X class " and send us very soon. We have got no coal in our hand, and the mill has stopped since last many days passed.

FIFTY-SECOND DAY.

(Delhi).

Friday, 4th March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Colonel W. D. WAGHORN, C.B., C.M.G., R.E., Mr. E. A. S. BELL, C.I.E., and Mr. A. M. CLARK, President and Members of the Indian Railway Board, accompanied by Mr. S. C. TOMKINS, Joint Secretary, and Mr. S. D. MANSON, Assistant Secretary (Traffic); were called and examined with further reference to the written statement furnished by the Railway Board.

See Written Statement No. 79, Vol. IV., P. 245.

6379. The Railway Board handed in the following memorandum which they desired to place on record as explaining their point of view in drafting their memorandum for the use of the Railway Committee:—

> " The Railway Board would like to point out to the Committee that in framing their memorandum and especially Part I thereof they had in view the management of the railways purely as a commercial concern so as to give the best results. They are quite aware that there is a school of thought who argue that as the greater proportion of the railway property is owned by the Indian taxpayer, he should be permitted to work it in the way he thinks best, even if this caused some loss of efficiency and did not show such good results.
>
> " With this point of view the Board have the utmost sympathy, but it is a matter of ' high politics ' which the Board do not consider they should take into consideraton. At the present time the need for more capital is so clamant that it is a matter of the first importance to show good commercial results as otherwise the necessary capital will not be forthcoming."

6380. Referring to certain points which during his earlier examination Mr. Bell had reserved for an expression of the full Railway Board's opinion, Mr. Bell explained that the Board adhered to the view that, even if the London Companies' Boards resisted the proposals of the Railway Board for additional powers to be exercisable by it over company administrations, the existing system of railway administration should still continue in preference to transferring the company managed lines to direct State management. In reply to Mr. Hiley, Mr. Bell stated that the Railway Board's view was that they did not believe that the companies would carry very far their objections to giving the Government of India wider powers, but even if they did so, the Railway Board would prefer to maintain the existing system.

6381. The Chairman said that he thought that the Committee would agree with him that the great bulk of Indian opinion which had been expressed to the Committee was that the railways should be worked so that they should at least be self-supporting to the extent of meeting working expenses as well as depreciation charges and interest on capital. Sir Henry Ledgard observed that the alternative view which the Railway Board had in mind, and which was held by some was that the Indian taxpayer might be prepared to work the railways even at a loss of efficiency. Mr. Purshotamdas Thakurdas said that he did not believe that any responsibile witness or body of persons had expressed themselves as disposed to contemplate any sacrifice of efficiency of the railway system. The Chairman agreed that at the most the alternative view alluded to by the Railway Board might have been adumbrated by one or two witnesses, but had not found any considered expression.

6382. Referring to the last sentence of the Railway Board's note quoted above Mr. Purshotamdas questioned whether the Railway Committee should consider only the present and near future, and whether it should not take a longer view of the question of railway policy referred to it. The Chairman observed that the Committee could clearly advise that the ultimate policy should be so an so, but that it might indicate that for specific reasons it would be necessary to move slowly in furtherance of that policy.

6383. Mr. Bell also referred to the other point reserved for the opinion of the entire Board related to the appointment of a " representative " of the Finance Department as a member of the proposed reconstituted Railway Board. Mr. Tomkins explained that the idea was that the Government of India could not be expected to agree, when dividing the adminis-

tration into two parts and entrusting large responsibility in connection with railway revenue and expenditure to the Railway Board, to do this unless there was a competent financial expert on that Board. The Railway Board agreed that their idea was that the Financial Member of the Board should be nominated by the Finance Department, to ensure a sufficiently able and experienced financial expert being included in the administrative body, but once a person possessing the confidence of the Finance Department had been nominated, he would be wholly and solely a member of the Railway Board and not retaining any special responsibility towards the Financial Member of Council as distinct from any other member of the Government.

6384. In reply to Mr. Hiley it was explained that the Railway Board's view was that this Member should not look for any further advancement to the Finance Department It was remarked, however, that in any case further advancement would hardly be possible for an officer who had attained the status of a Member of the Railway Board unless he were promoted to be a Member of Council. In reply to Sir George Godfrey Mr. Clark explained that the Railway Board had no object in desiring that the appointment of the Financial Member of the Board should be an officer actually of the Finance Department. The Chairman suggested that it was quite conceivable that a suitable member might be obtained from outside, for example he might be nominated by the Governor of the Bank of England or a partner in one of the great accountancy firms.

6385. With reference to the status proposed for the President, Colonel Waghorn said that the view of the Railway Board was that the President should act as a member of the Board, and should have a vote in its proceedings as well as perhaps a casting vote if the other votes were equal. The Chairman suggested that it would be difficult for the President to represent in the Viceroy's council a case in which he had been out-voted by his colleagues on the Railway Board, and that it seemed as if, in consideration of his status, he should exercise controlling powers over the Railway Board, as a Member of Council, and not act merely as senior member of that body.

6386. Sir Rajendra Nath Mookerjee asked whether in view of the existing economical stringency, as illustrated in the recent budget proposals, the Railway Board would be disposed to press for an increase in the number of its members. He mentioned that presumably the President under the Railway Board's proposal would have to be paid the same salary as a Member of Council, and that possibly higher pay would also be necessary for the other members. He asked whether it would not suffice if the Board's numerical strength were kept as at present, and they were furnished with the assistance of more technical experts at the heads of various branches. Colonel Waghorn said in reply that the Board considered it necessary to maintain their proposal for an increase in the number of the members.

6387. Mr. Hiley suggested that any increase in the number of the members of the Railway Board brought into greater prominence the question of the need for empowering the President to decide which expert member should be consulted on any particular question or should be entrusted with the responsibility of dealing with it. He laid stress upon the fact that, with a Board consisting of a number of experts, the best opinion might easily not be that of a majority. For example, if a traffic matter was under consideration, the most reliable opinion might well be that of the Traffic Member and of the President, who might however be out-voted by members who were experts in other branches of railway working but not traffic experts. Colonel Waghorn said that he did not anticipate any practical difficulty. He did not think that a large number of technical questions would come up before the whole Board. Mr. Hiley however pressed his point, urging that, if efficiency were based largely on the expectation that all the members would not have a voice in any particular question, it would be better to face the suggestion that the President should have the power suggested by him. Mr. Tuke agreed entirely with Mr. Hiley in this respect.

6388. Sir Henry Burt also attached much importance in this connection to the desirability of avoiding the delays incidental to the process of securing agreement between the several members of the Board. Sir Arthur Anderson suggested, with regard to the latter point, that it was only a question of securing a majority and not unanimous agreement. Colonel Waghorn agreed with the Chairman that, if a decision rests on the verdict of the majority, the change of one member in five might have the effect of converting the majority into a minority, with the result that the Board would be impotent and its decisions would lack finality. Mr. Hiley urged that under present conditions it appears that the President does not possess the power definitely to delegate responsibility to one member to dispose of a specific subject. He thought that the question is bound to assume great importance if the Board be enlarged.

6389. Sir Henry Ledgard expressed regret that he had not been able to be present during Mr. Bell's examination on the 2nd of March. He said that he was surprised to hear that the Board held meetings every day and that these took the entire morning. He thought it preferable that the members should deal individually with the subjects allotted to them. Colonel Waghorn explained that at the Board's meetings orders are passed at once on receipts in the daily post which admit of this procedure. Apart from this each member usually brings up such cases of special importance as he considers require the deliberation of the whole Board, and orders are passed on these. Mr. Bell mentioned that recently the Board meetings had taken an exceptionally long time, partly owing to the necessity of giving special consideration to the preparation of replies to the numerous questions asked by the Railway Committee. He agreed that this was an exceptional circumstance and believed that it would be possible to attain a stage in which the Board meetings should not take more than one hour daily.

6390. Referring to the Railway Board's allusion to the recommendation of the Mackay Committee for an annual railway capital programme of £12½ millions, the Chairman mentioned that the Chairman of the Mackay Committee himself had recognised that this figure was inadequate. During his recent evidence before the Railway Committee in London, Lord Inchcape had said that he would himself have inserted £20 millions instead of £12½ if he had not been referred to Sir Lionel Abrahams, then Financial Secretary to the India Office on the ground that Sir Lionel's responsibility in the matter was greater than his own.

6391. The Chairman questioned the Railway Board with reference to their statement that the railways had fallen seriously into arrears both in ordinary maintenance and in respect of improvements. Mr. Bell explained that in his view the term ordinary maintenance, used in this paragraph, did not refer to renewals which are also seriously in arrears. He read the term "improvement" as covering special or programme renewals as well as additional works. Colonel Waghorn said that the distinction had been drawn broadly between revenue and capital expenditure. The Chairman commented on the unusual practice in India of distinguishing between "ordinary maintenance" and "special or programme maintenance." He said that in other countries the ordinary practice would be to charge to revenue all expenditure of the nature of the maintenance of the railway including all renewals even when these involved the substitution of improved structures or larger and more costly rolling stock; though in such cases at a later stage a portion of the cost might be written back from revenue to capital.

6392. Turning to the statement in paragraph 28 of the Railway Board's memorandum furnished as evidence of the growth in traffic and the relative

rolling stock provision made to meet the traffic, the Chairman observed that the moral was that the wagon stock which the Mackay Committee had described as inadequate in 1907 was now even less adequate since the traffic had doubled, whereas the increase of wagons had been only about 50 per cent., the position being just as bad in the case of passenger stock.

6393. The Chairman noted that a correction slip had been received from the Railway Board amending the figures given in paragraph 29 of the Board's note relating to the Pennsylvania Railroad Company. (N.B. The correct figures have been reproduced in the Board's memorandum as finally printed.)

6394. With regard to the Railway Board's statement of additional mileage opened in the past ten years, the Board agreed that the mileage was inadequate even before the war. They did not however agree with the Mackay Committee that there is room for so much as 100,000 miles of railway in India at the present time. Mr. Bell said that a figure of 50,000 miles would meet present needs. This figure had been based on a consideration of lines which could usefully be made at the present time. This the Board put at 7,000 or 8,000 additional miles of railway, a similar provision being made for branches. The Chairman observed that even 100,000 miles would be small relatively to the population. Colonel Waghorn observed, however, that the population is very unequally distributed in India, and that large tracts of country are very sparsely populated.

6395. In reply to Sir Rajendra Nath Mookerjee, Mr. Bell explained that there was no question in the Board's mind of the immediate construction of the large additional mileage which had just been mentioned. The Board were speaking only of the position in which they considered that the country ought to be at the present time. They had made an allowance in the list of requirements for a continued subsequent increase of 1,000 miles per year. In reply to Mr. Purshotamdas, Mr. Bell promised to furnish a list of the principal lines included in the additional mileage of which the Railway Board considered there is present need, these being arranged in order of importance.

6396. The Chairman said he thought it would be useless to discuss the "lapse" question at length, unless the Railway Board were in a position to mention any advantage in the system; none having so far been brought to the Committee's notice. Colonel Waghorn expressed his inability to say anything in its favour.

6397. Colonel Waghorn promised to furnish for the Committee's information copy of the documents connected with Colonel Gardiner's scheme for the separation of railway finance (alluded to in paragraph 35 of the Railway Board's Memorandum), which had been concurred in, in principle, by Lord Curzon. In this connection, Mr. Tomkins explained that efforts are still being made by the Railway Board and Finance Department to trace the Memorandum on this subject, which Sir John Hewett had informed the Chairman was prepared by Mr. Harvey, then Secretary in the Department of Commerce and Industry, when he was himself Member of Council in charge of that Department. The Chairman said that he would not examine the Railway Board further with regard to the case for separating the railway finance, as this had been fully dealt with in their written statement.

6398. The Chairman questioned the Board with reference to their proposal that the whole of the surplus revenues of the railways after meeting the Government of India's liability for interest on loans should be used to supplement the funds available for capital expenditure. He observed that this suggestion was consonant with the ordinary practice of the Government of India, but suggested that it would be necessary to reserve the surplus revenues to meet the interest charges on additional capital, since this would not itself be immediately remunerative. The Railway Board explained that they recognised the need for making provision for meeting all interest charges before treating any portion of the revenues as surplus for the purpose of direct expenditure on railway construction. The Chairman observed that in ordinary commercial concerns, rather than devote surplus revenues directly to new extensions, it was more usual to spend them in improvement of existing assets.

6399. With reference to the Railway Board's observation in the summary of their scheme that the administration of railways should be handed over to the control of a board "outside the Government of India," Mr. Tomkins explained that the meaning of the words quoted was really "outside the budget of the Government of India," much in the same way as certain local funds are already excluded from the ordinary budget.

6400. Questioned with regard to their willingness to take over liability for the existing military railways as part of the railway system, though not being prepared to undertake the construction of new strategic lines, the Railway Board explained that they regarded the past as no longer open to question and thought that it would be necessary for the railway authorities to continue responsible for the existing railway system as a whole.

6401. With regard to the Railway Board's recommendation for financing the railways in future, the Chairman alluded to the circumstance which had been brought to the Committee's notice that the railway debentures issued in the name of the Indian Railway Companies do not rest upon the guarantee of those companies, and the proceeds are not received by, nor necessarily spent upon, the lines whose names are used. Mr. Bell drew attention to the fact that the Railway Board did not recommend adherence to the latter policy, but considered that money raised in the name of a particular line should be treated as additional resources of the company concerned. He said that the Board would be prepared to allow certain railways to increase their capital stock so as to give them a larger interest in the property administered.

6402. In reply to Mr. Tuke, Mr. Tomkins admitted that the idea underlying the Railway Board's proposals as regards raising of debenture stock is that no change should be made in the existing practice in which the name of particular railway companies is used, although the guarantee upon which the debentures rest is really that of Government. Mr. Tuke observed that he did not think that the London money market realised the fact that the association of a company's name with the existing debenture issues does not imply any direct connection between the borrowing and the needs of security of the company itself. Mr. Tomkins agreed that the only difference in the Railway Board's proposals for the future is that the money raised by the debentures would be earmarked for the railway whose name had been used, as explained by Mr. Bell. He urged that, even though the debentures are not secured by the railway property, they have the best security in the shape of the Government guarantee. The Chairman asked why, in this case, the Government of India did not come into the open and borrow directly in their own name.

6403. With regard to the Railway Board's statement that they have already under consideration a proposal to relieve their immediate necessities by paying for heavy items, such as rolling stock, by means of short term bonds, Mr. Tomkins explained that the idea was that the manufacturer should accept payment in five or ten year terminable bonds. The Chairman remarked that the custom in England and other countries where this method was adopted was for the stock purchased to remain the property of the manufacturer until the last instalment of the purchase price had been paid. Mr. Bell said that this point was still under consideration in relation to the proposals alluded to by the Railway Board.

6404. The Chairman referred to the Board's allusion to funds for new construction being raised in the immediate future by private companies, for which purpose the existing Branch Line Terms are inadequate. He asked whether the Railway Board supported the Branch Line method of finance because of any preference for this method or simply as a con-

cession to the weakness of the Government's financial position. The Board agreed that it is better, if possible, that branches should be constructed by the parent lines, and that the more branch line companies are brought into existence the greater the prospects of difficulties owing to rival claims and demands for the recognition of spheres of influence. They supported the Branch Line system only because they did not expect that money would otherwise be forthcoming.

6405. The Chairman asked the Board's views with regard to the suggestion that even the existing administrations in India are too numerous. Colonel Waghorn said that he would not go so far as to support this view. Mr. Bell thought that there was something to be said for grouping the Bombay lines under one administration. He thought the Eastern Bengal Railway also is a small system to be worked independently. The Board agreed that, if the East Indian Railway management is transferred to India, there would be something to be said for absorbing the O. & R. Railway in it. Colonel Waghorn, in reply to Sir Henry Ledgard, said he saw no reason why a line, working up to 5,000 miles such as the North Western Railway, should not be efficiently managed as a single concern.

6406. Sir George Godfrey drew attention to the difficulty alluded to by the Railway Board in connection with the levy of English Income Tax upon the return from the debentures from the existing English or the suggested affiliated companies. Mr. Tuke explained that the general impression is that the holders of such debentures even if residents in India would be liable for English as well as Indian Income Tax owing to the domicile of the controlling company being in the United Kingdom. This was the difficulty which had been anticipated and upon which an authoritative opinion could only be obtained in London.

6407. In reply to Sir Arthur Anderson, who referred to the Railway Board's statement that ordinary maintenance is seriously in arrears, and who said that he understood from various railway witnesses that ordinary maintenance as distinct from programme renewals is generally speaking up to date, the Railway Board explained that in many respects the arrears even in ordinary maintenance had not yet been made up.

6408. Mr. Hiley drew attention to the contention of the Railway Board that State management and company management as at present constituted are equally efficient and economical and secure equally good results. The Board had, however, expressed the view that the delegation of more powers by London Boards to their agents is desirable; and also that the Government of India, being the predominant partner, should be empowered to over-rule the objections of the Home Boards in respect of questions affecting the working of railways. In view of this, he asked whether it would not be in the interests of efficiency and of India generally, that the control of railways by the London Boards should be terminated when their present contracts expire, in the event of the Boards of the company-managed railways declining to delegate the necessary powers to their agents or to recognise the final authority of the Government of India as desired by the Railway Board. Colonel Waghorn stated that the Railway Board had every reason to expect that the Home Boards would not take the line indicated, but would agree in the views of the Railway Board. But even if the Home Boards refused to agree, the Railway Board still thought that the existing system of management should continue. The Railway Board felt that under it a spirit of emulation is fostered between the State and company-managed lines, whereas if all were managed by the State, the result would be a dead level of mediocrity. The Chairman suggested that it is not really logical to say that one system is as efficient as another, if it is efficient only because of the example of the other, which is itself efficient without any such stimulus. Mr. Tuke said it would seem to follow from the Railway Board's observation that there is a better case for having all the railways managed by companies.

6409. Mr. Hiley asked whether the Board would not be able to replace emulation by comparison between State and company-managed railways by an equally effective competition between the different State railways, provided a proper system of operating statistics were adopted and used as a means of testing efficiency. To contend that the example of company-managed railways was necessary in order to maintain a standard of efficiency on State railways appeared to reflect upon the supervision of the railway working by the Railway Board. Colonel Waghorn maintained, however, that in his opinion the example of company-managed railways was desirable and that this system of management should be continued.

6410. In reply to Mr. Hiley, Colonel Waghorn promised that the Railway Board would endeavour to furnish the Committee with a statement showing the existing shortage of rolling stock, together with an estimate of the rate at which arrears could be caught up and of the future requirements after this had been done, together with an estimate of the annual cost. He promised to supply a similar statement in respect of permanent way also.

6411. With regard to control of rates, the Chairman read the following extract from a clause which appears in the contracts of all the companies with contracts dated 1890 and subsequent years, which include almost all the important guaranteed companies, bearing upon the question of the control exercisable by the Secretary of State:—

> "The Secretary of State shall from time to time authorise maximum and minimum rates within which the company shall be entitled to charge the public for services rendered by way of or in connection with the conveyance of passengers and goods on the undertaking, and shall prescribe the several classes and descriptions of passengers and goods to which such rates shall be respectively applicable, as well as the extent to which, within the maxima and minima so authorised, the company may vary the said rates in respect of the distance of weight or special conditions under which such conveyance takes place or services are rendered."

In this connection, he also read the reply from the Railway Board to an enquiry addressed to them on the subject in which they stated that:—

> "The principle was enunciated by Government in 1887 that when once maxima and minima rates and fares had been fixed there should be no further interference on the part of Government, the railways being allowed to alter their rates within the prescribed maxima and minima, and the Railway Board are of opinion that the clause quoted, which appears in contracts dated 1890 and afterwards, does not and was not intended to convey any greater power to Government in this respect."

6412. The Chairman drew attention to the concluding portion of the clause in the contracts empowering the Secretary of State, after specifying the classification for passengers and goods and the maxima and minima charges for each class, further to specify the extent to which within the maximum and minimum the company may vary rates in respect of distance, weight or special conditions, and asked what the significance of this further provision really is. Mr. Clark explained that this was understood to refer to the special limits which the Secretary of State might prescribe for particular classes of goods. He referred to Mr. Manson who cited a single instance in which Government had prescribed a different classification for certain goods according to the distance the article was transported. Mr. Clark argued that the Secretary of State's powers, which are considerable, can be exercised only by altering the classification which he can do if he so desires with reference to distances or weights concerned. He said he would have no objection to further powers being obtained by Government, as he agreed that the

companies should not have absolute discretion within the prescribed maxima and minima, as this discretion is clearly capable of abuse, and even if not abused, railway administrations would certainly be accused of abusing it. For this reason, he thought that the Railway Board should have powers to interfere.

6413. The Chairman observed that there are many cases in which the Railway Board as administrator of the State railways come into contact with the company-managed lines, and asked whether it would not be considered unreasonable that they should act as a judge in their own case. Mr. Clark submitted that the interests of the State in the company-worked and State-worked railways are almost identical. He agreed, however, that many people would accuse the Railway Board of partiality. He thought that the appointment of an outside tribunal would be cumbersome but could suggest no alternative.

6414. The Chairman said that he believed that everybody who had been consulted had agreed that it would be a good thing to set up an independent tribunal with an impartial chairman and which might include representatives of railway and commercial interests. Mr. Clark said that the Railway Board would have no objection to this, and recognised that it would have the advantage of relieving the Railway Board of accusations of permitting undue preference. Mr. Clark was, however, inclined to fear that the tribunal might be almost as cumbersome as the existing machinery prescribed by the Railway Act. He agreed that it would have plenty of work at the start owing to the widespread misconceptions regarding railway rates; but he thought that when these have been cleared away, there would not be enough work to keep a full-time tribunal going and that it would have to be called specially when required. The Chairman expressed the opinion, however, that such a tribunal would always have plenty to do, if empowered to deal with public complaints in reference to rates, and applications for alterations of classifications, and to take decisions regarding the Owners' Risks and Railway Risk notes conditions, and with regard to the ratio between two rates (which would naturally correspond to the value of the insurance provided under the Railway Risk form). He thought that Mr. Clark's apprehensions would not be fulfilled.

6415. In reply to an enquiry by Colonel Waghorn, the Chairman said that complaints regarding the rates in the countries of which he had information sometimes took the form of specific complaints by one individual against the treatment accorded to another, but more generally were complaints from particular industries or interests. There was no doubt that every witness who has been examined by the Railway Committee was anxious that a convenient machinery should be created to enable complaints to be dealt with. Colonel Waghorn mentioned that general complaints were received from time to time, but were rarely found on enquiry to possess real substance.

6416. Mr. Clark read an extract from a report prepared in the Industries Department in the Punjab for the use of the Industrial Commission, showing that when efforts were made to obtain specific evidence in support of general accusations of unfairness of railways in rate quotations, specific evidence was not forthcoming except in a single case—that of the Ambala Glass Works—in which instance the complaint proved to be unfounded. The Chairman observed that if the proposed tribunal were in existence, such a complaint as that of the Ambala Glass Works could be referred to it, and if those concerned did not make such references, they would obviously have no grievance.

6417. Sir George Godfrey mentioned that although many general complaints had been made to the Committee and there was evidently a strong feeling that rates are manipulated in favour of European interests, specific instances had not generally been forthcoming in support. Mr. Purshotamdas observed that the reason people do not pursue matters beyond the railway administration is the feeling that once the railway administration has refused to redress a grievance, the Railway Board have never been able to get them to reverse their decision.

P.S.—In connection with paragraphs 6394 and 6395 the following note was subsequently furnished by the Railway Board:—

"In regard to the list of lines making up the additional mileage proposed, I am to state that the Railway Board have, on reconsideration, slightly modified their views, and they consider that 45,000 miles of line is all that could be justified in existing conditions.

"I attach to this D.O. a list of these lines—they are not placed in any order of urgency, since this was found to be impossible. But the three lines starting from Hesla which serve the coalfields are at the present moment of the first importance:—

Name of Railway.	Length in Miles.
" Raewind-Lyallpur-Khushab	150
Rupar-Sirhind	43
Magrahat-Kakdwip	29
Nachoul-Rampur Boalia-Gopalpur... ...	51
Purnea and Dinajpur District Railways...	271
Tangla-Borjuli	48
Tangla-Nalbari	50
Alipur-Duars-Kumargram	26
Gadwal-Raichur-Gadag (N.G.S.R.) ...	175
Vizianagram-Raipur (Sections IV.-XIV.)	223
Hesla-Monharpur	145
Hesla-Allahabad	280
Hesla-Jubbalpur	370
Bellarshah-Warangal	149
Karachi-Cawnpore (from Hyderabad) ...	540*
Jhansi-Nandurbar	470
Panruti-Trichinopoly-Ramnad	203
Bombay-Sind	270
Bikanir-Mirpur-Khas	333
Bhawalnagar-Khanpur	250
Raewind-Haveli	73
Karad-Chiplun-Ulva	202
Hooghly-Bridge connection...	10†
Small branch lines in Assam (say)... ...	200
Badarganj-Mohimaganj	48
Bongong Satkhira	26
Chittagong Akyab	133
Ishurdi-Pabna-Sadhuganj	45
Jessore-Faridpore	58
Mymensingh to Tangail	67
Tangi to Tangail	47
Sainthia to Bhaeramara	91
Sainthia to Naya Dumka	41
Sambualpur to Khurda	190
Muzaffarpore to Durbhanga	38
Sointilla-Sonpur	30
Chinchli Bagalkot	50
Belgaum Saundatti Hubli	50
Deesa Tharad	29
Jamnagar Dwarka	86
Badin Jungshahi	70
Tando Mohamad Khan to Mirpur Bathoro	33
Pandharpur Miraj	83
Vasad Katana	26
Vishnupur Howrah	76
Taungdwingyi to Magwe	51
Tahapalai Namtu	36
Bir Bhopal	107

* New construction.

† This is a very important project although its length is comparatively small.

Name of Railway.	Length in Miles.
Indore Dohad	120
Khandwa Barwani	100
Rajahmundry Sironcha	215
Dindigul Palghat	108
Hassan Mangalore	110
Palni Satyamangalam	101
Shoranur Manantoddy	114
Feeder railways in Kotah	170
Feeder railways in Jhalawar	270
Mirzapore to Maihar	140
	7,520
Other small branches, say	1,500
Existing	36,000
	45,000 "

The President and Members of the Railway Board, accompanied by Mr. TOMKINS, Joint Secretary, and Mr. MANSON, Assistant Secretary (Traffic), were recalled and further examined.

6418. The Chairman drew further attention to the clause quoted in the record of the morning's evidence regarding the control by Government of railway rates. Mr. Clark explained further his interpretation of this clause. He thought the first portion implied that Government would fix one maximum and one minimum rate, for instance, a maximum of 1 pie per maund per mile and a minimum of 1-10th of a pie for all commodities. He did not question that as a matter of fact from the beginning it has been the practice of Government to fix maximum and minimum rates for each different class of goods. He thought that the latter portion of the contract clause gave Government a further right to discriminate between different classes of goods and descriptions of passengers. The Chairman said that, as he read the clause in question, the explanation was that the Government can firstly fix a maximum and a minimum for each class of goods, and, secondly, can decide on the class in which a particular commodity should be placed, and, finally, that (if after the foregoing action had been taken Government thought that the railway was still charging unreasonably within the prescribed maxima and minima charges for any particular commodities) they might exercise further control to rectify matters. He suggested that a case in which such action might seem necessary would be if a railway were charging the same mileage rate for goods carried 1,000 miles as for the same kind of goods carried much shorter distances.

6419. Mr. Clark mentioned that the Railway Board's interpretation of the clause was based on legal advice taken when the Committee's reference reached them. The Chairman observed that under the Board's interpretation it would seem that the wording of the clause which had been elaborated in 1890 really gave Government no greater powers than they had formerly exercised. Mr. Clark admitted some difficulty in explaining this. The Chairman said that it appeared to him that the clause gave the Government very wide powers of determining the extent by which the railway companies might vary the charges levied for transport of goods.

6420. The Railway Board agreed with the Chairman's summing up of their views, as

(1) they are in favour of establishing a tribunal to deal with differences relating to rates and fares;

(2) they would leave the existing railway system as at present, partly administered by companies and partly directly by the State;

(3) they would keep the Railway Board very much as it is at present, but would add to the number of its members, and cut it loose from the general finances of the country;

(4) the Board should have a head who would have the right to attend Council meetings to place railway cases directly before His Excellency the Viceroy's Council, though he would have no vote as a Member of Council.

[*P.S.*—It was subsequently decided by the Railway Board that on the whole it would be more advantageous if the President were a full Member of the Viceroy's Council.]

(5) The witnesses also, in partial modification of their original recommendation, were disposed to agree that, instead of having a commercial member on the Board, the interests of traders might more advantageously be represented by a larger advisory council which would meet from time to time under the President of the Railway Board.

6421. The Chairman questioned the Railway Board with regard to the application of railway funds to purposes to which probably they would not have been applied under an ordinary commercial system of management. Referring to the charge to railway revenues of the capital portion of the railway annuities, the witness stated that it was being paid out of revenue for the benefit of the people of India. The Chairman asked Mr. Tomkins to endeavour to supply the Committee with a memorandum showing approximately what amount would be charged by the North Western Railway, if it were in the hands of a commercial company, to the military authorities on account of the military facilities provided by it, both in respect of capital and revenue, having due regard to the special expenditure entailed on the purchase and maintenance of reserves of railway stores and rolling stock.

In this connection Mr. TOMKINS subsequently furnished the Committee with the following statement showing (i) gross earnings, (ii) working expenses, (iii) net earnings, &c., of the Military Section of the North Western Railway.

Years.	Gross earnings.	Working expenses.	Net earnings.	Capital outstanding on account of cost.	Interest on Capital, calculated at the rates shown at beginning of History of Railways, *i.e.*, averages actual on Indian Debt.	Net gain or loss after allowing for interest.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1910	53,52,000	65,57,000	—12,05,000	18,36,16,000	62,00,712	—74,05,712
1911	56,45,000	66,27,000	— 9,82,000	18,41,31,000	62,62,295	—72,44,295
1912	58,56,000	58,65,000	— 9,000	18,44,36,000	64,55.260	—64,64,260
1913-14	64,02,000	63,57,000	45,000	18,47,72,000	62,60,075	—62,15,075
1914-15	72,56,000	69,86,000	2,70,000	18,53,28,000	64,84,627	—62,14,627
1915-16	77,38,000	69,12,000	8,26,000	18,56,78,000	64,47,668	—56,21,668
1916-17	85,46,000	70,71,000	14,75,000	18,60,79,000	61,33,908	—46,58,908
1917-18	1,04,24,000	79,73,000	24,51,000	18,81,89,000	65,35,804	—40,84,804
1918-19	1,25,49,000	1,10,33,000	15,16,000	20,20,64,000	70,35,464	—55,19,464
1919-20	1,49,10,000	1,58,60,000	— 9,50,000	20,59,76,000	75,21,277	—84,71,277

6422. With regard to the doubling of the railway from Lahore to Ambala, Colonel Waghorn considered that this line would in any case have been double tracked, quite apart from the demands of military traffic. He admitted that the traffic over the Grand Chord Railway is doubtless heavier than that over the Lahore-Ambala line. Both he and Mr. Bell, however, questioned whether State railways had been specially favoured in the allotment of funds. Mr. Bell stated that he thought it was more likely to be urged that companies' lines had been so favoured.

6423. Regarding the charge to railway funds of the cost of the Railway works at Delhi, the Chairman referred to a note which had been furnished by the Railway Board, which indicated that the total debit to the Railway Budget was likely to be about Rs. 150 lakhs. The Railway Board agreed that the whole of this money would not be spent at the present time were it not for the construction of the new capital. Colonel Waghorn said that it was right to recognise that considerable extensions would, however, have been necessary in the railway arrangements at Delhi, quite apart from the construction of the new capital, though he agreed that, from the point of view of commercial traffic, these are not the most urgent requirements of the Indian railway system. Mr. Bell mentioned that the Delhi main station was badly blocked, and something would in any case have to be done to relieve the congestion there. He was not aware that the East Indian Railway had tried to be allowed to buy land near the Delhi main line, and had been refused permission.

6424. With regard to the admission of the North Western Railway that it was not so badly supplied with rolling-stock as other railways, Mr. Bell mentioned that there are some 5,000 wagons permanently locked up in Karachi during the grain traffic season. He thought that allowance should be made for this as well as for the stock maintained in view of possible military requirements, before instituting comparisons with purely commercial lines.

6425. Regarding offers of assistance which had been made by outside agencies in regard to railway capital requirements, the Chairman referred to a proposal by an outside firm in regard to the electrification of the suburban lines near Bombay. Mr. Bell mentioned that one difficulty in that proposal was that in addition to receiving a fixed percentage on *the capital outlay* the *firm* expected a share of the profits of the works to which the money was devoted. It would have been very difficult to arrive at an agreement on this basis owing to the difficulty of determining the return earned by the scheme. Apart from this, objection had been taken to the scheme owing to the possible application of English income-tax in respect of the interest on the borrowed money.

6426. With regard to the offer of the same firm to provide their own railway wagons, the Chairman said he had no doubt that every railway man realised the objections to private ownership of wagons, but, in the circumstances, he asked whether it would not be possible to make terms with them. Mr. Clark stated that this matter had been examined, and was still under the consideration of the Railway Board. There were difficulties due to the possibility that if special arrangements were made with one firm for the provision of wagons for its own traffic, facilities might be insufficient to enable the railway concerned to deal with the traffic of other firms in such a way as to obviate the question of undue preference. The matter was, however, still receiving the careful consideration of the Railway Board. He thought that possibly something might be done if a general wagon company were to hire out wagons to railways, or possibly a firm such as Tata's might hire stock to the Bengal Nagpur Railway. The Chairman said he did not think they would do this unless they were sure of wagons being used for their own traffic. In reply to Sir Rajendra Nath Mookerjee, Mr. Clark said that railways would of course have to give a guarantee before any company would undertake to supply wagons on hire. Mr. Bell mentioned that a similar proposal had been rejected previously, but he was not aware for what precise reasons.

6427. With regard to the provision of coal sidings, the Chairman mentioned that in England and elsewhere it is nowadays the usual practice for sidings to be built by and remain the property of the colliery owners, whereas in India the practice is for the colliery owners to construct sidings up to formation level, the railway providing the permanent way. It was agreed that, in these instances, possibly, railways might be relieved of some expense if construction of sidings were left to private enterprise. Mr. Bell, however, did not think the amount involved would be considerable as only second-hand material is used in such sidings. Mr. Bell mentioned as an advantage of the assisted siding terms that they make a provision for extensions to serve other persons, beside those for whose benefit they are first constructed. The Chairman observed, however, that pressure could always be brought to bear upon the original owner to allow of such extensions, by making this a condition of the provision of a junction with the main line. Mr. Hiley observed that this is always done in England. Sir Rajendra Nath Mookerjee mentioned that it is only big firms that are anxious to build their own sidings; small firms would object to being deprived of the advantages of the assisted siding terms. The Chairman observed that it would be possible to work both schemes—allowing larger companies to build for themselves while assisting others. Mr. Clark urged that it would be causing inconvenience to adopt a dual policy. He did not think that there was any justification for departing from the general rule. Mr. Bell mentioned that an advantage of the existing system is that it facilitates the acquisition of land, when necessary, through the operation of the Land Acquisition Act.

6428. In reply to the Chairman, the Railway Board said that they could have no objection to the Government of Bombay acquiring the same powers as are possessed by the Government of Madras to assist Local Boards by either lending them money or permitting them to raise money themselves by means of a railway cess, and by allowing them to own their own railways.

6429. The Chairman referred to the suggestion that some of the money raised by means of the Bombay Development Loan might be devoted to railway purposes in Bombay, and asked what the views of the Railway Board were. Mr. Bell said that he believed he himself had originated this idea as he had made this suggestion in conversation with the Governor of Bombay about the beginning of November last. At first the Governor was opposed to it, but subsequently his attitude became more favourable. The money might be used both for the suburban electrification scheme and for the provision of quarters for railway staff. Asked by Sir Henry Ledgard whether he was prepared to take money for such purposes from local Governments, Mr. Bell stated that in existing conditions he would be prepared to take it wherever he could obtain it. It was proposed that the loan to the Government of India should be made repayable within a period of 15 years.

6430. In reply to Mr. Tuke, Mr. Bell said that the money received from the Government of Bombay out of the Development Loan would be treated as a loan to the Government of India, who would pay the same interest as the Government of Bombay do to the subscribers. Mr. Bell explained that it would not be a loan to the English company at all, and the English income-tax difficulty would therefore not arise.

6431. Alluding to the question of programmes of the various railways, Mr. Bell said that the Railway Board had received several figures from the various railways, and that from such information as they possessed, they calculated that not less than Rs. 30 crores per annum would be required at least for three years for open lines. He thought that it would not be possible to go beyond this figure.

6432. With regard to the question of delays on the part of the Railway Board, the Chairman asked for information about the Ultadanga Station in connection with which a memorial had been addressed to the Railway Board, Mr. Bell stated that his attention had recently been drawn to this matter, and that he would furnish the Committee with information about it when he had an opportunity of looking into the papers.

6433. With regard to the Itarsi-Nagpur Railway, the interest charges of which had already run to something like 40 per cent. of the capital outlay, Mr. Clark mentioned that part of the line has already been opened. The Railway Board agreed that this was a bad case of the effect of the intermittence of the supply of funds. The line would not have been started had it been realised that it would be unfinished for so many years. Mr. Tomkins mentioned that some delay was caused in this case by want of girders, and said that he was sending a note to the Railway Committee in reply to its special enquiry.

6434. With regard to the delay of the Railway Board in dealing with the question of delegating powers to the Branch Line Companies, to which the Railway Board's attention had been invited, Mr. Tomkins mentioned that it was not the case, as had been represented to the Committee, that a definite list of powers which it was proposed should be delegated had been submitted by Messrs. McLeod and Company to the Railway Board in March, 1918. The Chairman observed that the Committee had evidently been incorrectly advised on this point.

6435. Regarding the blocking, in the interests of the revenue of existing railways, of natural outlets, for example, from the Mysore State and the Nizam's Guaranteed State Railways, Colonel Waghorn mentioned that the Railway Board had recently overruled the objections of the G.I.P. Railway Company to the extension of the Nizam's Guaranteed State Railway to Kurnool. In that case the G.I.P. Railway had urged that the extension should be allowed only on condition of a special rate agreement being entered into. With regard to the Mysore State Railway case, the question of the Bangalore-Hosur line was still under discussion. The Chairman commented on the length of time taken in the discussion of cases of this kind.

6436. Arising from this, the Chairman asked whether there is not likely to be an increasing amount of conflict as time goes on with the Indian States so long as their railway administration is quite separate from that of the Government of India. He suggested that it might be possible to improve relations by establishing some system by which the British and the Indian State Governments might deal as between equals with railway problems.

6437. Imagining the existence of a Railway Board with wider powers and with a more comprehensive organisation than at present, the Chairman asked whether it would be possible to deal with railway questions affecting Native States in a broad manner. Mr. Bell thought that there would always be some difficulty in these cases. He agreed, however, that something might be done by inviting representatives of the Indian States to join such a Railway Council as had been proposed by the Committee. The Chairman instanced the case in which the Prussian State came to terms with Hesse and made a joint railway system. Colonel Waghorn did not think that anything of the kind would be possible in India, largely because of the jealousies of the different States of anything touching their independence. Mr. Bell explained that no difficulty had arisen in respect of the trunk lines running through Indian States.

6438. In reply to Sir Rajendra Nath Mookerjee, who enquired whether there was any difference between the attitude of the State-worked railways and those worked by companies towards the question of giving assistance to Indian industries, Mr. Manson mentioned that a few years ago a statement was prepared for the information of the Legislative Council, citing cases in which such assistance had been given by the different administrations. He said that last year, in reply to a question in the Council, the matter had again been reviewed, and it was found that only three complaints had been received in the interim. He promised to bring this information up to date, and to furnish particulars to the Committee.

6439. With regard to the question of bribery, especially to secure the preferential allotment of wagons, the Chairman said that the Committee was convinced that there exists a regular system of payment for wagons, and that the figures run up in some cases to very large amounts. Mr. Clark admitted that this was the case and said that it had been a constant source of worry to railway officials. He felt, however, that it was impossible to stop it so long as people were willing to give bribes, and proof could not be obtained. He said that drastic action was taken in cases in which the railway administration were satisfied of the occurrence of such irregularities. He mentioned that Sir George Godfrey as Agent of the Bengal Nagpur Railway had made these irregularities the subject of an address to all the traffic officers of the railway in 1910-11, and the question of finding means of checking these irregularities was subsequently discussed, but unsuccessfully.

6440. The Chairman said he doubted whether railway men generally appreciated the bitterness of feeling which existed in regard to this matter. He suggested that something might be done by calling a special conference of representatives of the different railways to investigate it specifically. The Chairman referred to the suggestion which had been placed before the Committee by a witness in Lahore who explained that he had himself effectively prevented irregularities in the supply of wagons to himself by means of a systematic record of applications and of despatches. Sir Henry Burt explained that this witness's proposal for action by the railway authorities contemplated linking up the consignment notes with the priority registers, as well as surprise stock-taking at the stations of goods awaiting despatch and comparisons with entries in the priority register, to prevent false entries in the latter. In this connection, he mentioned that it was complained that the priority registers were not always available for public inspection. The witness referred to had also proposed that a notice should be put up daily at all stations showing how the priority register stood at the close of each day and who stood next upon the list.

6440a. It was mentioned that at the meeting of the Committee at which these proposals had been put forward a representative of the Traffic Department said that these proposals deserve careful consideration. Mr. Hiley asked whether the Board agreed with a traffic officer who said that Cawnpore is too big a place to keep up a priority register. Sir Henry Burt explained that he had been told by a traffic officer on the Oudh and Rohilkhand Railway that the traffic at Cawnpore was regulated by the gate entries which thus took the place of ordinary priority register. Mr. Purshotamdas Thakurdas said that the Cawnpore merchants had complained bitterly and that he had himself one afternoon seen some 200 carts waiting at the gate.

6441. The Chairman emphasised that the real point is that it is one of the most bitter complaints, heard practically everywhere the Railway Committee had been, that railway administrations are employing persons who are habitually guilty of criminal offences. He thought that the Railway Board should interest themselves actively in finding a remedy. He did not feel satisfied that the railway officers generally had put their minds to the problem as attentively as they ought to have done. In this connection he read the following answer given by the Railway Board to a reference from the Committee—

> "Official complaints supported by statements sufficiently definite to enable them to take action have not been made direct to the Railway Board. The Railway Board do not employ any staff specifically to investigate complaints of bribery of station staff. The difficulty generally experienced by Railways in dealing with this evil

is in obtaining proof, or definite evidence, in support of allegations. When such evidence is available drastic action is taken. The difficulty in obtaining evidence is due to the fact that usually the only person who can provide the necessary proof is the man who pays the bribe."

6442. Mr. Hiley said that it appeared to him that the Railway Board should make much more strenuous efforts to grapple with this problem. It was clearly useless to expect those who were equally guilty with the persons bribed to come forward to give evidence. Mr. Clark stated that he could not, of course, speak for all railway officials, but so far as his own knowledge went he was sure that traffic officers had devoted great attention to this matter. He was quite ready to accept the Chairman's suggestion that a special conference should be held of representatives of different railways, but he felt bound to say that he was sceptical of the outcome.

6443. Sir Rajendra Nath Mookerjee said that traffic inspectors are to blame as well as station masters, and that these are the officers in whose hands investigations are placed. He considered the entire system wrong.

6444. Sir Henry Ledgard mentioned that it was not merely a question of the station staff, but that the Committee had been told that in many cases there are brokers who book goods for different merchants and who make large sums out of the allotment of wagons for different clients in consideration of payments.

6445. The Honourable Mr. Sastri mentioned that similar complaints used to be made with equal force in respect of Police, Judicial and other Departments, and the people used to be told that this was "the custom of the country" for which no remedy could be found. Government, however, decided that it constituted an intolerable stain on its service that such corruption should prevail, and as a result of their efforts immense improvements had been effected. He thought it most undesirable that it should be allowed to get into the minds of the railway officers that the existing state of affairs could be tolerated. He thought that efforts should be made to secure a better class of staff. Mr. Clark alluded to the question of expense in this consideration, the existing staff being very costly under present conditions.

6446. Sir George Godfrey said that he could not subscribe to the opinion that nothing had been done by the railway officers. He observed that the whole matter turns on shortage of rolling stock and assumes greater prominence at some times than at others. He mentioned that the system of bribery had now been wiped out at the collieries, where a new system has been introduced in connection with wagon allotments. The Chairman mentioned that this was the first time that the Committee's attention had been drawn to the case of the collieries. It seemed to show that methods could be devised which would enable things to be remedied. He mentioned that it was a very regrettable position that the Railway Committee should be told, as it had been in one place, that people "did not know how high this kind of corruption goes."

6447. The Chairman said that it was only fair to recognise that the Railway Board has no competent officer on its headquarters staff who could be sent round to investigate such matters as this, the engineering experts being clearly not qualified in these matters.

6448. Mr. Purshotamdas mentioned that a witness in Lahore had mentioned that the punishments meted out to railway servants in connection with bribery cases were far from being deterrent, and that men had only been reduced by one grade or transferred from one station to another. He enquired whether the Railway Board had called for any information as to what measures railways had adopted in this respect. Sir Arthur Anderson thought that the Railway Board should call for a report on the subject from all railways, and Mr. Hiley agreed that this seemed very desirable.

6449. With regard to the passenger service, Mr. Purshotamdas referred to the proceedings of a conference which was held at Lucknow when Sir Henry Burt was the Agent of the Oudh and Rohilkhand Railway, and the discussions at which led to great satisfaction on the part of the public. In his opinion it would be of great advantage if such conferences were held regularly. Even if all the requests could not be complied with, it gave a feeling of satisfaction to the public to realise that efforts were being made to consider their requirements, and they would more readily appreciate the difficulties of the railways.

6450. Mr. Clark mentioned that if any scheme of privately-owned wagons could be devised which showed promise of success, it would be necessary to refer in the first instance to the several railway administrations for their consideration.

P.S.—In compliance with a request by the Committee the Railway Board subsequently furnished the following list of Technical Papers issued by the Railway Board, in Press, or under preparation, since 1917:—

No.
187 First Report of the Indian Railway Bridge Committee.
188 Relation of Weight of Rail to Axle Load.
189 Schedule of Dimensions (proposed) 2 ft. 0 in. gauge.
190 Screw Spikes *versus* Dog Spikes.
191 Ferro-Concrete in India.
192 Rules for the Preparation of Railway Projects, with Supplement.
193 Oil Fuel Trials on the North-Western Railway.
194 Note on Types of Extensometers.
195 Parsons' Patent Permanent Way.
196 Best Process for Treating Railway Sleepers, with Supplement.
197 Ruling Gradients and Minor Details of Alignment.
198 Second Report of the Indian Railway Bridge Committee.
199 Impact on Railway Bridges.
200 Cement Concrete Blocks for Liquid Fuel Tanks.
201 Locomotive Design in relation to Gradients and Curves.
202 Locomotive Design as it affects the Bridge Engineer.
203 Cast-Iron Sleepers.
204 Possibilities of Steam Railway Electrification.
205 Renewal of Girders, Kiul Bridge.
206 Train Resistances.
207 New Hump Marshalling Yard, Feltham.
208 Notes on Railway Surveys.
209 Control of Railway Traffic by Telephone.
210 Notes on Motor Traction and Road Railways, including Stronach Dutton System.
211 Third Report of the Indian Railway Bridge Committee.
212 Some Aspects of the Gauge Question.
213 Substitute for Track Circuit.

No.
214 Motorising Railway Terminals (reprint).
215 Hardinge Bridge (reprint).
216 Stability of Hill Slopes.
217 Concrete Sleepers (compiled, with Preface).
218 Wheel Dimensions and Crossing Clearances for the Four Gauges.
219 Heavy Steam Ghat Engines (Cole).
Steam *versus* Electric Locomotives for Ghats (Stone).
Steam *versus* Electric Traction for Suburban Traffic (reprint).
Transport and Fuel Organisation, America (Cole).
Technical Training in America (Cole).
Track Stresses, First Report (reprint).
Track Stresses, Second Report (reprint).
Double-headed Rails (Strachey).
Fourth Report, Indian Railway Bridge Committee, Appendix and Provisional Preface.

Under preparation.
- Comparative Economy of Different Types of Rails and Sleepers.
- Preparation of Traffic Density Diagrams.
- Experiments with Long Bogies.

FIFTY-THIRD DAY.

(Delhi).

Saturday, 5th March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, KT., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The Hon'ble MR. E. M. COOK, C.I.E., I.C.S., attended for the purpose of an informal discussion with the Railway Committee. Mr. Cook explained that he did not appear to give evidence before the Committee but understood that the conversations would be of an informal character. He said he would have no objection, however, to the summary record of the discussion being printed ultimately, together with the other records of the Committee's proceedings, which it is understood will be published in due course.

6451. The Chairman observed that the disadvantage to the railways of the existing system of regulating the railway expenditure by means of annual budget grants, the amount of which is dependent on the general financial position of the Government, needs little demonstration, an example being that of the Itarsi-Nagpur Railway whose construction was agreed to be important in 1907 and funds for which have been forthcoming since its commencement in 1908 only by means of relatively small annual doles. He asked whether Mr. Cook saw any administrative method of preventing such inconvenience to the railway administration, short of a complete separation of the railway finances, and the adoption of a system under which the railways would practically deal with the Finance Department or the Government of India as creditors who have lent a certain amount of money on fixed conditions. Mr. Cook said that he could see no method within the existing administrative framework of attaining the object in view, namely, a guarantee of a steady supply of funds for railway purposes on a scale which would be considered reasonable by the railway authorities. He considered that, so long as the resources of the Government of India as a whole are inadequate, Government must deal with the demands made upon it in the order of importance, and it may consequently be necessary for railway demands to share in the general vicissitudes of the finances of the country. He said that a certain sum might in practice be guaranteed to railways for annual allotment for capital purposes, but any sum to which the Finance Department could commit themselves in this way would certainly not be anything like enough from the point of view of the railways. He recognised that at the present time railways are suffering from the general difficulties experienced by the Government of India in financial matters, this accounting, for instance, for the proposed fixation of the capital grant for the coming year at a figure much below that which might usefully be spent.

6452. The Chairman observed that he could not picture to himself the railway authority as completely independent of the control of the Government of India. There must be some general check by Government on the railway finances, but still the separation of the two financial systems would make a great difference in the direction of freeing the railways from the inconveniences of which they at present complain. As Mr. Cook could suggest no *via media*, it seemed clear that either the present system, possibly with minor changes in detail, must be maintained, or else a scheme must be devised for separating the railway finances.

6453. Turning to another point, the Chairman observed that the Committee had a feeling that the railway budget is charged with expenditure which would not be admitted as fairly chargeable to it on commercial principles. For example, expenditure

appeared to have been incurred on a higher scale on parts of the North Western Railway (even apart from the purely strategic sections) because of the circumstance of this line leading towards the frontier. Mr. Cook said that, generally speaking, he was aware of the existence of such cases. He thought that from the purely departmental point of view, the Finance Department would have no feeling in the matter, as it does not make much difference to it where the expenditure was charged, but he observed that the allocation of expenditure is a question for the Auditor-General. He believed that the general principle observed as a rule of classification was that expenditure should be charged to the Department in which the outlay is incurred without reference to the object of the outlay, and accordingly that, as the expenditure in this case was incurred on, and by, though possibly not for, the railways, it is charged to the railway account. He mentioned that there were similar cases of expenditure in the Military Department which might theoretically be debited to other Departments. He said that the railway practice is thus only the same as prevails in other Government Departments, though doubtless it is on a larger scale in this case.

6454. The Chairman asked whether Mr. Cook could see any difficulty in an arrangement being made for the debit of a reasonable sum to military funds, on the general basis that the capital of the military line should be charged to the army, as well as a reasonable sum on account of the annual loss incurred by the North Western Railway in working unprofitable sections opened and maintained for military purposes. Mr. Cook said that he could see no financial or accounts difficulty in this, but that the result would, of course, be a very large increase in the amount of the military budget.

6455. The Chairman observed that the Railway Board, being evidently thankful for even the hope of small mercies, were willing to accept the responsibility for the existing railway system as a whole including the military lines, holding only that in future military expenditure should be charged with the cost of new strategic railways. Mr. Cook agreed that there would be practical difficulties in re-adjusting past payments, and that it would be best to let by-gones be by-gones in the manner suggested by the Railway Board. The Chairman thought that railway expenditure already incurred for military reasons might be treated in much the same way as contingent assets and liabilities are sometimes included in a commercial firm's accounts. Mr. Cook said that he feared the correct analogy would be that of a bad debt.

6456. Mr. Cook said that he did not think that railways could expect to be relieved of the cost of such items as the construction of a station built for ceremonial purposes. The Chairman agreed that if, for instance, the Great Eastern Railway in England wanted to build a new station at Sandringham, they would themselves bear the cost. He thought, however, that if it were a question of such outlay as is contemplated in connection with New Delhi, where it is proposed to remove a certain railway line purely for the purpose of beautification, such a case is more doubtful. Mr. Cook agreed that such a case is at least on the border line. The Chairman mentioned in this connection that information given by the Railway Board showed that it is proposed to charge only about Rs. 8 lakhs to the Imperial Delhi account on account of the realignment of the Agra-Delhi Chord Railway, for such purposes as mentioned above; but that a sum of Rs. 150 lakhs is to be charged to the railway budget for works largely necessitated by the construction of the new capital.

6457. Mr. Cook said that the financial control of the railways is not on all fours with that of other departments, the powers of the Railway Board being generally speaking much wider than those of other departments of Government. He was not in a position to speak as to the details of control of establishment expenditure, but he understood that the Railway Board have very wide powers in these matters, although such questions as the pay of the highest officers, a general revision of scales of officers' pay, or the improvement of the pensionary status of a class of officials, would still be referred to the Finance Department. The Chairman mentioned as a typical case of restriction of powers the obligation on railway administrations to refer to the Railway Board cases involving increases of salaries above Rs. 250 per mensem. Mr. Cook said that these cases have not to be referred by the Railway Board to the Finance Department.

6458. With regard to budgets, he said that from the Finance Department's point of view it is immaterial how money is spent once it has been allotted. If, for example, an allotment were included in the railway budget for the Itarsi-Nagpur Railway, it would be open to the Railway Board to increase or reduce that provision during the course of the year by counterbalancing changes under other heads. Sir George Godfrey agreed that, once sanction had been accorded to a project and funds had been allotted for expenditure in any year, the Railway Board can alter the allotment, if necessary. Mr. Cook said that the Finance Department only regards the budget figures as a whole, and is not concerned with detailed allotments for individual works. In reply to Sir Henry Burt and Mr. Tuke, he said that the Finance Department exercises control over redistributions of the budget provision between India and England, above a certain limit within which the Railway Board can operate. This was necessary for reasons connected with exchange, and ways and means, but he was not aware that the Department had ever found it necessary to object to the Railway Board's proposals for redistribution.

6459. He did not think that the Finance Department troubles much about the redistribution of budget provision between "ordinary" and "programme revenue" working expenses once these have been fixed. A discussion arose here as to what exactly is meant by "programme revenue" expenditure. It was thought by some present that this refers exclusively to expenditure on revenue account, which is associated also with capital expenditure, as, for instance, the cost of a work which involves a betterment, a part of which being therefore charged to capital. It was believed by others that "programme revenue" is a term applied to all such large measures of renewals as are undertaken as self-contained schemes, capital outlay being almost invariably but not necessarily associated with these.

6460. An opportunity of consulting Mr. A. M. Hayman, Deputy Accountant General of Railways, in this connection, was taken. Mr. Hayman placed before the Committee a draft official definition of "programme revenue expenditure" which is being incorporated in a Code now under revision. It reads as follows:

> "Programme revenue expenditure comprises all revenue expenditure connected with betterments chargeable to capital, all revenue expenditure on renewals (including casual renewals) of rails, sleepers and fastenings, such as fish-plates, fish-bolts, spikes, points and crossings, switches, tongue tails, etc., and revenue expenditure on wholesale renewals or strengthening of bridges and girders involving a debit to capital."

In view of the foregoing definition, Mr. Hayman explained that it was rightly held that capital expenditure is associated with all programme revenue expenditure, except in the case of rail renewals, in which this need not be the case.

6461. In reply to Sir George Godfrey, Mr. Cook explained that the Finance Department is not concerned with the technicalities of railway expenditure estimates. They might challenge a project on the ground that it was not a proper object of expenditure, or that the smallness of the estimated yield did not justify its being financed from loan funds, or that liability for so large an amount as involved could not conveniently be undertaken. They took

no responsibility for ensuring a continuous supply of funds to enable a work, once started, to be carried to completion at an economical rate. The Railway Board had to make the best use of the funds placed at their disposal from year to year.

6462. Referring further to the question of programme revenue expenditure, Mr. Cook explained that what happens in practice is that working expenses proper are admitted as inevitable, apart from any difference between the Railway Board and the Finance Department as regards the reasonableness of estimates, as such, so that the Finance Department does not make any reductions under this head. Programme revenue is, however, regarded as susceptible of reduction. The Chairman urged that, if a railway includes in the programme revenue provision for renewing rails which have passed the accepted reasonable "life," this is really expenditure necessary on revenue account, and, if it is not sanctioned, the railway is practically to that extent living on capital. Mr. Cook urged that the Finance Department may cut down the total provision for programme revenue, but does not reduce the allotment for any specific work. He observed that to some extent the programme revenue depends on capital allotments, and when, as proposed in the coming year, the capital provision is reduced, it is only reasonable to cut down programme revenue also. In fact, this had been done, though only to a much smaller extent than would have seemed justified.

6463. The Chairman pressed the point that, from the accountancy point of view, the Finance Department could have no right to make a reduction in the provision for necessary renewals, quite apart from the question whether it is in a position or not to spend additional capital on improvements. Mr. Cook emphasised his point that, if programme revenue proposals as first put up together with a large capital demand were reasonable, they must be too high for a programme of work in which a considerably smaller capital outlay is proposed. He thought the question of principle taken by the Chairman is affected by the consideration that for many years the Indian taxpayer has contributed largely from revenue to capital purposes. He mentioned that, in the 17 years ending in 1914, on an average about one crore per annum had been provided from general revenues for railway purposes more than the taxpayer had received in the shape of nett yield from railways.

6464. The Chairman agreed that, if it transpired that, on the whole, the taxpayer had contributed more to capital than he had received in this manner, it might alter the force of his criticism, subject always to the consideration that there might have been so large a failure to provide adequately for renewals as to alter the balance. He said that his point would be met if the public were plainly informed, in the event of the Finance Department finding it necessary to underspend on revenue maintenance, the fact that they were doing this and that the nett revenue was correspondingly enhanced at the cost of the property. It might, of course, be quite reasonable to defer revenue maintenance to meet more pressing claims. He thought, for instance, that a company would be willing to defer revenue maintenance if this were the only alternative to failing to meet its debenture claims.

6465. Sir Henry Burt mentioned that programme revenue expenditure may cover revenue outlay which is not in any way connected with renewals, for instance, expenditure on remodelling a railway yard or the reconstruction of a railway building; it might thus happen that a reduction could be made without affecting the renewal programme at all. The Chairman agreed that, provided only programme expenditure of that kind were postponed, the force of his criticism would disappear.

6466. Referring to the modification by the Finance Department of forecasts of receipts and expenses submitted by the Railway Board, Mr. Cook said this was not done to meet the exigencies of the budget, but rather as a matter of better estimating. He said that it was the case that the Finance Department do modify the estimates sent to them by the Railway Board of gross traffic receipts. They did this on the basis of, in some respects, wider knowledge, and also because their staff, who are occupied constantly in matters of estimating, are more expert in this respect. He mentioned the following figures as showing that, generally speaking, the estimates adopted by the Finance Department are nearer the mark than those of the Railway Board:

Year.	Railway Board's Estimate.	Finance Estimate.	Actuals.
1916–17 ...	55	56½	62¾
1917–18 ...	60	62¾	68⅜
1918–19 ...	72	70½	76¼
1919–20 ...	72	80	79
1920–21 ...	81½	84	82 probable.

He observed that usually the Finance Department was nearer the mark than the Railway Board. He mentioned that not only the Railway Board, but all Departments, are usually too pessimistic about their receipts.

6467. Mr. Cook stated that no deferred maintenance account had been kept by Government, apart from the £20,000,000 which had been put aside, but since spent on general ways and means purposes, including railways. He agreed that there must now be a heavier debit to revenue than normally, not only on account of the amount underspent in the past, but because of the greater cost of making up these arrears at current prices. He agreed that arrears should be made up at the cost of revenue, and not by borrowing fresh capital. He believed that the increased ratio of working expenses to receipts in the estimates for the coming year is partly due to special provision being made for making good the arrears. He suggested that the Accountant-General of Railways should be referred to for fuller information in this connection.

6468. In reply to Mr. Tuke he observed that, on account of the railways not having been able to spend money on renewals during the war, the railway receipts were very much swollen, and this no doubt contributed towards the ability of the Finance Department to set aside the £20,000,000, to which he had referred. Mr. Cook said that, though agreeing generally in this, he could not say that the £20,000,000 were provided directly from railway earnings as the Finance Department was concerned with the revenues as a whole.

6469. With regard to the question of modification of the railway budget by the Secretary of State, Mr. Cook explained that the railway figures are included in the budget proposals which are sent to the India Office. The India Office is, of course, entitled to interfere, and does sometimes interfere, with the budget, and this frequently led to much discussion. He could not, however, remember a case in which the capital or revenue railway figures had been altered at the instance of the India Office, though it was, of course, open to them to reduce them. Generally speaking, the India Office do not interfere with the Indian estimates of revenue, but confine themselves to criticising changes from current rates of expenditure, new taxation proposals, etc.

6470. Mr. Cook believed that no adjustment of interest charges is made on account of stores indented for revenue purposes lying for a time at the charge of capital. He suggested, however, that the Accountant-General might be referred to for information on this point.

6471. With regard to the proposed allotment of £15,000,000 for capital purposes in 1921-22, the Chairman observed that the railways had originally asked

for 35.7 crores rupees after having had impressed upon them the necessity for cutting their demands to the utmost. The Railway Board had admitted Rs. 28 crores as being urgently necessary, but the Finance Minister had been unable to make an offer of more than £12,000,000 at the time, which has since been increased to £15,000,000, more than £5,000,000 of this being provided for from the anticipated lapse in the current year. Mr. Cook mentioned in regard to the last point that as the estimates now stand it was expected that there would be no lapse in the current year, otherwise the figures quoted were correct.

6472. With regard to the question of borrowing money, Mr. Cook said that he was not in a position to express any opinion as to the prospects of getting any appreciable sum in sterling on the London Money Market. His purely personal opinion was that the Government of India would probably agree to pay higher rates in America or England to obtain the necessary capital than in India. They were very anxious to receive practical proposals for raising the necessary funds, and would be glad to see worked out some such proposals as that for payment for wagons by means of short term bonds. Mr. Cook thought that there is a good deal to be said in favour of such a method as this of payment for equipment, which, as the Chairman observed, is adopted freely by the most solvent concerns in America and elsewhere, such as the Pennsylvania Railway which obtain equipment practically on the hire purchase system, the ownership of the stock remaining in the supplier until the last instalment is paid. He did not think that this need be regarded as beneath the dignity of the Government of India as had been suggested by one witness before the Railway Committee. Mr. Cook explained that roughly speaking, the financial position is that, if the difficulties of the next nine or ten years can be tided over, then it is highly probable that the present conservatism of the Government of India will meet with a substantial reward.

6473. The Chairman mentioned that there is a strong Indian objection to higher rates being paid for money in America and elsewhere than is offered to Indian subscribers, Indians naturally holding that they should have the same opportunity as the foreigners. Mr. Cook thought that it would not be in the interests of railways or of the Government of India to increase avoidably the rates for loans issued in India. Mr. Cook mentioned that during and since the war larger loans than formerly had been issued, and the rates of interest offered from time to time had been increased until they had now reached the rate of 6 per cent. free of Income Tax. This had caused serious depreciation in other Government securities, and strong representations had been made to the Government of India on the subject. The only way of stopping depreciation would be to stop borrowing altogether, which is not practicable, but the Government had every reason to try to rehabilitate its credit and to pay off its short term debts. There are some Rs. 93½ crores of short term debt, apart from other liabilities to be redeemed in the next nine years, and the Finance Department also had to take into account the necessity for reducing both its floating debt (in the shape of treasury bills held by the public) and also that portion of the currency note issue which was backed only by its own notes of hand. Mr. Cook agreed that perhaps even Rs. 40 crores might be borrowed this year if Government were willing to offer a very extravagant rate of interest, but this would probably mean that it would have to go on giving higher and higher rates year after year.

6474. The Chairman said that he appreciated the considerations Mr. Cook had in mind, but clearly if the Railway Committee were to suggest borrowing at higher rates elsewhere than in India, they would have to meet the criticism of Indians who laid stress upon the foreign exploitation of India. Mr. Cook referred to recent discussions in the two Chambers of the Legislature on the question of borrowing and said that there had been a practical unanimity amongst Europeans and Indians against increasing the rate of Indian Government loans. Financial experts had been consulted and their feeling in the matter appeared to be all against outbidding in each year the return offered in the previous one.

6475. Mr. Purshotamdas asked whether the Government of India have any control over borrowing by provincial Governments, alluding in this connection to the issue of the Bombay Development Loan at 6½ per cent. free of income-tax. Mr. Cook replied that the Government of India could control the provincial Governments' borrowings, but he could not speak as to the merits of allowing the Bombay Government to raise that loan, though it would undoubtedly tend to reduce the amount available for the Government of India's own borrowings. As regards the Calcutta Corporation loan, which was also raised at a high rate of interest, Mr. Cook explained that it did not matter very much as it was not thrown on the market and was all taken up privately.

6476. Mr. Purshotamdas said that the Indian taxpayer undoubtedly claims that he should have an opportunity of contributing to Government loans at the same rate as is allowed to foreigners. In reply to Mr. Sastri, who asked whether Mr. Cook regarded it as an imaginary or a substantial grievance that the people of the country were not allowed to subscribe at the same rate as foreigners, Mr. Cook said that people might, of course, consider that they had a grievance, but he thought that if it were properly explained to them, they would see that the action taken was in the best interests of the country. He said he readily deferred to the assurance of Mr. Sastri and Mr. Purshotamdas that a feeling of grievance existed in this connection, though it had not previously come to his notice. He agreed with the Chairman that the unanimity to which he had referred amongst those who had been consulted against increasing the return on Government of India loans, might be partly due to the fact that they were not contrasting the possibility of issuing loans at higher rates elsewhere and lower rates in India, but had only been considering the question of increasing the rates payable on Indian loans in general.

6477. In reply to Sir Henry Ledgard, Mr. Cook said he thought there might be something in the suggestion of borrowing from provincial Governments for railway purposes, if the idea were that the local Government, by taking advantage of local patriotism, could in the net result get more than the Government of India could secure by borrowing direct. He thought, however, that it would be necessary to consider the extent to which such local borrowing would compete with the Government of India's loans. He thought the case of Bombay was a bad illustration, as Bombay is in any case the largest market for the Government of India loans. He could give no general reply to the question whether it would be worth obtaining money in this manner or from financial syndicates. He thought the feasibility of accepting such propositions would depend entirely on the details of the actual case put forward. He did not think that a general principle could be laid down.

6478. With regard to the levy of English income-tax in the case of debenture interest paid to Indian holders of these securities Mr. Cook recognised that, if the debentures were issued by a company domiciled in England, the English income-tax would doubtless be leviable. He thought, however, that the questions of English income-taxation could only be answered authoritatively in London.

P.S.—An informal communication was subsequently received from the Finance Department with reference to the extent of the control exercised by that Department over proposals coming up from the Railway Board. It was pointed out that the powers of the Railway Board are so wide that far fewer cases are referred to the Finance Department for sanction than in the case of other Departments. Thus, in the six months ending on the 28th February, 1921, of 14,836 cases referred to the Finance Department

by all Departments, only 225, or 1¼ per cent. of the total, were from the Railway Board. These included only 39 expenditure branch cases, and 84 cases referred for interpretation of general accounts or service rules. The inference was drawn that it might fairly be said that the detailed control exercised over the Railway Board in such matters as the creation of appointments and the like is not of a very onerous nature

FIFTY-FOURTH DAY.

(Delhi.)

Monday, 7th March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Honourable Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The Honourable Sir MANECKJEE DADABHOY, Kt., C.I.E., was called and examined upon a written statement which he had furnished to the Committee.

See Written Statement No. 81, Vol. IV., P. 260.

6479. Sir Maneckjee Dadabhoy explained that he is a Member of the Council of State. He has large private interests in collieries, manganese mines, ginning and pressing factories, cotton and spinning mills, etc., in the Central Provinces.

6480. The Chairman observed that from Sir Maneckjee's written statement he inclined to favour the management of State-owned railways by companies. In connection with Sir Maneckjee's observations on this point, he mentioned that there are no State-owned railways in the United States of America, all the railway lines in that country being private property. Sir Maneckjee said that in his opinion State management is in no way superior to management by companies, and he was of opinion that the balance, on the whole, is in favour of the latter system of administration. He held this opinion because he considered that railways should be worked on commercial lines, and feared that, if the railways were managed directly by the State, the administration would tend to run in a particular groove as happens in all Government Departments. The Chairman observed that practically all the evidence tendered to the Committee by Indian witnesses tends in the other direction. Sir Maneckjee said that he believed this to be due to the general feeling that Indians are not employed sufficiently in the railways managed by companies. In view of the strong feeling on that point, people are inclined to think that the remedy is direct State-management.

6481. The Chairman mentioned that another reason which had been strongly urged in favour of State management is the feeling that Indian commercial interests are not properly attended to, in such matters, for instance, as the quotation of rates. The witness thought that there is not very much in this point. He considered that company railways have to work on the same basis as State-managed lines, and are not likely to levy higher charges. With regard to the suggestion that State lines are more likely to quote specially favourable rates for the development of new industries, Sir Maneckjee thought that companies would also do this knowing that if they failed to do so they would be liable to have their contracts terminated.

6482. Referring to the East Indian and the Great Indian Peninsula Railway Companies, the working contracts with which expire in 1924 and 1925 respectively, Sir Maneckjee said that he approved of the policy announced by the Secretary of State that the management of the East Indian Railway should be transferred to India. When that takes place, he was of the opinion that the management should be entrusted to a company in India, and not directly to the State, provided suitable personnel could be obtained. He expressed the opinion that for many years it will be impossible to man the higher appointments otherwise than by Europeans, believing that Indians will require a great deal of training before they can fill such posts to any great extent. The Chairman observed that the officers taken over with the railway would no doubt remain on the line, and it seemed to him that the immediate question is whether a competent Board can be found in India. The witness thought that the prospects of this are somewhat problematical. He agreed that capable commercial men can unquestionably be found, but doubted if they would be disposed to devote enough time to railway business. The Chairman observed that in England the directors of similar companies devote only about one day per month to their duties as directors. Sir Maneckjee said that in his experience business men are, generally speaking, disinclined to devote their time to service on such public bodies as the Legislative Councils, Municipal Corporations, etc. The Chairman suggested that this is hardly borne out by the fact that representatives of the Chambers of Commerce in Calcutta and Bombay and similar bodies devote their time to the business of the Legislative Assemblies. Sir Maneckjee, however, said that he was speaking of the generality, and did not think that business men have any inclination to devote their time to public work. He agreed that possibly opinion was changing in this matter, and that it might be possible to obtain suitable personnel for the boards of directors; he thought the experiment was at least worth trying. He was therefore in favour of endeavouring to procure the management of the East Indian Railway after 1924 by means of a company domiciled in India. In the case of the Great Indian Peninsula Railway, he thought it would be best on the whole to renew the existing company's contract, though he would like, if possible, that the Board of Direction, or at least a subsidiary Board of some kind, should be located in Bombay.

6483. Regarding the question of the larger employment of Indians in the higher posts, Sir Maneckjee recognised that a real attempt is now being made by railway administrations in this direction, although not, he thought, to the full extent to which it might

be done. He considered it only right that Indians should be given these opportunities of qualifying to fill the highest posts in the railway service. In Sir Maneckjee's opinion, Indians of higher social status do not take kindly to mechanical engineering, partly because they do not like that class of physical hard work. Questioned further in regard to this point by Mr. Purshotamdas Thakurdas, Sir Maneckjee explained that plenty of Indians of a somewhat lower status would be willing to take up this line, but are deterred by the lack of good prospects.

6484. The Chairman said that he would not examine Sir Maneckjee with regard to the question, about which the Committee had received evidence from many others, of the advantage under State management of retaining in India the share of profits which are now paid to the railway companies. He did not attach great importance to this argument as the amounts involved are relatively small.

6485. The Chairman said that the Committee had been told constantly that the companies' boards in London, and the Railway Board, are not in touch with public opinion, and asked what Sir Maneckjee's views were on this point. The witness thought that public requirements are now so well ventilated in the Press and in the Legislative Assembly that the Railway Board are much more in touch with public opinion than they used to be. He thought that the Companies' Boards are also more *au fait*.

6486. Sir Maneckjee said that he had no faith in Advisory Boards, and therefore was not much in favour of assisting the Railway Boards by means of a body alongside of it comprising representatives of important industries, different localities, the travelling public, and so forth. He favoured rather the altering of the constitution of the Board itself and enlarging it so that it should include a representative of commercial opinion. He was much more in favour of bodies which can themselves take action than of bodies which are merely consultative.

6487. The Chairman observed that the Railway Board had at first rather inclined to the same view, and proposed that there should be a business man amongst their number. He suggested that it might, however, prove that a commercial man included in the Board would be inclined to press the commercial aspect of rates propositions, without paying due regard to the railway side of the question, and that a commercial representative taken, for instance, from Calcutta would naturally tend to demand more consideration for the needs of that locality than of others. The witness disagreed, holding that the right man would take a broader view, and would prove of real assistance to the Railway Board. He suggested that the appointment might be made only for two or three years, and that the holder of it should be selected in turn from different parts of the country. The Chairman suggested that railway rates are a highly technical subject which could hardly be properly administered if the changes were so frequent as this. Sir Maneckjee, however, thought that the system would work well in practice, and that the commercial member of the Board would obtain sufficient guidance as to technicalities from his colleagues.

6488. The Chairman drew attention to Sir Maneckjee's written statement in which he alluded to the steady devolution of authority contemplated under the Reform Scheme, from the Secretary of State to the Government of India. Sir Maneckjee considered that sooner or later, and preferably sooner rather than later, every decision regarding railways must be taken by the Government of India without reference to the Secretary of State. He thought that there was much more force in the objections, taken in India, to the Boards of Directors of the Indian railway companies in London going behind the back of the Government of India to the Secretary of State than there was advantage in that procedure. He considered that the Secretary of State is necessarily largely ignorant of Indian requirements, and that decisions in railway matters should be left to the Government of India.

6489. Questioned with regard to his views on the subject of the appointment of a permanent Chairman nominated by Government, Sir Maneckjee admitted that there is considerable force in the objections to this suggestion. The Chairman observed that, if the Chairman were at once a permanent official, an expert in railway matters and a representative of Government, he must clearly dominate the Board, the rest of which could have little influence. Sir Maneckjee said that he fully appreciated this point, and that he only supported the suggestion for appointing a Government-nominated Chairman because of the importance which seemed to be attached to making provision for greater continuity than might otherwise be secured.

6490. Referring to the witness's recommendation that a percentage of the shares of the existing railway companies should be placed upon the market for the behoof of Indian investors, the Chairman observed that since any Indian purchaser of the shares in an English company has to pay 30 per cent. English income-tax, an investment in shares paying, say, 8 per cent. would not be attractive. The witness agreed that any investment of Indian capital in England is handicapped in the circumstances. He expressed the hope, however, that the existing higher rate of tax might not be permanent. The Chairman feared that it was likely to last for a good many years at best, and asked whether the witness saw any other way of transferring the control of the existing companies to India than by purchase of a majority of the capital. Sir Maneckjee thought not, but believed that new companies might be floated in India. He expressed the opinion that English investors can now do so well in the United Kingdom that they will be reluctant to invest in India, and he thought that Government will in future find it necessary to rely much more upon the Indian money market for its requirements.

6491. In Sir Maneckjee's opinion, the Railway Board should be liberalised. He was inclined to think that only the Chairman and one other member need have technical railway knowledge; the other members should be: one an expert financier, and one a commercial man. There should be a competent Secretary, who would be a trained railway man of high status, and should draw almost the same salary as a Secretary to the Government of India. He thus did not recommend the abolition of the Board system but would give the President of the Board a seat in the Viceroy's Executive Council. The Chairman suggested that a President of the Board who acted as a member of the Council could hardly go to the Council to represent the view of a case in which he had been in a minority on the Railway Board. Sir Maneckjee, however, thought that this difficulty would have to be faced unless the Railway Board is separated altogether from the Government of India—a step which he thought would be fundamentally opposed to the principles of the Government of India Act, and which he thought impracticable. He agreed, however, that the President need perhaps not be tied down to the decisions of the Board, and that he might be given a position of greater control than he had at first contemplated. He did not think there would be such difficulty in practice, owing to the dual function of the President of the Board, as apprehended by the Chairman.

6492. Sir Maneckjee stated that, in noting in his written evidence that the annual allotments for new construction, far from being inadequate, have erred on the other side, he intended that this should be read with the rest of his note. What he meant to convey was that the present railway system is so defective that it is entirely wrong to spend money in new construction until it has been put in order. He was by no means opposed to further extensions; on the contrary, he is in favour of them, but contended that these should not be undertaken until open lines are brought up to an adequate standard. He considered the action of the Government very wrong in dragging out the construction of the Itarsi-Nagpur Railway, which had been started in 1908 and is not yet completed. He considered that this line, and also the Warora-Ballarshah line, which is under construction, should be completed as soon as possible.

6493. In this connection, the Chairman drew attention to Sir Maneckjee's written statement that the attempt to increase the supply of funds for railway purposes, whether by additional taxation in the shape of increased railway rates or by increased budget allotments, will be viewed with suspicion by the Indian public. Sir Maneckjee explained that the feeling to which he referred is that entertained by many people that railways have been pushed ahead too rapidly at the cost of other important interests, such as education, sanitation, irrigation, and so forth. Subject to this, he thought that on the whole the public generally would probably not object to expenditure on railways even to the extent indicated as necessary by the Railway Board, who had estimated an expenditure of Rs. 30 crores per annum for three years on open lines alone.

6494. The Chairman, referring again to Sir Maneckjee's opinon that advisory councils are not likely to be of much use, said that it might easily occur that the one member whom the witness recommended should be appointed to the Railway Board as a representative of commercial interests, might be a European; he asked in that event how Indian representation would be obtained. Sir Maneckjee thought that Indian opinion is already articulate in the public press and in the councils. He did not think that an advisory committee would add to what the Railway Board at present know or have means of knowing.

6495. Mr. Purshotamdas Thakurdas asked the witness's opinion in connection with his suggestion that there should be a subsidiary Board for the Great Indian Peninsula Ralway Company if he was opposed, as he had stated, to the creation of Advisory Boards. Sir Maneckjee explained that he was not actually opposed to these; he would let them be appointed if it was thought that they would be of any use, though he did not personally anticipate much good from them. Mr. Hiley asked whether Chambers of Commerce which are able to bring effective pressure to bear upon Government are not themselves purely advisory. The witness said that he thought much would depend on whether the advisory council would be permanent or not. He thought that, if it is to be of any use, meetings should be frequent; he did not think that quarterly meetings would be of much use. A good deal would also depend on the personnel of the council. Sir Arthur Anderson observed that it is not uncommon at present for meetings to take place between the Honourable Member in charge of the Railway Department, or the members of the Railway Board, and public bodies such as Chambers of Commerce and Associations. The witness observed that these interviews are not very frequent, and are usually too brief to allow of matters of railway policy being fully discussed. In reply to Mr. Purshotamdas, Sir Maneckjee admitted that, as far as the Central Provinces was concerned, no such interviews had taken place.

6496. In reply to the Chairman, who asked what his personal experience of the railway service had been, Sir Maneckjee said that he had found that the railways were undoubtedly doing their best with the means at their disposal. He was speaking specially of the Bengal Nagpur Railway and the G.I.P. Railway, of which he had most experience. So far as the G.I.P. Railway was concerned, congestion on the Bombay side appeared to be responsible for the difficulties experienced. There were strong complaints against the shortage of wagons for coal and cotton transport, but he thought that, taking all interests into account, the existing distribution of wagons is fair. He had no experence of any such delay in transport, as was mentioned by the Chairman in connection with the despatch of some Punjab-American cotton which had been sold to a firm in Nagpur and which was not delivered there until six months after the purchase. In his own case he found that delays up to six weeks or two months are not uncommon. The probabilities of such delays are taken into account in his business.

6497. Sir Maneckjee stated that at the present moment, large quantities of manganese are awaiting shipment because they cannot be moved to Bombay, the position being that there is plenty of manganese available, plenty of shipping at the port, and a good market in the United Kingdom; but the business was hampered by the impossibility of getting wagons to convey the material from the Central Provinces to the port. He said that 300,000 to 400,000 tons annually of manganese are exported *via* Calcutta and Bombay. Before the war the greater part went *via* Bombay, the distance to that port being shorter and the rates cheaper. Sir Rajendra Nath Mookerjee mentioned that an attempt had been made before the war to equalise rates to Calcutta and Bombay, but the Railway Board had refused to agree. Sir George Godfrey mentioned that the position was that empty coal wagons were running back to Bengal, and the B.N. Railway were anxious to utilise them for the conveyance of manganese; but to secure the traffic it would have been necessary to reduce the rates below the prescribed minimum, to which the Railway Board had refused assent.

6498. In reply to Sir Rajendra Nath Mookerjee, the witness stated that he had direct dealings with the Railway Board, and, so far as his experience had gone, he had obtained satisfaction from them.

6499. Replying to Mr. Hiley, who asked how far the manganese industry is handicapped by the shortage of railway facilities, Sir Maneckjee stated that about 40 per cent. more manganese might be despatched but for this obstacle.

6500. In reply to Mr. Purshotamdas, who asked whether the witness' satisfactory experience in his dealings with the Railway Board might be taken as representative of that of an average Indian merchant, having regard to the high position held by him, and the standing of his business, which is that of a first-class commercial house, the witness said that the question was difficult for him to answer. Mr. Purshotamdas expressed the opinion that the witness held a privileged position, having a special facility of access to the Railway Board and other authorities, in which respect the average Indian merchant is not so fortunate.

6501. In reply to Mr. Purshotamdas in connection with his recommendation for the retention of the Great Indian Peninsula Railway Board in London after 1925, the witness said he saw no special advantage in transferring that Board to India. Mr. Purshotamdas suggested that one advantage would be that it would no longer be 6,000 miles away, and would, therefore, be in better touch with local requirements. The witness thought that, in these days of quick telegraphic communications, a great deal of importance need not be attached to this consideration. He thought that, so far as the question of being in touch is concerned, the Board of Directors are in constant communication with their agent, and, through their agent, with the Railway Board in India. He agreed that the location of the Board so far away is, nevertheless, to some extent a drawback.

6502. His objection to the alternative of setting up Indian boards was that to which he had already referred, namely, the difficulty of securing a suitable expert personnel. Mr. Purshotamdas urged that this difficulty could be got over by the engagement of experts with European qualifications to serve under the direction of the Indian Company's Board. He cited the success of the Tata firm which has an Indian board, and which employs European experts as freely as necessary. The witness thought it an advantage of the existing system that the Boards in London are composed largely of experts of mature experience; the absence of Indians from them is doubtless a disadvantage, but is inevitable.

6503. Mr. Purshotamdas referred to the witness's reply to the Chairman that Indians did not take kindly to mechanical engineering. The witness said that as good prospects do not exist in the mechanical

engineering line as in the civil engineering. The Chairman observed that he had also said that Indians did not like the hard mechanical work. The witness explained that this remark applied only to men of the class of University graduates, who did not like hard manual labour. On the other hand, there was a large class of people who had not passed any examination who were willing to take to this line. In his own mills he had tried to get qualified men for training in mechanical engineering, but did not succeed. Formerly graduates used to apply to Messrs. Tata to be apprenticed in mechanical engineering, but not recently.

6504. The witness stated that the competition between State and company-managed railways was such that reduced rates were necessarily levied. Mr. Purshotamdas asked whether there was any competition at all. The witness thought that each system acted as a wholesome corrective to the other. As regards the wide freedom which the companies' lines have, to levy rates between the maxima and the minima prescribed, the witness said that the general informed opinion was that railway rates were too low in India, considering the rise in wages and the cost of materials, and that it would probably be necessary to revise them. So far as schedule rates were concerned he understood that the railways had to obtain the sanction of the Railway Board before putting up their rates. Mr. Purshotamdas urged that the companies could levy any rates within the maxima and minima, and that if an industry suffered in their manipulation of rates within the limits imposed, nobody could control them. In the same way they might not carry out a recommendation which the Legislative Assembly might pass, that a particular industry should be charged special rates. The witness observed that the resolutions of the Legislative Assembly were in any case only in the nature of recommendations, and it did not follow that they would be carried out even by the Departments of the Government.

6504A. The Chairman remarked that the implication of Mr. Purshotamdas that the companies should carry out all the recommendations of the Legislative Assembly, would mean a negation of company management, and an assertion of entire State control. The witness said that, if the control of all railways were transferred to the State, railways would constitute a Department of Government, and the grievances of the public would then be greater than if they were company managed, the disadvantages of State control being that there would be too much red tape, one man management and frequent transfers.

6505. Sir Maneckjee said that the remark in his written statement that the public are not satisfied with the decisions of the Railway Board was his reading of the public feeling. So far as he was personally concerned he was satisfied with some of the Board's decisions and not with others.

6506. In reply to Sir Henry Ledgard the witness said that the possibilities of the Indian market were revealed by the War Loans. It would be advantageous to the country to borrow in India, even if it were necessary to offer the same rate as would have to be offered in England to secure to the English subscribers the same return, as the money would remain in the country. He thought Indian railways should be worked in Indian interests and that increased terms would attract large sums of money. A large portion, if not the whole, of the Rs.30 crores mentioned by the Railway Board as required for Indian railways would be forthcoming if the issues carried the market rate of interest, and if the people knew that the loans were for railways. The recent flotations in Calcutta, Bombay and Madras proved that there was plenty of money in the country seeking remunerative investment.

6507. Sir George Godfrey asked whether there was a Chamber of Commerce in Nagpur. Sir Maneckjee replied that there was no Chamber at present, but that the establishment of one was under contemplation. To his knowledge no complaint was made by the firms in the Central Provinces to the Government of India about the inadequacy of railway facilities. Sir George observed that it was important that the Government of India should be impressed with the commercial losses resulting from the inability of the railways to take the traffic that offered. The witness thought that the Mining Association had made a representation to Government when the Railway Board's decision was adverse in the matter of manganese transport; they in the Central Provinces had not complained against restrictions on the moving of other goods. He did not think it worth while to complain to Government when it was not possible for it to remedy the difficulties they were labouring under. Sir George remarked that unless they represented their difficulties they could not expect them to be removed.

6508. Sir Maneckjee admitted that there was some misapprehension in the minds of many Indians who considered that railways were being pampered at the expense of irrigation, sanitation, etc., railways being necessary for the carriage of the materials necessary for irrigation schemes, and so on. There was however another side to the case. It was important to protect people from famine, disease and periodical epidemics. Both railways and the other measures of protection ought to receive due consideration.

6509. In answer to Sir Arthur Anderson the witness said that he had not found the Railway Board unwilling to give assistance to his firm, but the experience of the small Indian merchants might be otherwise.

P.S.—In a communication subsequently addressed to the Committee Sir Maneckjee said that he considered that if advisory Boards are to be established these should be of a provincial character; he did not think that an all-India advisory Board would be of much utility. Provincial advisory Boards would be more suitable as they would be in a better position to deal with local matters, being in touch with local conditions.

Rao Bahadur K. Balarama Iyer, B.A., Accountant-General, Railways, and Financial Adviser to the Railway Board, who was accompanied by Mr. A. M. Hayman, Deputy Accountant-General, Railways, was called and examined.

6510. Mr. Iyer stated that his functions as Accountant-General, Railways, are confined to matters of accounts and budgets. He is concerned with such matters as ensuring conformity with the existing rules and advises also on proposals to improve these. Such proposals would, if accepted, be embodied in orders of the Railway Board or the Finance Department.

6511. Mr. Iyer stated that, although audit officers endeavour to pay attention to the spirit rather than to the literal text of rules, there is not much scope for judgment. An audit officer would, for example, be required to ask that formal sanction should be obtained in any case in which an official was appointed on a salary, however slightly above the fixed limit of Rs.250, even if the excess were caused by a wrong estimate of the effect of exchange when the official was engaged in England as a point of principle was involved, namely, that the pay of the officer should have been fixed in rupees. In such cases, reference would be made by a railway administration to the Railway Board within whose power of sanction such appointments would lie.

6512. Speaking of the anticipated increased ratio of working expenses to gross receipts in the coming year, the Chairman observed that the ratio might

be affected either by alterations on the receipt side or the expenditure side. Mr. Iyer explained that the higher ratio in the coming year is due to the increased expenditure. He placed the following figures before the Committee:

STATE RAILWAYS, WORKING EXPENSES.

All Railways, India.

	Actuals.							Revised 1920–21.	Budget 1921–22.
	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.	1918–19.	1919–20.		
Working Expenses—									
Ordinary Expenses	38·7	41·3	40·1	37·9	37·8	39·9	48·6	50·8	49·7
Fuel (in Abstract B only) ...	7·2	7·4	6·5	6·1	5·8	6·1	6·7	6·8	6·9
Programme Revenue Expenditure.	6·1	5·7	4·6	3·3	2·1	2·4	4·3	5·8	10·0
Total Working Expenses	52·0	54·4	51·2	47·3	45·7	48·4	59·6	63·4	66·6

* Adjusted figures due to arrears of 1919–20 paid in 1920–21.

6513. The Chairman observed as regards programme revenue expenditure that, roughly, about 6 per cent. was the normal expenditure before the war. Expenditure on this head had dropped to an obviously inadequate figure during the war, but an effort has evidently now to be made to catch up the arrears. Mr. Iyer stated that he thought that the increase to 10 per cent. under this head for the ensuing financial year certainly represents an effort to make up arrears, and could not be accounted for merely by the enhanced price of materials. Mr. Iyer explained that he had nothing to do with the reduction of provision for renewals. A certain sum is allotted for special or "programme revenue" purposes by the Finance Department, and the Railway Board are responsible for distributing this amount between the several railways.

6514. He stated that as audit officer he takes no cognisance of internal renewal programmes such as exist on the separate railways, under which rolling stock, engines, rails, etc., are considered as falling due for renewal after fixed periods accepted as the normal "life" of the vehicle, etc., in question. He regarded it as the function of the Government Inspector to bring to notice any failure to carry out renewals which were due. In this connection, he referred to the certificates printed in the half-yearly accounts of the Railway Administrations, in which the head of each department certifies that the plant, permanent way, etc., for which he is responsible has been maintained in good working order and repair during the half-year to which the accounts relate, these certificates being countersigned by the senior Government Inspector of Railways. Mr. Iyer placed before the Committee a specimen copy of the half-yearly accounts of a railway, containing such certificates. It was observed that in certain cases the certificates were qualified; for instance, a case in which it was stated that repairs to fencing were somewhat in arrears due to shortage of supplies of wire from England.

6515. The Chairman said that he thought that in an ordinary commercial concern in which it had been recognised that any particular part of the equipment should be renewed after a specified period, the auditor would be notified of this and would not feel at liberty to pass the accounts unless the renewal had either been effected or funds reserved for it. He observed that under the Indian railway system there appears to be a lack of correlation between the renewal programme and the financial accounts. Mr. Hiley confirmed the Chairman's impression that in English Railway Company accounts the auditor would be bound to write down the book value of the plant in accordance with such an accepted programme. In India, however, apparently the audit officer has no cognisance of these programmes.

6516. Mr. Iyer placed before the Committee the following statement showing the balances at debit of the Stores Suspense account at the end of the year 1919-1920:—

Railways.	Stores balances at 31st Mar., 1920 (in thousands).
	Rs.
Assam-Bengal	22,18
Bengal-Nagpur	1,14,29
Burma	40,58
Bombay, Baroda and Central India	1,39,73
Eastern Bengal	2,19,52
East Indian	2,42,16
Great Indian Peninsula	2,45,36
Madras and Southern Mahratta ...	1,00,25
North-Western	2,83,64
Oudh and Rohilkhand	65,64
South Indian	56,79
Other Railways	36,71
Total ...	Rs.15,66,85

The Chairman observed that he understood that all stores were taken into the capital account in the first instance and borne at the charge of capital until issued for revenue purposes. He enquired whether interest charges should not be adjusted in order that revenue should bear its due share of this cost. Mr. Iyer explained that revenue bears interest charges on the whole capital, including the amount at the debit of the suspense account, so that, in fact, revenue does bear the charge in question. He mentioned that, if a railway were handed over for working to a company on the basis of a capitalisation of its earnings, the stores and stock are included as part of the capital assets of the property.

6517. Questioned with regard to his functions as Financial Adviser, Mr. Iyer confirmed the Chairman's impression that he is responsible for indicating to the Railway Board the views of the Finance Minister. He facilitates business by settling on behalf of the Finance Department cases of minor importance, with which he deals at his discretion. More important cases he refers to the financial member, and is in a position to represent the Railway Board's point of view. He said that he was also consulted by the Railway Board on cases falling within their own financial powers. He agreed that in practice he is largely a liaison officer between the Railway Board and the Finance Department. He said that he, as Financial Adviser, has a right to see all Railway Board's cases in which financial interests are involved, even though the subjects may be matters in which the powers of control may have been delegated to the Railway Board. Mr. Iyer said that he does not report in any way direct to the railway member of the Council as distinct from the Railway Board, though the railway member has a right to call for his assistance if he so desires. He mentioned that his notes as Financial Adviser are recorded on the Railway Board's files, and would naturally be seen by the railway member when those files are submitted to him.

FIFTY-FIFTH DAY

(Delhi).

Tuesday, 8th March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Honourable Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. F. J. PRUCE, representative of the Punjab Chamber of Commerce, Delhi, was called and examined upon two statements which had been furnished to the Committee.

See Written Statement No. 82. Vol. IV., P. 264.

6518. Mr. Pruce stated that he was a Member of the Committee of the Punjab Chamber of Commerce. He had been employed for 35 years in railway audit work on State railways, and, since retirement, had gone into business, being now managing partner of Messrs. James Currie and Company, Importers and Commission Agents. Mr. Pruce stated that the Punjab Chamber of Commerce consists only of wholesale firms, and comprises 72 members divided approximately equally between European and Indian firms. The Chamber had been in existence for about 15 years, and includes the whole of the Punjab.

6519. Mr. Pruce explained that the first statement submitted by the Chamber of Commerce, on the 22nd November, 1920, had been framed by the Committee of the Chamber, but that the Chamber had gone more fully into the subject on receipt of the questionnaire, and the result was the second statement prepared in February, 1921. The Chairman said that he would examine Mr. Pruce on the latter statement, observing that its contents generally agreed with those of the earlier one.

6520. The Chairman observed that the Chamber are of opinion that railways owned by the State should be managed by the State itself, either directly or through companies domiciled in India, with boards sitting in India, and having Government representation upon them. He asked how the latter alternative could be reconciled with the statement made elsewhere in the Chamber's note, that capital funds should be raised entirely by Government, in which case it was not clear how companies' management could be utilised. Mr. Pruce explained that the meaning was that the existing companies which at present have boards of directors in England should be transferred to India, but that the Chamber would not recommend that new companies should be set up in India. He said that the Chamber had not addressed itself to the question how this transfer of domicile of the existing companies could be effected.

6521. On further consideration, he was inclined to think that the only thing Government could do would be either to buy out the existing shareholders or wait until the existing contracts fall in, in which case Government would be the sole owners of the railway concern. He agreed that a company should not be used solely as a working agency without subscribing any capital of its own; and he did not think, for example, that there would be any advantage in substituting a board of directors for the Agent of the North-Western Railway, which is at present under direct management by a State Railway Agent. He thought that if a domiciled Indian company were used to work a railway, it would have to put in some additional capital of its own. On the whole, he thought that his Chamber would agree that no new company should be started, and that when the State had bought out an English company it should itself henceforth work the railway direct. He did not see in the circumstances how an Indian domiciled company could really be utilised.

6522. Mr. Hiley observed that the Chamber of Commerce in their written statement had recognised the alternative of direct management by the State, which the witness said they preferred.

6523. The Chairman observed that there seemed to be some discrepancy between the recommendation of the Chamber of Commerce for the association of experienced commercial men in the Railway Board, and the resolution quoted by them of the Associated Chambers of Commerce in India and Ceylon, which recommended the appointment of only one non-official commercial member on the Board. Mr. Pruce said that the Chamber's statement had been rather loosely worded, the intention was simply to support the proposal that one commercial member should be included in the Railway Board.

6524. The Chairman asked whether, if this recommendation were carried out, the commercial member of the Board would not naturally be inclined to look at matters exclusively from the point of view of the requirements of the traders without due regard to the interests of the railways themselves, and whether, if appointed, for example, from the Punjab he would not naturally be regarded by traders in other parts of India as likely to represent special Punjab interests. Mr. Pruce thought that the member would consider the interests both of traders, on the one hand, and of the railways and the country on the other.

6525. The Chairman suggested that the better place for a commercial representative would be outside the Board, pressing upon its attention the requirements of the interest represented by him and not as a member of the Board itself. If an Advisory Board were set up side by side with the Railway Board, it would have the further advantage of enabling more than one representative of commercial and other interests to be employed upon it.

6526. Mr. Hiley explained that the suggestion was that this Advisory Council should advise the member in charge of the Railway Department who, on the other side, would have the assistance of the Board, an expert technical body, in carrying out the conclusions arrived at, and that commercial representatives would be in a better position to press their views than if there were merely one of them on the Railway Board where he might be out-voted by his colleagues. Mr. Pruce thought this a workable scheme and believed that it would be quite acceptable to the Chamber of Commerce.

6527. The Chairman said that he did not propose to discuss with Mr. Pruce the opinion of the Chamber that the supply of funds for new construction and the improvement of existing railways had not been adequate in the past; that the maximum annual capital outlay recommended by the Finance Committee of 1907 is now out of date; that the lapse system is objectionable, or the recommendation that the available capital funds should for the present be devoted to the improvement of existing railways and to the provision of an adequate supply of rolling stock; all of these being points in which the views of the Chamber of Commerce were in accordance with those represented to the Committee by practically all the witnesses hitherto examined.

6528. Mr. Pruce said that the Chamber were in favour of capital funds being raised entirely by Government at the best rate obtainable, either in England or in India. They were opposed to the policy of raising capital by means of branch line terms, both because of the diversion by this means to railway construction of money which should be available for industrial enterprise, and also because only a part of the money subscribed for branch line railway companies actually is expended in construction, a considerable portion of it being paid to the promoters of the branch line companies in the shape of commissions and allowances for expenses. Mr. Pruce considered that Government should raise directly the money required for railway purposes, and thought they would be well advised to pay as much as 6 per cent., or, if necessary, 6½ per cent., to secure an adequate supply of funds. He mentioned in this connection that the railways are a valuable property, earning about 8 per cent. The Chairman mentioned that the high return earned by the railways in recent years had largely been procured by postponing the necessary expenditure on renewals. He doubted whether more than about 5 per cent. could be earned normally, with rates and fares at their present level. Mr. Pruce observed that anyhow the railways are a solvent property, and he thought that rates and fares should be raised as recommended by the Chamber of Commerce. Mr. Pruce thought that from the point of view of not diverting Indian money from industrial enterprise to railway construction, there might be an advantage in raising part of the funds necessary for railways by borrowing in England. He agreed, however, that Indian subscribers should have the option of contributing on the same terms as offered outside the country.

6529. In reply to Mr. Hiley, the witness expressed the opinion that a private company would not be disposed to promote a branch line which did not offer prospects of a remunerative return, though it might be very desirable in the public interest. This was one of the arguments in favour of such enterprise being undertaken by the State. He considered it the duty of Government in the first instance to provide funds for railway construction. The Chamber of Commerce were of opinion that the existing branch line companies should be bought out, and thought that this might be done at the present market value of their shares, which is about 60 per cent. of their nominal value. Mr. Pruce said that he was not, however, in favour of undertaking this operation at once while funds for improving the existing railways are so badly needed.

6530. The Chamber of Commerce were of opinion that rates and fares on railways must be enhanced to prevent the lines being a burden on the general tax-payer. The Chairman said that India was the only country in which commercial representatives expressed this opinion. Mr. Pruce considered that an increase of rates and fares is better than putting up with the existing deficiencies on the railway system.

6531. With regard to the Chamber's opinion that no alteration can be made in the existing system of reserving funds to meet English liabilities for stores, but that early intimation should be given of anticipated lapses in England so that the money might, if possible, be utilised in India, Mr. Pruce explained that transfers of budget provision from England to India require the sanction of the Railway Board and that these should be given as early as possible in the year.

6532. An ambiguity in the recommendation of the Chamber that a fair ratio in rates and fares should be established for the development of industries "as well as" for the expansion of import trade was explained by Mr. Pruce as meaning that the development of indigenous industries should be fairly treated in comparison with the expansion of import trade. Mr. Pruce said that he was not in a position to give any precise instance of a particular rate in which the existing treatment of Indian industries is unfair. The Chairman said that he would be glad if the Chamber could quote any definite cases in which different rates were quoted for internal and export or import traffic in cases in which the distances, quantities, and other conditions, affecting the consignments in the cases contrasted, were reasonably comparable. In this connection, Mr. Pruce drew attention to the Chamber of Commerce's endorsement of the principle set forth by the Indian Industrial Commission, who said that "in so far as industries are affected internal traffic should be rated as nearly as possible on an equality with traffic of the same class and over similar distances to and from the port." He agreed that the words "and in similar quantities" should be read into that statement of policy, in order to make it completely applicable.

6533. The Chairman said that he had observed that the railway rates on cotton to Bombay for local use and for export, as well as on jute to Calcutta for local manufacture and for export, are the same, so that, as far as these instances went, there is no preference in favour of export over local traffic, such as exists in other countries. Mr. Purshotamdas Thakurdas mentioned that in the evidence recorded by the Indian Industrial Commission, specific cases of unequal treatment were quoted. He referred, for instance, to the fact that the rates for cotton from Khandwa to Navsari and from Khandwa to Bombay are more favourable in the latter case, the mileage and, as far as he knew, the other general conditions being the same.

6534. With regard to the opinion of the Chamber of Commerce that Arbitration Boards should be established for the settlement of disputes between traders and railways, as the provision in the Railways Act for the appointment of Railway Commissions is unworkable, Mr. Pruce said that the Chamber would approve of the suggestion that a tribunal should be set up, presided over by an impartial lawyer Chairman who would be assisted by representatives of railway and commercial interests.

6535. With regard to the recommendation that an adequate supply of rolling stock should be arranged for as early as possible, Mr. Pruce said that the opinion of the Chamber is that a substantial share of the money provided for railway purposes should be devoted to this object.

6536. The Chairman observed that the Committee had heard a great deal about railway staff making improper demands for payment for wagons, and asked if Mr. Pruce could say anything on the subject from his railway experience. Mr. Pruce said that he had heard rumours and believed that the practice prevails. He said it was very difficult to suggest a means of preventing it. The Chairman said that it might be difficult to suggest a cure, but he did not think it should be impossible to do so. Mr. Pruce considered that deterrent punishments should be awarded to those convicted but he observed that not one case in a thousand is brought home. He laid stress on the difficulty of obtaining evidence, as those who paid bribes would naturally not come forward. He did not think that any system of detection exists at present. The Chairman remarked that prevention is better than cure and asked whether instead of inflicting punishments after the offence is committed it would not be better to devise a system to prevent their occurrence. The witness said that he could not see how the practice could be stopped so long as mer

chants were willing to pay for preferential treatment. The Chairman thought that, if the station master could be made to realise that he would lose his post on the railway if he accepted a bribe, it would do away with the temptation.

6537. In reply to Mr. Hiley, the witness said that he had had no experience of the working of stations, his experience being confined to the inspection of station accounts. He had had no traffic experience.

6538. Sir Henry Ledgard asked whether an improvement could not be effected by insisting on the maintenance of priority registers for the despatch of goods at all stations and by making surprise checks to ensure that the despatches are made in accordance with the order of priority assigned to each consignment. Mr. Pruce considered this practicable only in the case of big stations like Howrah or Bombay.

6539. Mr. Hiley remarked that others had told the Committee just the reverse; he suggested that if the priority register were so kept that any departure from the priority order becomes public property, it would be dangerous for the station master to depart from it. Mr. Pruce could not see how this could be ensured in practice. In reply to the Chairman, Mr. Pruce emphasised the difficulty of tracing the existence of corrupt practices on a railway. He did not think that surprise visits would help much.

6540. Sir George Godfrey asked what Mr. Pruce, as a commercial man, could say on the subject. Mr. Pruce said that in practice the traders submit to the practice of making payments as they have no alternative.

6541. In answer to Sir Arthur Anderson, he mentioned that money is usually demanded by the station staff and not voluntarily offered by the traders. The Chairman asked whether in case of such a demand the trader might not reasonably lodge a complaint as he would not himself be implicated in an offence, but Mr. Pruce said that the station master would certainly deny the charge; demands are never made in the presence of witnesses. He thought it impossible for the traders to complain because they would still have to deal with the station master on future occasions, and could not afford to antagonise him.

6542. The Chairman asked if Mr. Pruce would let the Committee know later of any constructive suggestions that might occur to him. Mr. Purshotamdas enquired whether the witness would consult the other members of his Chamber in this connection as he thought there may be some members with practical experience of the problem. The Chairman pointed out that he did not want this to be regarded as a formal request from the Committee, and that it would be sufficient if Mr. Pruce would communicate to the Committee informally any suggestion that he might think worth attention.

6543. In reply to Sir Henry Burt, the witness mentioned that the general opinion was that in respect of such things as delays in the despatch and delivery of consignments, and pilfering on the railways, all the railways that enter Delhi are equally unsatisfactory. He had no differentiation to make in this respect between the State and company managed lines.

6544. Questioned by Sir George Godfrey, the witness said that bribes are usually paid to the station master. He did not know whether the other station staff get any share in it. Generally, each firm has a broker or agent who deals with the station master. The payment to the station master is generally a loss that falls on the broker. Sir Rajendra Nath Mookerjee asked where the broker comes in in the case of business at a small station. Mr. Pruce explained that sometimes an agent is used and sometimes not. He could not speak as to the relations between the brokers and the merchants in connection with such matters.

FIFTY-SIXTH DAY.

(Delhi).

Saturday, 12th March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Further evidence of the Indian Railway Board was taken, and is recorded under numbers 6545-6583 in the Volume of Confidential Evidence.

MR. HARCHANDRAI VISHINDAS, M.L.A., and Mr. WALI MAHOMED HOSSANALLY, M.L.A., appeared to give evidence on behalf of the Municipality of Karachi.

See Written Statements Nos. 83 & 84, Vol. IV., Pp. 265, 267.

6584. The Chairman stated that the Committee had had an opportunity of reading a written statement submitted by Mr. Harchandrai Vishindas, but that as Mr. Wali Mahomed had only furnished his statement so short a time before the meeting, it had not been possible for it to be considered by the Committee.

6585. Mr. Harchandrai explained that he was President of the Karachi Municipality, and that Mr. Wali Mahomed was a Member of the same body, and they were both Members of the Legislative Assembly. He stated that there had been no opportunity of preparing a joint statement, but that Mr. Wali Mahomed had now read his written statement and was entirely in accord with the views expressed therein, and in reply to the Chairman the witnesses agreed to the Committee taking Mr. Harchandrai's statement for the purpose of the examination.

6586. The Chairman observed that the witnesses were in favour of State management of railways for the fundamental reason that a company has a definite object, namely the earning of profits, which should not be the object of a State railway. Mr. Harchandrai said that, broadly speaking, he was in favour of the proposition that railways should be run on commercial

lines to the extent of paying working expenses and interest on capital, and he had no objection to a relatively small surplus, such as at present earned, so long as the public interests are served by the railway system. He was opposed to existing railway rates being raised, but, on the other hand, he would not, in the absence of any counterbalancing advantage, wish rates to be so low as to make railways work at a loss, necessitating additional taxation in other directions to meet the deficit.

6587. He thought that public grievances were more likely to be redressed by a State management. He admitted that people are not quite satisfied at Karachi with the service of the North Western Railway which is a State-managed line, but he thought there would be still less satisfaction if it were managed by a company.

6588. The Chairman said he thought it very natural that the demand made in Mr. Harchandrai's statement for a wider employment of Indians in superior posts, should be made. He observed that on the State managed lines they are at present employed fairly widely. Mr. Harchandrai referred to the Great Indian Peninsula Railway on which a very large number of appointments are filled by Europeans and Anglo-Indians. It was rather better on the Bombay-Baroda and Central India Railway, where considerable numbers of Parsees are employed. The Chairman referred to the East Indian Railway, because of a reference in Mr. Harchandrai's statement to the views of the Bengal Chamber of Commerce, and stated that the line had recently adopted the policy of appointing more Indians and he thought that at the present time the Bengal Chamber of Commerce would not support the view expressed in 1907, which Mr. Harchandrai had quoted. Mr. Harchandrai said he did not know anything about the East Indian Railway practice in this respect.

6589. Mr. Harchandrai admitted in his written statement that it might conceivably be objected against State management that Government wheels grind slow, and their methods are vitiated by red tape and circumlocution. He was hopeful, however, that there would be an improvement in this respect in future.

6590. He referred to a recent criticism of the Railway Board in the Legislative Assembly, where it was described by one member as a useless and obsolete body which had failed to be of any use to the public. He mentioned that the European Members of the Chamber, though not going so far as to recommend the abolition of the Board, had also criticised it very severely. He said he could not express an opinion from his personal experience, and could only represent what he understood to be the general feeling. He thought it would be an improvement if there was a Railway Minister at the head of the Railway Board, who would have a seat in the Executive Council and the Legislative Assembly.

6591. With reference to the complaint that the Railway Board does not get into touch with public opinion, Mr. Harchandrai said he would be in favour of the establishment of an Advisory Council sitting from time to time, as necessary, at the Government of India headquarters, and comprising representatives of the commercial community, Local Governments, etc., to bring the Railway Board into touch with public requirements. He said it should, of course, be understood that such a council should represent all interests and not only commercial ones. He was also in favour of the establishment of local advisory bodies in touch with and alongside of railway agents. He said he would prefer that the North Western Railway should have separate advisory councils in Lahore and Karachi, and not in Lahore only.

6592. Mr. Harchandrai said that the inadequacy of funds for railway purposes in the past has been so obvious that the answer to the enquiry on this point in the questionnaire was a foregone conclusion. Funds have been inadequate all round. He was strongly of opinion that no railway extensions should be undertaken until open lines have been put in order.

6593. With regard to borrowing money, he said that this should be done wherever it could be got cheapest. It should be borrowed by the Government of India as a loan on the security of the Government of India. He did not think that such borrowing would interfere with other Government of India borrowings, which are confined almost wholly to railway and irrigation requirements, the latter being comparatively small.

6594. Referring to the point made in his answer to question No. 27, that the larger earnings of company-managed lines are due to the richer tracts served by them, he said he would not press the point, as it had been mentioned to him that the Assam-Bengal Railway, which is company managed, is a particularly unprofitable line, while the Eastern-Bengal Railway runs through a rich part of the country.

6595. In reply to Sir George Godfrey, he admitted that the figures quoted in the questionnaire under question No. 27 indicate that Government railway property is a very solvent concern, producing such a margin of profit that it furnishes good security on which to borrow.

6596. With regard to the lapse system he had nothing good to say.

6597. In referring to the need of control over schedules of rates and the prevention of block rates, Mr. Harchandrai said he would welcome the institution of a tribunal consisting of an impartial chairman assisted by a commercial and a railway representative to whom matters relating to rates should be referred for independent settlement. In the matter of quotation of unduly favourable rates for export traffic, he said that he had no personal knowledge of the subject, but would refer the Committee to the Indian Industrial Commission's Report. He could not say whether Karachi, which has a large import and export trade, has any complaints to make about rates.

6598. The Chairman said that he thought everybody agreed that proper accommodation is not provided for third class passenger traffic, and that there is the need for appointing Inspectors and carrying out other improvements which would not cost much. The Chairman mentioned in this connection that the East Indian Railway Agent had informed the Committee that he had definite instructions from the Railway Board not to spend money on conveniences which do not directly help to move traffic. That of course was only a temporary restriction, and everybody agreed that the needs of the lower class passengers require attention. Mr. Harchandrai said he had never seen passenger superintendents such as the Chairman mentioned employed on the North Western Railway. Mr. Wali Mahomed said he was a frequent passenger and had never seen them. He emphasized the need for greater attention to the convenience of third class passengers, and mentioned that on the Rajputana Malwa Railway he had tried to intervene on behalf of some passengers who could not find accommodation, and had been told by the guard that it was none of his business to see to this.

6599. The Chairman mentioned that, in the matter of technical education of Indians for railway work, the Railway Board had agreed that this subject must receive more attention.

6600. Mr. Wali Mahomed stated that he agreed with Mr. Harchandrai in the evidence given by him. He laid great stress upon the grievances of third and even second class passengers which, he added, were long-standing. They had been neglected over the past quarter of a century. He emphasized the lack of convenience even in third class compartments for women, and he thought it wrong that accommodation should be reserved for Europeans and Anglo-Indians. This leads to compartments running quite or practically empty while Indian passengers in the neighbouring third and second class compartments are uncomfortably crowded. In reply to Sir Henry

Ledgard he said that on the North Western Railway usually half of a four-wheeled carriage is so reserved. In answer to the Chairman he said that crowding was not much less on the North Western Railway ten years ago than at present.

6601. At the present time the number of trains run is insufficient. He thought that local opinion should be consulted in connection with the timing of local trains. He referred also to the difficulty in securing coolies at Karachi City station where incoming passengers are subjected to great difficulties.

6602. A special complaint of Karachi is the centralisation of the North Western Railway Superior Officers in Lahore. During the war a Deputy Traffic Manager had been posted to Karachi, but he had been removed subsequently despite a strong protest from the Chamber of Commerce and others, only a District Traffic Superintendent being left there. He thought there was a strong case for decentralisation of the railway control. As an instance of the difficulty in dealing with the railway administration he mentioned the establishment of a school for Railway, Port Trust and Municipal employees' children, which the Karachi Municipality had instituted. The Municipality agreed to contribute 1/3rd of the cost, the Port Trust consented to pay a third, but it had proved impossible to elicit a reply from the North Western Railway for over a year past. The Chairman observed that this was possibly due to the Railway Administration having to refer to the higher authorities.

6603. Mr. Wali Mahomed agreed that many of the grievances he had mentioned might suitably be brought before a local advisory committee such as the one suggested. He drew attention to other difficulties connected with passenger traffic which were outlined in his written statement. He laid special stress upon the inconvenience caused by the lack of through carriages for third class passengers, people, especially women and children, being put to great trouble. He thought that about one in ten of the third class carriages are not provided with lavatories. Sir George Godfrey said that this estimate of 10 per cent. was much under the mark. Mr. Wali Mahomed said that in his opinion every carriage should be so provided. Sir George Godfrey mentioned that there is a standing order of the Railway Board requiring these in the case of long distance trains.

6604. In reply to Sir Henry Ledgard, Mr. Harchandrai admitted that superficially it might appear that company servants would be influenced by considerations leading to more satisfactory service than State railway men, but he did not think that it would be so in practice, the State railway staff having acquired a long experience of the same kind.

6605. He did not think there was anything in the argument that State lines benefit by their association with company management. He thought it wrong that railways should work primarily for profits. A more important object is the development of the country to which the State is bound to pay attention, and, for this reason both the witnesses expressed a strong preference for State management even if the railways had to work at a loss.

6606. Mr. Harchandrai admitted that if he were investing his own money in a business he would prefer that it should be managed by business men than by Government. Such an investment however would be made definitely for the purpose of profit, whereas railways should serve a different purpose. In answer to Sir Arthur Anderson, he could not speak about the past, but he hoped that in future State railways would pay much more attention to the needs of the country.

6607. The Chairman said that it is true that the third class passenger gets much worse accommodation than in England or America, but on the other hand he pays only 1/7th of the fare per mile; and he asked whether third class passengers would be willing to pay more for more comfortable accommodation. Mr. Harchandrai said that he thought more than 50 per cent. of the third class passengers would be willing to pay a little more though not so much as the intermediate class fares. There are certain classes to whom cheap transport is the principal consideration and for these special coolie trains might be run. Mr. Wali Mahomed mentioned that in England third class seats are sometimes numbered so that each passenger had a definite seat allotted to him. Mr. Hiley observed that the other side of the case was that passengers for whom no seats could be allotted were left behind on the platform whereas in India, though the compartments are crowded, they are not kept out of the trains.

FIFTY-SEVENTH DAY.

(Delhi.)

Sunday, 13th March, 1921.

[The concluding evidence of the President and Members of the Railway Board is contained in the volume of confidential evidence, under numbers 6608-6677.]

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INDIAN RAILWAY COMMITTEE, 1920-21.

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VOLUME IV.

QUESTIONNAIRE.

Note.—The following questionnaire, which was issued by the Government of India before the Committee assembled, and to which many of the written statements bear references, is reproduced here for ready reference.

Part I.—The management of railways owned by the State.

Question No. 1.—Do you consider that railways owned by the State should be managed directly by the State, or by companies on a profit-sharing basis?

Please give reasons for your reply, mentioning the systems of management of which you have had personal experience, and the nature of that experience (*e.g.*, whether as a member of the commercial community, of the travelling public, &c., &c.).

Question No. 2.—If you advocate the continuance of any one of the existing systems of management, would you propose any, and, if so, what modifications in it?

Question No. 3.—If you advocate management by companies, do you recommend that such companies should be domiciled in India, or in the United Kingdom? Please give your reasons for your opinion.

Question No. 4.—Do you consider that the existing system of allowing the working compaines an interest in the undertakings entrusted to them, by allowing them to hold a relatively small share of the capital and to receive a proportionate share of the net earnings, is a suitable and sufficient method of giving them an interest in the undertaking; or what alternative would you suggest?

Question No. 5.—With regard to management by companies domiciled in the United Kingdom it is sometimes urged that the Directors are out of touch with Indian conditions and requirements, and that undesirable delay sometimes occurs in settling references. If you recommend management by such companies how do you meet this criticism?

Question No. 6.—In the event of railway companies being domiciled in India how would you suggest that the Boards of Directors should be constituted? How do you suggest that the paramount interest of Government in the railways should be safeguarded?

Question No. 7.—Do you consider that there will be any lack of continuity in a Board domiciled in India? Do you consider that sufficient continuity would be secured by a permanent Chairman nominated by the Government skilled in railway work? Do you consider that the other Members of the Board need be skilled in railway work?

Question No. 8.—In the case of companies domiciled in India, is it necessary to consider the possibility of otherwise suitable Directors being so actively interested in particular industries or areas as to prejudice their impartiality?

Question No. 9.—What is your opinion of the suggestion that the systems of management by companies domiciled in England and by companies domiciled in India, might be combined? If you consider this idea practicable and desirable please indicate the broad outlines of the scheme by which you think it might be carried into effect.

Part II.—The Railway Board, and the Government of India's control.

Question No. 10.—Do you consider the system of control by means of a Railway Board satisfactory; if not, what alternative do you propose?

Question No. 11.—If you consider that control by means of a Board is desirable, how do you consider that that Board should be constituted; and have you any recommendations to make as regards the Board's subordinate officers?

Question No. 12.—With regard to the functions exercised by the Board, do you consider that the exercise of these in practice is satisfactory or extends either to sufficient or to unnecessary detail? Please give reasons and instances in support of your views.

Question No. 13.—Do you consider that the Railway Board possess adequate powers of control over railway administrations to enable them to deal effectively and expeditiously with matters relating to the requirements of the travelling public and of trade?

Question No. 14.—Do you consider that the powers of control in such matters already possessed by Government have been sufficiently exercised in the public interests?

Question No. 15.—Do you consider that the powers entrusted to the Railway Board need enlargement or modification in any direction not already indicated in reply to preceding questions?

Question No. 16.—Do you consider that the present status of the Railway Board vis à vis the Government of India is satisfactory; and if not, what changes do you suggest?

Part III.—Railway Finance.

Question No. 17.—Do you consider that the supply of funds for railway purposes has hitherto been adequate? Please distinguish, if possible, in your reply between the provision of funds for (*a*) new construction, (*b*) the maintenance, and (*c*) the improvement, of existing railways.

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Question No. 18. Do you consider that the policy hitherto adopted of devoting the greater part of the available capital funds to the improvement of equipment and rolling-stock of existing railways, and of devoting only a relatively small portion to the purposes of railway extension, has been satisfactory, and is sound in principle?

Question No. 19.—If you are of opinion that funds are required on a larger scale than hitherto provided, what in your opinion is the approximate amount that should be provided annually for capital purposes?

Question No. 20.—Do you consider that the capital funds required should be raised both in India and in the United Kingdom?

Question No. 21.—As regards borrowing in India; do you consider that the existing arrangements for supplementing, by means of the Branch Line Terms,* the Government of India's resources for railway construction are adequate; if not, what modified, alternative or supplementary provision do you suggest?

Question No. 22.—Assuming that new methods of raising capital for railway purposes must be sought, what do you think of the suggestions that they should be raised:—

(*a*) by means of ordinary or preference share capital;
  (i) of working companies;
  (ii) of subsidiary companies associated either with the main working companies, or with the State in the case of lines directly worked by the State.

(*b*) By means of railway debenture capital raised:—
  (i) by the working companies, or
  (ii) by the Government of India.

(*c*) By terminable bonds?

Question No. 23.—Can you suggest other methods of supplementing the existing system of providing funds for railway purposes?

Question No. 24.—Can you give an estimate of the amount that could be raised by any of these methods in India or England respectively?

Question No. 25.—Please indicate your views as to the probability of borrowing by these methods interfering with the success of ordinary Government borrowings?

Question No. 26.—The Railway Capital Programme depends on the power of the Government of India to provide finance either by borrowing or from its balances; similarly, the general revenue position of the Government of India exercises some influence on the allotments for expenditure on Revenue Account.

(*a*) Do you consider that this has been, and is, detrimental to railway improvement and development?

(*b*) In view of the increased rate of interest at which capital can be raised, do you consider that railway rates should generally be raised, if necessary, so as to prevent railways from being a burden on the general taxpayer? Can you give a rough estimate of the percentage by which rates and fares might be raised, if so required?

Question No. 27.—The following statements indicate the results secured by State-owned and managed, and by State-owned but Company-managed, railways, respectively, during recent years:—

I.—State-owned and managed.

Year.	Nett Earnings.	Percentage of nett earnings on capital.	Interest and other charges against nett earnings.	Clear profits to Government.	Percentage of nett profits on capital.
	(Rs. lakhs.)		(Rs. lakhs.)	(Rs. lakhs.)	
1916–17	808·24	5·18	566·73	241·51	1·55
1917–18	1,029·41	6·39	593·05	436·36	2·71
1918–19	913·73	5·58	596·82	316·91	1·93

II.—State-owned but Company-managed.

Year.	Nett Earnings.	Percentage of nett earnings on capital.	Companies' share of surplus profits.	Other charges (for interest, etc.).	Clear profits to Government.	Percentage of nett profits on capital.
	(Rs. lakhs.)		(Rs. lakhs.)	(Rs. lakhs.)	(Rs. lakhs.)	
1916–17	2,489·58	6·34	115·57	1,483·25	890·76	2·27
1917–18	2,726·91	7·01	149·16	1,523·49	1,054·26	2·71
1918–19	3,004·30	7·70	189·63	1,514·93	1,299·74	3·33

Do you consider these results satisfactory to the State and to the public?

At what additional figure, if any, would you estimate the indirect advantages to Government, attributable to railways through the development of areas served by them?

Question No. 28.—Have you any criticisms and recommendations to make with regard to the existing annual budget system; under which, funds being allotted to each railway for expenditure within a particular year, any such sum as is not actually expended during that year "lapses" to Government notwithstanding the fact that liabilities may definitely have been incurred (*e.g.*, stores may have been ordered but not paid for owing to deferred delivery), with the consequence that a first claim is established upon the grant made for the following year.

* *See* Railway Administration Report, 1918-19, Volume II, Appendices 32 *et seq.*

(*N.B.*—In answering the question please bear in mind the recorded opinion of the Indian Railway Finance and Administration Committee of 1907, who noticed that in deciding on the allotment to be made in any year for railways the Government take account of any improvement in the financial position owing to the occurrence of "lapses" in the preceding year, and that consequently any lapsed grant is really, even if not manifestly, re-allotted. The Committee observed that:—

> "The whole arrangement works back to the fundamental principle that the Government of India provides as much in each year as it possibly can, all things considered, for expenditure on railways, and distributes that money in the way which it conceives to be most advantageous for the country as a whole.")

Question No. 29.—Do you consider that the existing arrangements for regulating expenditure in England, with reference to the grants allotted, are satisfactory, if not, what modifications do you suggest?

Part IV.—Government Control of rates and fares; Settlement of disputes.

Question No. 30.—Do you consider that Government exercise adequate control over railway administrations in respect of rates and fares?

Question No. 31.—Do you consider that the powers in this respect delegated to railway administrations have been wisely used in the interests of the public; if not, quote instances to the contrary? In case of dissatisfaction with the action of railway administrations, please quote specific instances mentioning whether these have been referred, with a view to rectification:—

(*a*) to the railway administrations concerned, or

(*b*) to the Railway Board,

and, if so, with what results.

Question No. 32.—Do you approve of the machinery provided by the Indian Railways Act (Chapter V) for the appointment of Railway Commissions to settle disputes between railway administrations and traders; if not, what alternative do you suggest?

Question No. 33.—Have you any recommendations, not directly covered by the foregoing questions, bearing on the relations between the public and the railways.

Part V.—General.

Question No 34.—Is the carrying capacity of the various railways in your opinion, adequate to the requirements and needs of the various industries served by them? If not, what, in your opinion, is the reason of the failure and what means would you suggest to remedy this defect.

Question No. 35.—Please add any other remarks which you think called for in respect of the subject matter of the Committee's enquiry.

INDIAN RAILWAY COMMITTEE, 1920-21.

VOLUME IV.

MINUTES OF EVIDENCE.

PART I.—Written statements in connection with which witnesses were orally examined. ... ... pages 1-274

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PART III.—Statements regarding increase in land revenue. ... ... pages 345-350

PART I.

STATEMENT No. 1.

Mr. G. DEUCHARS, Government Director of Indian Railway Companies.

I have been Government Director since January, 1919, having previously been Deputy Government Director for four years. **See oral evidence, paragraphs 251/375.**

The chief functions of the Government Director are to attend the Board Meetings of the Railway Companies domiciled in England whose undertakings are, to a greater or less extent, the property of the State.

In order that the interests of Government may be fully protected there is a clause in each of the company's contracts to the effect that the Government may appoint a Government Director to be an *ex-officio* Director of the company who shall exercise at his discretion the power of veto in all proceedings whatsoever at the Boards.

The Government Director in London takes part in all matters brought before the Boards, but takes no share in the transfer, dividend warrant, and such like business.

No power of money sanction has been delegated to him (except in a few specific cases) except in respect of supplies indented for from India in properly certified indents, and it is within his power to sanction excesses over the estimated amounts entered in the indents.

Subject to the general provisions in the contracts, the duties of the Boards of Directors consist in laying down rules and regulations and in issuing instructions to their Agents in India; in raising capital as required; in entering into contracts for the construction of sections of railway; in taking measures for the supply of men and materials for despatch to India in accordance with the requisitions received from their Agent in India and for the transport of the same; and in performing all those functions which appertain to the Directors of a railway company.

There are in all ten Boards whose meetings are attended either by the Government Director or his Deputy, and these meetings are generally held once a fortnight.

The Boards correspond directly with the Secretary of State and with their Agents in India, who on their part correspond directly with the Railway Board. All the official correspondence of the Boards is approved at the Board Meetings.

All expenditure in India which is sanctioned by the Home Boards is subject to the sanction of the Railway Board being obtained by the Agent in India.

All expenditure in England is sanctioned and authorised at Board Meetings and the India Office maintain a very complete audit of all such expenditure.

The Secretary of State is made cognizant of all the proceedings of the Boards by having submitted to him copies of the Minutes of each Meeting and of all letters despatched to the several agents in India. The letters are sent to India for the information of the Government there.

It will be seen that through the Government Director with his power of veto, the Government have an almost unlimited control over all the proceedings of the Boards. I, as Government Director, have always found the Boards at all times willing to consider my views, and to postpone action in any case where I might be in doubt, and there has never in my time been any occasion to exercise the power of veto, nor, as far as I know, has it ever been exercised.

With regard to the questions of State *versus* Company Management I attach a table, which I prepared in 1915 from the Railway Administration Report for 1913-14, which affords an indication of the cost to Government of Company Management in the last year before the war.

This table was prepared in order to show the cost of the East Indian Railway management in comparison with the other Guaranteed Companies, which accounts for the East Indian Railway figures being shown separately. Taking the other seven companies collectively it will be seen that their total net earnings (column 10 of the table) amounted to 1,306 lakhs of rupees, of which the Companies received 145 lakhs (column 8) and that their Share Capital amounted to 2,711 lakhs (column 3).

Supposing the railways had belonged to Government the interest on this amount of capital would have been a charge against Working Expenses. If the Companies had been bought out, say, 10 or 15 years ago, this interest might have been perhaps 3 or 3½ per cent. If they were bought out now it would of course be very much more. If a rate of 4 per cent. be assumed, which was the rate at which money was raised by company debentures in 1914, then the amount chargeable to Working Expenses would have been 108 lakhs (column 13) and the amount which may be said to have been paid to the companies for managing the railways is 36½ lakhs (columr 14), or about 2·8 per cent. on the total net earnings.

It amounts to this that the companies earned 5½ per cent. on their capital (column 9) in the last year before the disturbing effect of the war, as compared with 4 per cent. the value of money in that year, and the difference of 1½ per cent. affords an indication of the cost of the financial and other advantages, whatever they may be, of company management.

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The companies have of course been earning higher dividends since the war started, but these are due partly to the development of traffic during the war, and to a great extent probably caused by the war, and partly to the fact that working expenses have been low, owing to renewals and betterments having to be postponed for want of materials from England. In the future it is conceivable and not improbable that the Companies may earn less than 5½ per cent. for some years, owing to arrears of renewals, etc., and that, owing to the destruction of capital by the war, the terms on which the Government may be able to raise money may remain at a high figure for some time to come.

Of course the Companies' contracts fall in at different times and some Companies earn higher dividends than others, but the figures in the table appear to dispose of the statements made in India about crores of rupees going into the pockets of English share-holders.

It may be noted that the East Indian Railway figures in the table are the results of the old contract. The present 5 years' contract is much less favourable to the deferred annuitants than the old one.

With regard to the relative efficiency of State and company-managed railways under present conditions, where part of the railways are managed by the State and part by companies, I am of opinion that there is little to choose. From a financial point of view there would appear to be great advantages in having at least a considerable proportion of Indian railways managed by English companies with access to the London market, but on this point I am not qualified to speak.

As regards the question of English companies *versus* Indian companies, apart from the considerations of finance before mentioned there would appear to be considerable advantages in the matter of the personnel of the Boards if the management is in England. There are 58 Directors on the Boards of the ten Companies whose meetings are attended by the Government Director. Of these 29 are retired Indian Railway Officials with long executive and administrative railway experience, with no personal interests to affect their decisions and with sufficient leisure to devote time and thought to their duties as Directors. Of the other Directors 11 are retired Government officers with a life-long experience of India and 18 are mostly business men with great financial experience.

Directors of Railway Boards in India would presumably be recruited from the European and Indian mercantile communities and such men are likely to be too busy with their own affairs to be able and willing to devote more than a perfunctory attention to railway matters. It seems hardly likely that a first-class business man would care to devote much time and trouble to the affairs of a railway from which presumably he would have nothing to gain except a small fee of Rs. 250 a month, which is the equivalent of £250 a year, the fee now allowed by the Secretary of State to the Directors in England. Except the Agent of the Railway it is unlikely that men of any great technical railway experience would be available.

Amount paid by Government to Eight Guaranteed Railway Companies for working its lines. Year 1913–14.

Name of Railway.	Capital Outlay.			Amount Received by Companies.				Ratio of Col. 8 to Col. 3.	Nett Earnings.	Ratio of Col. 10 to Col. 2.	Ratio of Col. 8 to Col. 10.	Interest on amounts in Col. 3 @ 4 per cent.	Amount Govt. is out of pocket yearly (Col. 8—Col. 13).	Remarks.
				Guaranteed Interest.		Share of Surplus Profits.	Total.							
	Total Outlay.	Companies Capital at 15 Rs. to the £.	Ratio of Col. 3 to Col. 2.	Per cent.	Amount.									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Lakhs of Rs.	Lakhs of Rs.	Per cent.		Lakhs of Rs.	Lakhs of Rs.	Lakhs of Rs.	Per cent.	Lakhs of Rs.	Per cent.	Per cent.	Lakhs of Rs.	Lakhs of Rs.	
Bengal Nagpur	3,874	450·00	11·6 (a)(b)	3¼ 4	17·44	5·67	23·11	5·1	215·06	5·5	11	18·00	5·11	Col. 13 shows the extra amounts which Government would have to pay yearly in the shape of interest if the lines were being worked by the State and if the money had been raised at 4 per cent.
Bombay, Baroda and Central India.	4,035	300·00	7·4	3	9·00	5·41	14·41	4·8	331·27	8·2	4½	12·00	2·41	
Great Indian Peninsula ...	5,949	386·25	6·5	3	11·59	4·01	15·60	4·0	340·52	5·7	4½	15·45	0·15	
Madras and Southern Mahratta	3,205	750·00	23·4	3½	26·25	17·59	43·84	5·8	164·35	5·1	26¼	30·00	13·84	
South Indian	1,826	150·00	8·2	3½	5·25	2·24	7·49	5·0	117·28	6·4	6½	6·00	1·49	
Assam Bengal	1,570	225·00	14·3	3	6·75	Nil.	6·75	3·0	22·71	1·4	30	9·00	-2·25	
Burma	1,968	450·00	22·9	2½	11·25	22·49	33·74	7·5	114·67	5·8	29½	18·00	15·74	
Total	22,427	2,711·25	12·1	—	87·53	57·41	144·94	5·3	1,305·86	5·8	11	108·45	36·49	(a) For 3 months.
East Indian	6,670	982·50	14·7	4	39·30	24·12	63·42	6·5	613·38	9·2	10¼	*44·21	19·21	(b) For 9 months.
														*Interest (4½ per cent.) Government would have to pay if Contract was determined.

STATEMENT No. 2.

Sir MARSHALL REID, C.I.E.—MEMORANDUM DATED THE 8TH NOVEMBER, 1920.

See oral evidence, paragraphs 646/815.

1. My experience in connection with this subject was acquired during 27 years' residence as a merchant in India, and nearly 4 years as a Member of Council and a Member of the Public Works and Railways Committee at the India Office.

2. The greater part of my time in India was spent in Bombay, and I have had very little personal experience of State Railway management.

3. The merits and demerits of State and company management have been the subject of much enquiry, and India fortunately provides numerous examples of both systems. My own preference is for company management, because I am a great believer in continuity and traditions, and in incentives to progress and efficiency: these are more likely to be found where there is a considerable measure of independance.

4. In these respects I consider State management deficient, and under State management one expects to find lack of elasticity and greater delay.

5. I suggest that the burden of the State should not be increased without good reason, and that decisions in this connection should not be influenced by political considerations, because railways are an enterprise which demand business methods if they are to be efficient.

6. As regards company management, control by boards sitting in India is *theoretically* the best, mainly because of the remoteness of London boards. But London Boards possess a very real advantage in that they retain for the companies the services of experienced Administrators But if they are to continue, as I hope they will continue until they can be effectively replaced, it is desirable that provision should be made for the periodical retirement of all Directors, and their re-election made subject to certain general conditions.

7. While management by boards sitting in India seems theoretically sound, there are practical difficulties at present in connection with personnel, both European and Indian.

8. *Europeans* who would be esteemed desirable as Directors would generally be those who have come to the top. Apart from the multitude of the public duties thrust upon them at this stage, they would generally be retiring from India just as they were beginning to be really useful as Directors. Under a system of combined London and Indian Boards they might usefully be members of one and then of the other, and such a training might be regarded as a necessary qualification for non-officials on London Boards.

9. It is difficult to speak of the *Indian element* on boards sitting in India, as there is no practical experience on which to base conclusions.

The names of certain Indians occur to one as being quite ideal directors; but they are too few in number to enable selections to be made from them as a class; and the temptation of a lucrative and influential position might result in the election of place seekers and politicians rather than of more retiring and sounder men with business capacity.

10. My conclusion, therefore, is that London boards should be continued until such time as conditions permit of a definite change of system; but that with a view to permitting of the evolution which seems natural and proper, dual Boards should be maintained with the controlling authority in London, and that meantime gradually increasing responsibilities should be placed on the boards sitting in India, as they demonstrate their ability to carry them.

11. My experience of the Railway Board is largely second-hand, though not entirely so; but I have long held the opinion that railways (and perhaps other communications) should be in the hands of a single officer holding the position of a member of the Executive Council.

12. The vastness of the financial investments of Government in themselves warrant this, and when the part that railways play in the economic and industrial development of the country is added, the contention seems unanswerable.

13. The present system which involves consultation and agreement between two or three individuals means delay and often compromise; but a vital objection to it lies in the fact that the case of the railways falls to be submitted to the Executive Council by an officer who may have had little or no experience of railways or of India.

14. If I had to constitute a railway board in India, I should make it consist of experts in every section, *i.e*, traffic, civil engineering, mechanical engineering, audit, etc., and I should put at the head of it the best railway man to be had in India and give him the status, powers, responsibilities and emoluments of an Executive Member of Council.

15. As to *Finance*, reasonable progress must be impossible as long as the railway programme is largely dependent on Revenue surpluses. Railway finance should be kept separate from general finance, a thing impossible 20 years ago. The railways should be handed over " en bloc " to the Department and left to run themselves—take their own profits for their own purposes—and raise their own loans for capital expenditure independently of central Government borrowings. but of course subject to obvious general restrictions.

The recent Bombay Development Loan affords a useful object lesson in this connection.

16. Private enterprise should be restricted to feeder lines, but should receive every necessary encouragement in this direction. India owes much to the pioneers of private enterprise.

STATEMENT No. 3.

Sir HENRY PROCTER.—NOTE DATED THE 10TH OCTOBER, 1920.

See oral evidence, paragraphs 816/1055.

In response to the request that I should give evidence before the Committee appointed to enquire into the Indian Railway Administration, I beg to put forward the following remarks for the consideration of the Committee:—

1. *Management.*—I am in favour of management through a company domiciled in India and with a board sitting in India. I was for many years a trustee of the Port of Bombay, and my experience gained on that board confirms my belief that a strong local board is better than one at a distance. I know the argument against a board in India is its difficulty of personnel, but Bombay and Calcutta are growing very rapidly, and it ought not to be difficult to get excellent men,

European and Indian, to serve on the boards. It is the agent, after all, who has to run the railway, and a strong advisory board of local business men who know the requirements of trade and local conditions must, in my opinion, be more efficient than a board located in London, many members of which have not been to India for 10 or 20 years, and know very little of present-day conditions and requirements. In view of the large interest held in these railways by British shareholders and of the large European staff employed, I think the boards should be comprised of an equal number of European and Indian members, and that for some years to come the Chairman should be a European having some knowledge of railway matters. If it is decided to retain London boards, then I think there should be a proviso by which no director can retain his seat for more than five years without visiting India and studying the conditions on the spot. I am not in favour of dual control by London and Indian boards, as I do not think it would work; but if Indian boards are adopted, then I think there should be a small advisory board in London to deal purely with financial matters, such as raising loans, etc.

2. *Railway Board.*—I have had a good deal to do with the Railway Board since it was formed. I think it has been much hampered in its usefulness by being under the Department of Commerce and Industry and the Finance Department. I am in favour of abolishing the Railway Board and appointing in its place a Minister for Railways, who should have a seat on the Governor-General's Council. He should have wide powers enabling him to deal promptly and prevent delays, as the great difficulty in the past has been to get prompt decisions and replies from the Board. Railways should be an absolutely separate department, and not a part of commerce and industry. The Minister for Railways should have a very competent staff to advise him on traffic and engineering matters, and he himself should be a man of railway experience and vision; one who can take large views.

3.—(a) *Railway Finances* should be kept entirely separate, and the money for new construction raised on the same methods as those employed for other industrial enterprises, and not be entirely dependent upon the revenue surpluses of the country.

As regards terms, these must depend a good deal on the condition of the money market in India, but they should be liberal enough to attract investors. With investments offering such as the Bombay Development Loan at 6½ per cent. free of Income Tax, I do not think at the present time money would be forthcoming for feeder line companies under 6½ per cent. guaranteed, the Government sharing the profits above that. I do not think it need be free of Income Tax, as investors will always have a possibility of getting something over the 6½ per cent.

I consider, for the reasons mentioned in my next paragraph, that the main line companies should be given larger powers for raising money for their own requirements and the construction of feeder lines left to private enterprise.

(b) *Utilisation of private enterprise for the construction of new lines.*—As mentioned above, I think the provision of funds for new feeder lines should be a matter for private enterprise. As far back as 1908, Mr. Robertson, in his report on the administration and working of Indian railways, strongly advocated the use of private enterprise in connection with the construction of feeder railways. He pointed out that at that time there were about 30,000 miles of railways in India, and he considered that 100,000 miles were required, and that the only way of constructing them was by the enlistment of private enterprise. The MacKay Committee of 1908 confirmed this view, but gave it as their opinion that his estimate of 100,000 miles was short of what would be found necessary for India, and were convinced that there would be fruitful fields for much reproductive expenditure on railways for many years to come. They also added that, in their opinion, the steady and even rapid development of the railway system in India should be regarded by the Government as one of its most important duties. In addressing the Bombay Chamber of Commerce in March, 1909, I pointed out that I considered the only way in which this development could be carried out in the near future was by the enlistment of private enterprise, as without that aid it would be impossible to increase the railways at anything like the rate which was necessary in order to keep pace with the development of trade in India; and I suggested that while agreeing to greater powers being given to the existing companies to enable them to raise funds for the extension and improvement of their own systems, I felt strongly that everything should be done to encourage private enterprise to come forward and assist in the construction of feeder lines, either on the branch line terms, by which they would be constructed and worked by the parent lines, or on terms by which they would be constructed and worked as separate concerns. I pointed out that, in the first place, by so doing Government would reap considerable benefit, as it would enable feeder lines to be built long before they otherwise would be if they were to take their place in the Government's programme, and with the Government's right of purchase it would seem that the sooner these lines were built the better it must be for Government. In the second place, by the construction of these lines more land would at once be brought under cultivation, which would mean an increased assessment for Government; and in the third place, by building these lines with rupee capital Government would offer the people of India an opportunity of having a stake in the welfare and development of the country, which, from a political point of view, should be a great consideration to Government.

It is now 17 years since Mr. Robertson's Report was published, and at the end of 1918-19 the total mileage of railways open to traffic was only 36,616 miles, and there were 1,803 miles under construction. The War, of course, has interfered with progress, but I think these figures show that the encouragement of private enterprise to build railways has been very poor indeed. Since 1897, my firm have raised just under 4 crores for the construction of feeder railways with a mileage of 642 miles, and a further 1¼ crores (154 miles) jointly with Messrs. Gillanders, Arbuthnot and Co., but the negotiations in many cases were very protracted and wearisome, which made business very difficult.

In June, 1905, Sir Edward Law, in addressing the London Chamber of Commerce and referring to the creation of the Railway Board and to the Department of Commerce and Industry, said:—

> "I hope and think that one important result of expert advice will be the greater encouragement of private initiative in commercial and industrial undertakings, and particularly that this will be the case as regards the construction and maintenance of railways and other

public works. The new Ministry of Commerce, however, has been specially constituted with a view to cultivating close and harmonious relations with the commercial community and to examining business proposals with some expert knowledge, and I feel certain that if it fulfils its mission its beneficial influence will be manifested in the opening of a new era of encouragement of private enterprise and in further stimulating that economic progress which is already so satisfactory."

Now, looking back at what has happened since that time up to the present, it cannot be said that the Government has whole-heartedly encouraged private enterprise, and my experience has been that while on the one hand we have had better terms granted from time to time by the Government of India for the construction of feeder lines, there has been a steady opposition to private enterprise in connection with these feeder lines from several of the parent companies, and this opposition has apparently had its effect on the Railway Board, as, in reply to a question I put to them in March last at Delhi, the Chairman stated quite frankly that the Board was not in favour of encouraging private enterprise in connection with feeder railways. He admitted that private enterprise had helped them considerably in the past, by showing them that the Indian public were willing to invest money in railway enterprises, but said that he thought they would be perfectly able to do this without the help of private enterprise in future. I think this is quite a wrong view to take. If railways are to be built and maintained at anything like the rate commensurate with the development of the country the help of private enterprise must be enlisted, and I would urge that in enlisting such help Government should regard private enterprise as an ally and not as a profiteer, and treat it liberally, as has been done in other countries. I think also the main line companies who build and work these feeders should do so in the same spirit, and not, as has been done in many cases, regard the feeder as a foreign line to be dealt with as such.

May I mention as an example the case of the Sara-Sirajganj Railway, the capital of which was raised jointly by Messrs. Gillanders, Arbuthnot and Co. and Messrs. Killick, Nixon and Co. According to the figures given in the prospectus, which were supplied by the Eastern Bengal Railway, the total earnings were estimated at Rs. 7,59,621, and the amount available from interchanged traffic for the purpose of rebate was estimated at Rs. 4,80,000. The line was opened in July, 1916, and for the year ending 31st March, 1918, the coaching earnings amounted to Rs. 1,57,041, as against Rs 2,40,000 in the estimates, and the goods traffic amounted to Rs. 1,07,182, against the estimated amount of Rs. 5,19,621. On investigation, it was ascertained that this poor result was chiefly due to the fact that no attempts had been made by the working agency to secure through traffic, either coaching or goods. After a strong representation, the Eastern Bengal Railway agreed to make the necessary arrangements for cross traffic, but stated that of the gross earnings of such cross traffic the Eastern Bengal Railway should retain 75 per cent. and no rebate should be given on such cross traffic, either goods or coaching. I am glad to say that after a strong appeal had been sent up to the Railway Board by Messrs. Gillanders, Arbuthnot and Co. and Messrs. Killick, Nixon and Co., this action of the working agency was over-ruled and the interchanged traffic dealt with in the ordinary way. I think this instance will show that the feeder line did not get the sympathetic treatment from the Eastern Bengal Railway which it was entitled to.

One of my reasons for considering that the help of private enterprise must be enlisted in the construction of feeder lines, is that the main lines have and will have for years to come, all they can do to keep pace with the development of trade and be able to carry the traffic offering. As far back as 1906, there was a bitter cry going up from all over India for wagons to carry the produce of the country. It is difficult to estimate the loss which this inability on the part of the railways to supply wagons meant to firms and merchants, but it must have been very great. It was particularly hard that it should have fallen on the mercantile community, seeing that they had for a long time foreseen the necessity for increasing the supply of wagons and had urged Government repeatedly for many years past to make better provision for the increase of trade, but with no success. Government insisted on keeping the carrying trade of the country in their own hands and consistently refused to allow firms or companies to supply their own wagons, so they must be held responsible for the heavy loss which the mercantile community then and since have undergone through Government's want of foresight in keeping pace with the requirements of the country. Since then the Government of India have made large profits out of their railways, but never has the supply of wagons been sufficient for the trade. Now what was said in 1907 is equally applicable to the present day. It is true that the War has handicapped the railways as much as any other trade, but up to the outbreak of War, Government did not cope with the existing trade, nor make adequate provision for its development. At the present time the railway system of India is absolutely inadequate for the trade of the country and unless heroic measures are taken in the near future, all those new industries which have been promoted in India during the past two years will be seriously handicapped in their operations. It seems to me therefore that if the existing railways are to be brought up to present day requirements and the construction of new feeder lines undertaken in accordance with the requirements of the country, Government must enlist the help of private enterprise in connection with the latter undertaking, as the maintenance and development of the main lines will absorb every rupee the Government is able to provide for many years to come.

PARTICULARS OF TELEGRAPHIC ADVICES FROM MESSRS. KILLICK, NIXON & CO., BOMBAY, TO NIXON, FORREST & CO., LONDON, REGARDING SHORTAGE OF RAILWAY WAGONS TO BOMBAY AND CALCUTTA.

1919.

Dec. 31. Great difficulty replenishing stocks, railways congested.

1920.

Jan. 9. Bengal Nagpur Railway inform us impossible any despatches Manganese Ore to Bombay at present, we are taking up the matter.

12. No despatches likely at present; Mining Association energetically protesting.

30. Central, expect to despatch 100 tons daily from 1st February.

Feb. 4. Great Indian Peninsula Railway wagon supplies discontinued .
5. Bombay, Baroda and Central India Railway wagon supplies discontinued.
9. Wagon supplies discontinued to Calcutta.
17. Despatches, Bombay Calcutta entirely suspended.
21. Manganese Ore wagons supplies not yet resumed either Bombay or Calcutta.
24. Despatches resumed Calcutta.
Mar. 6. Despatches, Calcutta again suspended, Bombay not resumed. Bombay, Baroda and Central India Railway despatches resumed exclusively for maritime up to 20th March.
9. No present prospects renew despatches Bombay or Calcutta.
18. Despatches resumed Calcutta (Lax. 100 tons, C.I.M. 120 tons daily), supplies very uncertain. Bengal-Nagpur Railway might consider special supply if name and approximate loading date of steamer indicated.
25. Calcutta despatches reduced to 60 tons Lax. & C.I.M. Co. (daily).
Apl. 12. Bengal-Nagpur Railway expert despatch daily to Calcutta 240 tons C.I.M., 200 tons Lax. No prospect resume despatches to Bombay.
19. Can you induce buyers declare option Calcutta, no prospect of wagons Bombay before August.
21. Referring to our telegram of 12th April, no wagons supplied.
30. Wagons supplies erratic, hoping to rail 100 tons Lax., 120 C.I.M. Co. daily, Calcutta.
May 13. Cannot obtain more Shivrajpur Ore wagons supplies uncertain.
28. We have been compelled to reduce railings, no room available.
21. Bombay, Baroda and Central India Railway wagon supplies stopped.
June 9. Great Indian Peninsula Railway no despatches; Bombay, Baroda and Central India Railway probably 10 days.
24. Great Indian Peninsula Railway railings have not commenced.
25. Bombay, Baroda and Central India Railway Shivrajpur railings resumed.
July 2. Railings Calcutta about 100 tons daily.
July 7. Expect despatches to commence shortly C.I.M. Co. 30 tons, Lax. 15 tons, but very uncertain.
15. Pani railings about 80 tons daily.
21. Referring to our 15th, railings also about 140 tons Shivrajpur daily, C.I.M. Co. 80 tons, Lax. 50 tons daily, supplies uncertain.
23. Calcutta railings suspended.
24. We shall telegraph when Calcutta railings resumed.
27. Cannot say at present when Calcutta railings will be recommenced.
29. Laxminarayen railings not yet resumed Bombay.
Aug. 19. Calcutta railings resumed; Bombay railings suspended.
27. Bombay railings resumed.
Oct. 8. Bombay Calcutta railings erratic.
15. Calcutta railings stopped, owing congestion.
30. Calcutta railings recommenced.
Nov. 6. C.I.M. Co. despatches Calcutta stopped.

List of Feeder Lines and Subscribed Capital thereof.

Mileage.			Rs.
155¾	Tapti-Valley Railway Co., Ltd.	Issued and Subscribed	1,25,00,000
		Debentures	6,73,000
33½	Ahmedabad-Dholka Railway Co., Ltd.	Issued and Subscribed	11,50,000
88¾	Ahmedabad-Parantij Railway Co., Ltd.	Issued and Subscribed	25,00,000
		Debentures	11,00,000
54¼	Amritsar-Patti-Kasur Railway Co. Ltd.	Issued and Subscribed	32,00,000
		Debentures	3,00,000
38¼	Sialkot-Narowal Railway Co., Ltd. ...	Issued and Subscribed	30,00,000
46¼	Mandra-Bhon Railway Co., Ltd.	Issued and Subscribed	27,50,000
86	Guzerat Railways Co.. Ltd.	Issued and Subscribed	34,50,000
		Debentures	9,00,000
130½	Central Provinces Railways Co. Ltd. ...	Issued and Subscribed	84,00,000
			3,99,23,000

The following two Companies are jointly with Gillanders, Arbuthnot & Co.

53	Sara Sirajganj Railway Co., Ltd.	Issued and Subscribed ...	80,00,000
101	Mymensingh Bhairab Bazar Railway Co., Ltd.	Issued and Subscribed ...	86,00,000
			1,66,00,000

STATEMENT No. 4.

LEONARD L. COHEN, Esq.—MEMORANDUM.

1. It has been suggested that I should prepare a few notes for the Committee on such points in the terms of reference as deal with financial considerations. See oral evidence, paragraphs 1056/1149.

2. Point (3) " To consider the arrangements for the financing of railways in India, and in particular the feasibility of the greater utilization of private enterprise and capital for the construction of new lines " might be assumed to imply that the enquiry is limited to such financing, etc., in India. In that case I am not competent to give any assistance to the Committee, from want of familiarity with conditions in India.

3. I am here confining myself to expressing such views as past experience in financial matters has led me to form of conditions in London, as they may affect the enquiry.

4. The question of financing Indian railways at the present time and in the immediate future is rather academic.

The ordinary stocks of the three Indian railways, with which I am connected, yield at current quotations on an average 9½ per cent. per annum, and their respective preference stocks 7½—½ per cent. It is not easy to perceive how further capital could be raised on remunerative terms, while such conditions prevail.

This paralysis of immediate development is not confined to Indian Railways. At the recent annual meetings of the two leading Argentine Railways, the respective Chairmen stated that it would not be desirable to raise further capital in the next two or three years, and that the large profits on exchange would be appropriated to capital purposes.

5. At some date, however, more normal conditions will supervene, and an appeal to the London market on behalf of Indian railways may become feasible.

If premature, it is not inopportune to consider how such an appeal would be affected by the results of the Committee's deliberations.

6. As to the three or four alternative methods of management set out in (1) in terms of reference:—

I do not think the English investor would provide a shilling of capital for a company domiciled in India and with a board sitting in India.

Apart from the want of experience which he would wrongly or rightly attribute to those from whom the selection for the Board would be made, he would feel that his prospective dividends would depend too much upon persons with divided interests, or who might at any rate be exposed to strong local pressure, exercised to the possible detriment of the shareholders.

I do not think the combination of a board sitting in London with the Company domiciled in India would be desirable, as a frequent divergence of views might arise between the English board and the Indian shareholders, which would be injurious to the company.

7. The question of a substitution of an Indian board for a board domiciled in London is of considerable importance having regard to the options possessed by the Secretary of State of determining various contracts with several Indian railway companies.

8. If the Government were to exercise its options of purchase, it would have to find the money to pay out the existing shareholders, or it would have to offer such fresh terms under a new contract as would secure the renewed support of the shareholders, or would attract a new public. I am referring more particularly to the three companies of which I am a director, with whose contracts I am more or less familiar.

If one of the terms of such a contract stipulated for the substitution of a board domiciled in India for the English board, there would be in my view no prospect of securing English capital.

9. The possibility of the gradual withdrawal in such circumstances of all English interest in Indian railways is one which I should think would not be lightly faced. It would probably create a feeling of soreness in the capitalist and investing community, which would have indirectly unfavourable consequences, when the Indian Government had to have recourse to the London money market for other purposes.

I may recall that as the purchase price of the Great Indian Peninsula Railway Company did not work out in accordance with the lay reading of the terms of the contract (although, of course, its conditions were legally fulfilled), a great shock was given to the investor, the effects of which were felt in the Indian railway market for many years.

10. The present unfavourable attitude of the investing public towards Indian railway securities is possibly attributable to the misgivings, aroused by recent changes in the constitution of the Indian Government and in the status of the Secretary of State.

The substitution of Indian boards for English boards would accentuate this condition; it certainly would not bring back the investor, or as I have said, attract the capitalist to Indian railway projects, old or new.

11. My views generally upon the utilization of private enterprise and capital in England for the extension of the Indian railway system have not materially changed since I gave evidence in 1908 before the Mackay Committee. I regret that the short notice I have received on this occasion and other pressing matters prevent my giving my views in greater detail in these notes.

STATEMENT No. 5.

Colonel T. GRACEY, R.E., C.S.I.—MEMORANDUM.

See oral evidence, paragraphs 1150/1341.

It has been recognised of late years that the management of railways should be in the hands of railway experts assisted by business men and persons connected with finance. Railway working must be in the hands of persons fully acquainted with the duties of the various departments and capable of co-ordinating their work to the best advantage.

Applying these principles to the four methods of management referred to in the "Terms of reference."

(a) "*District State Management*" supplies the expert knowledge, but the business and financial knowledge is absent, and in consequence the work is carried out with small regard to economy and with insufficient attention to the trade requirements.

Is there any record of successful State railway management under a democratic Government? It must be borne in mind that it is proposed that the future Government of India shall be democratic.

Appended is a statement showing since their start the financial results of working the Oudh and Rohilkhand Railway and the State sections of the Bengal and North Western Railway and Rohilkund and Kumaon Railway. These lines are adjacent, serve very much the same kind of

agricultural country and have the same gradients, the advantage being in favour of the Oudh and Rohilkhand Railway which gives direct communication between the large cities of Benares, Lucknow, Cawnpore, Shahjehanpur, Bareilly, Moradabad.

The following results speak for themselves.

Railway.	Mileage.	Total capital expenditure to 31st March, 1919.	Net gain + or loss — to State from commencement of operations.	Remarks.
		Rs	Rs.	
Tirhut Railway worked by Bengal and North Western Railway.	819	7,77,45,930	+3,76,17,990	Worked by Co. since 1890.
Lucknow-Bareilly worked by Rohilkund and Kumaon Railway.	313	1,90,10,303	+76,41,193	" "
Oudh and Rohilkhand Railway worked under State Railway Management.	1,591	21,11,84,320	—2,76,848	Worked by State since 1889.

The Bengal and North-Western Railway Company took over the Tirhut State Railway which had hitherto been worked at a financial loss in 1890 and the Rohilkund and Kumoan Railway, the Lucknow-Bareilly Railway in the same year under similar conditions, and it is admitted that the condition of these railways has been greatly improved.

It will be noted that the ratio of working expenses to gross earnings on the Oudh and Rohilkhand Railway decreased during the war owing to no provision for depreciation having been made. On the two Companies' lines the ratio increased owing to provision having been made for depreciation.

(b) *Management through a Company domiciled in England with a Board sitting in London.*—The London Boards are mainly composed of (1) railway experts and civil servants who have retired from India at the age of 55 with mentally and physically many years of good work in them, and of (2) Indian business men who have returned from India after a successful career there. They in fact constitute an almost ideal Board for managing an Indian railway against whom it has however been urged that they soon lose touch with Indian conditions which constantly vary. Is there anything in this contention? Are not railway problems the same the world over? The bulk of the passengers in all countries desire frequent trains at low fares and to be carried with moderate comfort, at reasonable speeds; a minority desire *trains de luxe* and are the most vocal. Freighters want low rates which should not be changed without weighty reasons and after long notice. On the Bengal and North Western Railway, out of every 100 seats hauled in the passenger vehicles 2·1 are filled in the first class, 7·8 in the second, 10·6 in the intermediate and 68 in the third, yet the complaints from the first three classes are frequent, whilst the ordinary third class passengers, who must on certain sections of the line be slightly uncomfortable, appear to be fairly satisfied. The goods traffic has been entirely disorganised owing to the deficiency of rolling stock on the neighbouring 5′ 6″ gauge lines for some years back.

(c) *Management through a Company domiciled in India and with a Board sitting in India.*—In regard to this it is difficult to say anything, because it is not known what sort of working Company is proposed. It may be (1) a company with nominal capital and with therefore merely a nominal interest in the well-being of the concession; it may be (2) a company with a substantial capital in the concern and therefore deeply interested in its welfare; or it may be (3) a company ranging between (1) and (3). (1) would be merely a fifth wheel in the Coach of State Management and may therefore be dismissed from consideration; (3) does not seem to offer any advantage over (2), and in the case of anything going wrong with (1) and (3) it would be difficult to determine whether the company's management or the State direction was at fault. In the case of (2) the capital of the company would need to be large and the returns on it substantial. It would be tempting providence in the case of the East Indian Railway, for instance, with a turnover of 12 crores annually, to contract it to a working company who would only receive a remuneration of £125,000, which is about what the East Indian Railway Company have been receiving and which is now considered excessive. Supposing, however, that a substantial Indian working company were put in charge of the East Indian Railway at the present time, from whence are the railway expert directors to be obtained? They cannot be got from the experienced men who retire at the age of 55 years because they are then unfit for further service in the plains of India in the hot season, and it is presumed that boards located in the hills are not contemplated. At the present time there are no Indians in the railway services who are capable of filling the position of expert managing directors. It is suggested that if it is decided that an attempt should be made to hand over the management of Indian railways to a company located in India, the experiment should be made with one of the minor railways and not with the most important line of through communication in India.

(d) *Management through a combination of* (*b*) *and* (*c*).—It is believed that something of this kind was tried on the Egyptian Delta Light Railways and proved a failure. It is obvious that two boards with equal power are not workable and it is difficult to see what useful purpose a subordinate board can serve. Advisory committees may be desirable but it must be borne in mind that advice without responsibility is usally one sided and is sometimes given in the interest of the individual giving it and not of the Company. Complaints made by an advisory committee would usually reach the company through direct channels.

After over 50 years' connection with Indian railways the writer is of opinion that both State and company's management of Indian railways should be in force at the same time. In 1869, when he first joined the State railway service, the whole of the railways in India were managed by companies whose relations to both the Government and the public were very unsatisfactory. The State railways to start with were a great success, but owing to want of elasticity in Government services, unsuitable officers were placed in charge of the State railway management and there was a reaction in favour of company management, which had greatly improved. Of late

years, there has been a reaction against the companies and State management has been favoured. The fact appears to be that there is emulation between the two managements, which is conducive to improvements in working, and should therefore be encouraged, and the present system continued. It is assumed that politics will not be allowed to enter into railway management; if they do, heaven help the railways, because no system of management can then succeed.

(2) *Functions, Status and Constitution of the Railway Board.*—It is beyond dispute that the Railway Board has been steadily losing authority since it was first established and it seems desirable to investigate the reasons for this. Before the Railway Board was established the railways in India were in charge of a secretary in the Railway Branch working under the Public Works Minister who had direct access to the Viceroy once a week and the consequence was that, having been chosen for his recognised ability, he was able to deal with urgent questions that arose promptly, and to speak with some authority on all railway matters. The Secretary was assisted in his office by two deputies, one the Accountant General, Public Works Department, the other a high traffic official, and was also able to obtain advice from the Consulting Engineers to the Government of India for State Railways in engineering matters. There was also an under secretary and assistant secretaries as required. Outside the office, the Managers of State Railways were directly under this Secretary's control, and at the headquarters of each company's railway he had " consulting engineers " who were working with the company's officials and kept constantly informed on all important matters connected with the company's management as they arose.

The fact that the Accountant General, Public Works Department, was executively under the orders of the Secretary ensured that the work of the accounts branch (who in their audit only were subject to the Finance Department) was carried on in conformity with the requirements of railway management whilst the Secretary had as one of his principal assistants to advise him in all finance matters the Head of the Accounts Department engaged on railways. The Deputy Secretary for traffic was an official chosen for his knowledge of traffic matters and for his level-headedness in general. The Managers of State Railways carried out their work as they do at present. The " consulting engineers " at the headquarters of company's railway administration were in constant touch with the company's officials and nothing was done without their knowledge and consent, and once a month an official meeting was held at which all the heads of the departments attended and all sanctions and other important matters were put on record. The Government Auditor to the railway worked under instructions from the consulting engineers. It is obvious that the duties of the consulting engineers were very important and it was usually the case that the most capable amongst them was promoted to be Secretary or Director-General. From this it also followed that the Secretary who during his rise from the position of Assistant Engineer had served on most of the Company's lines as Deputy Consulting Engineer or Consulting Engineer, had a good general knowledge of the working of all companies lines in India and of the requirements of the country served by them. These most useful officers were abolished and Government Inspectors were appointed in their place whose only duty was to report on the state of a railway. A copy of the last inspection report of the Bengal and North Western Railway is enclosed* and it need only be further explained that the Agent, Heads of Departments and District Officer who are all very busy men spent several weeks in attending on the Government Inspector on his Inspection tour and have subsequently to go through the monumental report item by item and deal with it. Are the results obtained worth the work involved?

The Chairman of the Railway Board, although in charge of one of the most important branches of Government service, is not permitted, when he is called to attend the Viceroy's Executive Council, to advocate the course that he thinks should be followed, but only to answer questions. The members of the Board have little knowledge of the railways other than those on which they individually served as agents, and have been deprived of the very useful assistance which the consulting engineers gave, as the Government inspectors have nothing to do with the management of the railway, but only with the safety and conveniences of the public, which, it is thought, were better looked after by the consulting engineers. In regard to accounts, both from an executive and audit point of view, the Railway Board is in the hands of an accounts adviser who has no responsibility and no authority. In fact, the Railway Board, who have many executive functions, have been deprived of all power of exercising them effectively.

It is suggested that the Railway Board should be abolished and the former arrangements, which, on the whole, worked well, should be reverted to. It will then be possible to get speedy decisions on important matters which is now impossible, and trivial matters will be relegated to their proper place.

(3) *Arrangements for financing Indian Railways.*—At the present time it would be impossible for the Bengal and North-Western Railway and the Rohilkund and Kumoan Railway to raise additional funds except at a rate between 7½ and 8 per cent. With this high rate of interest and the excessive cost of all material, it is impossible to construct any but the most urgent works at the present time. Both companies are conserving their available funds for the purpose of purchasing rolling stock and other equally necessary works.

(4) *Control of Rates and Fares by Government.*—The system of maxima and minima rates and fares under which railways in India have been worked for nearly 50 years has, on the whole, worked well. Why alter it? Managers of railways, both State and company, can be relied upon to foster all new undertakings, subject to the law against undue preference which is enforced in all civilised countries. If the Government desire to subsidise any business or community they should do it directly, and not through another business when to do so is undue preference.

There are a few matters connected with Indian railways which call for investigation.

(*A*) The very inadequate supply of rolling stock on the broad gauge lines and its use which appears to give an undue preference to the coal traffic.

(*B*) The taxation of Indian railways by local governments and other local authorities, and the rules under which they are imposed, which gives no right of appeal except to those who are to a great measure responsible for the taxation.

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* Not reprinted.

In regard to (*A*), letter No. 513, dated 19th June, 1920, and No. 523, dated 1st November, 1920, from the Bengal and North-Western Railway to the Secretary of State, are enclosed, which explain the situation as far as the Bengal and North-Western Railway is concerned, but this railway is not the only sufferer. There is not a trade or business in India producing articles for export that has not suffered, but more especially agriculturalists growing grains, etc., for export, who have had their produce left on their hands, and doubtless have, as usual, been driven to the moneylenders whilst their grain deteriorated. The reply of the Railway Board, No. 22 R., dated 30th September, 1920, is also enclosed. The late Mr. Knight, in reference to a similar letter, characterised it as "fatuous flapdoodle." Everyone connected with India knows that grains and seeds do not ordinarily move during July, August and September, and the fact of so many wagons being loaded in those months merely proves how desperate the situation was in what should have been the very busy months of April and May. The fact is well known that the wagon supply on Indian railways was quite insufficient before the war, and that a large percentage of the goods engines were not sufficiently powerful for the work they had to do. During the war the traffic increased greatly, apart from coal, whilst the rolling stock was hardly increased at all; and since the war no real effort has been made by the Government to meet the enormous deficiency then and now. To make matters worse, the Railway Board have issued an order that preference is to be given to coal over all other commodities (is this not undue preference?), with the result that coal from the Bengal coalfields to Karachi, Bombay and Madras, which before the war went by sea, was diverted to the railways, and many thousands of wagons were used in its carriage. The principal persons who benefited by the preference given to coal were the millowners and shipowners, who had made, and were making, enormous profits out of the war conditions, and who could have well afforded to arrange to get their coal by sea. Even if the Railway Board had arranged to charter vessels to carry coal to the ports and had allowed the wagons to be used for general use, it is almost certain that the increased revenue of the railways for carrying other articles at higher rates would have been sufficient to meet the cost. There is also the effect of stopping export of country produce on the Exchange to be considered. The writer is of opinion that an addition of at least 30,000 wagons with 300 powerful engines is required to put the broad gauge railways in a position to deal with the traffic offering even moderately well, and he can conceive no greater folly than to build a very costly railway and then refuse to equip it sufficiently to carry the traffic offering.

As regards (*B*), there is a growing tendency to impose on railways the duties of collecting taxes for local purposes. As instances, there may be cited the introduction of terminal taxes to replace octroi and the imposition of a passenger tax on visitors to pilgrims' centres to raise funds for municipal improvements. Railways have quite sufficient to answer for without attaching to them the additional odium of being tax collectors. Those who impose the taxes should take upon themselves the odium of collecting them. Moreover, it is against the spirit of British procedure to force any persons to become Income Tax collectors against their will.

At the present time the arrangements for financing Indian railways are not so important as the fact that railways could not afford to use them except for very special purposes. As an instance of what is meant, before the war the Bengal and North-Western Railway Company wished to build a bridge over the Ganges at Mokameh at a cost of Rs. 1½ crores, which was equivalent to £1 million sterling at the exchange of the day. This million the company could have then raised without difficulty at a cost of £42,500 per annum. With the enormous rise in prices and interest the bridge would now cost Rs. 3½ crores, or at 2*s.* per rupee, £3½ millions. If the company could raise this now the interest charges would be about 8 per cent., or in all £280,000 per annum. The company were quite willing to face the £42,500 per annum, but £280,000 per annum is obviously a very different proposition.

Tirhut Railway.

Calendar year.	Mileage open at end of each year.	Gross earnings.	Net earnings.	Interest.	Gain or loss to the State.	Proportion of expenses to earnings on open system.
		Rs.	Rs.	Rs.	Rs.	
1875	—	—	—	—	—	107·62
1876	—	—	—	—	—	68·67
1877	—	—	—	—	—	69·85
1878	—	—	—	—	—	75·34
1879	—	4,58,733	1,07,819	2,37,411	— 1,29,592	76·49
1880	—	5,51,068	2,33,662	2,50,659	— 16,997	56·40
1881	—	5,84,255	2,36,200	2,67,245	— 31,045	59·57
1882	—	6,60,022	2,54,047	3,86,612	— 1,32,565	61·50
1883	—	8,92,441	2,59,705	4,99,014	— 2,39,309	70·90
1884	—	11,90,072	2,66,582	5,74,369	— 3,07,787	77·60
1885	—	12,78,634	3,59,269	5,86,195	— 2,26,926	71·90
1886	—	14,98,638	5,01,189	6,30,944	— 1,29,755	66·56
1887	—	17,22,955	6,95,725	7,79,801	— 84,076	59·62
1888	—	18,07,283	7,98,875	8,17,485	— 18,610	55·80
1889	—	18,96,674	9,78,246	8,41,932	+ 1,36 314	48·42
1890	322·53	23,92,977	—	9,41,207	—	49·38
1891	337	24,89,279	14,23,332	9,34,385	+ 4,19,463	40
1892	342	21,84,862	13,82,875	9,50,025	+ 3,65,790	41
1893	—	26,81,190	14,09,975	10,01,205	+ 3,41,928	43
1894	—	29,42,305	15,35,581	9,98,388	+ 4,64,835	41·8
1895	—	30,89,644	15,61,276	10,18,013	+ 4,70,354	42·5
1896	—	31,61,172	15,56,944	10,27,821	+ 4,57,509	43·9
1897	—	32,38,109	16,29,812	10,38,630	+ 5,16,277	43·8
1898	—	31,44,140	16,67,068	13,18,764	+ 2,72,419	43·4
1899	—	34,24,808	14,42,101	14,62,603	— 82,442	46·6

Tirhut Railway—continued.

Calendar year.	Mileage open at end of each year.	Gross earnings.	Net earnings.	Interest.	Gain or loss to the State.	Proportion of expenses to earnings on open system.
		Rs.	Rs.	Rs.	Rs.	
1900	423	36,47,197	15,66,413	16,19,231	— 1,02,381	49·20
1901	519	43,16,760	22,75,660	17,67,799	+ 4,31,008	44·20
1902	517	45,50,632	24,55,201	18,77,205	+ 5,01,325	45·90
1903	—	56,72,952	31,92,619	19,86,515	+11,01,735	40·26
1904	535	62,63,114	34,98,567	21,48,021	+12,35,684	39·32
1905	565·45	61,81,754	35,95,050	23,54,563	+10,33,414	42·74
1906	614·30	66,80,324	38,97,310	23,17,307	+13,87,971	44·09
1907	763·54	75,39,243	42,21,002	23,80,668	+16,61,103	43·94
1908	774·69	81,68,953	44,81,501	24,68,465	+18,09,082	44·78
1909	774·69	75,53,873	40,09,582	24,73,136	+14,46,218	46·02
1910	776·13	83,14,066	48,01,820	24,92,047	+20,49,687	41·86
1911	769·04	89,15,376	52,68,260	25,53,319	+24,38,692	41·14
1912	791·51	98,30,665	64,73,034	26,48,419	+34,76,617	34·15
1st qr. of 1913 ...	791·51	26,02,230	16,91,800	7,16,614	+ 8,16,015	38·88
1913–14	788·16	1,02,64,997	64,76,739	27,70,371	+32,90,485	36·90
1914–15	788·45	95,03,765	58,14,830	28,43,125	+26,49,945	40·59
1915–16	825·62	93,11,906	56,14,514	28,30,356	+24,64,085	39·48
1916–17	812·06	98,92,880	61,54,482	26,66,899	+31,57,814	40·21
1917–18	804·00	93,07,091	53,46,681	27,89,261	+22,97,121	40·74
1918–19	818·96	1,08,42,111	67,48,406	27,84,649	+36,24,168	41·64

	Rs.
Total capital expenditure to 31st March, 1919	7,77,45,930
Net gain + charges – to the State from commencement of operations to end of 1918-19	+3,76,17,990

Lucknow Bareilly Railway.

Year	Mileage open at end of each year.	Gross earnings.	Net earnings.	Interest.	Gain or loss to the State *Pertaining to each year.*	Proportion of expenses to earnings on open system.
		Rs.	Rs.	Rs.	Rs.	
1883	Information not available.	—	—	11,192	— 11,192	—
1884		10,239	839	36,572	— 35,733	—
1885		82,827	17,243	53,247	— 36,004	—
1886		1,15,296	28,729	1,48,570	—1,19,841	—
1887		2,92,470	67,924	1,85,046	—1,17,122	—
1888		3,52,327	99,031	2,03,503	—1,04,472	—
1889		4,28,731	1,47,868	2,16,189	— 68,321	—
1890		4,56,738	1,32,338	2,30,699	— 98,361	—
	Miles.					
1891	198·38	4,95,068	1,72,145	2,72,055	— 99,910	62·4
1892	198·33	6,82,836	2,74,601	3,07,651	— 43,686	58·4
1893	222·05	7,28,878	2,73,541	3,26,770	— 56,724	60·6
1894	231·17	9,72,269	3,94,240	3,45,323	+ 24,737	57·5
1895	231·17	8,25,934	3,13,116	3,56,596	— 59,314	62·51
1896	231·17	8,27,599	3,02,071	3,48,885	— 60,229	63·50
1897	231·17	8,27,371	3,35,776	3,61,550	— 37,344	59·18
1898	231·17	10,34,088	5,00,200	3,64,852	+ 67,290	51·58
1899	231·17	12,72,160	6,33,355	3,65,537	+1,42,178	49·54
1900	231·17	12,53,801	6,51,957	3,73,097	+1,43,945	47·78
1901	231·17	13,72,520	7,58,124	3,91,796	+2,90,559	47·18
1902	231·17	14,53,329	7,69,568	4,23,528	+2,78,336	49·29
1903	237·04	14,03,266	7,48,689	4,53,825	+2,41,642	49·01
1904	237·04	14,96,120	7,97,671	4,48,328	+2,87,917	49·04
1905	237·04	15,47,488	8,20,992	4,50,448	+3,05,496	53·05
1906	237·04	16,55,250	8,36,782	4,57,588	+3,13,942	53·21
1907	237·04	16,97,182	9,07,863	4,18,611	+4,16,023	48·47
1908	237·04	16,15,542	7,80,747	4,50,365	+2,81,871	53·58
1909	237·04	17,17,491	7,84,749	4,11,131	+3,28,918	54·74
1910	237·04	18,25,185	10,15,746	4,75,558	+4,59,824	45·47
1911	257·57	19,40,488	10,44,604	5,07,263	+4,62,621	47·66
1912	296·32	22,67,846	13,67,532	5,66,069	+6,80,430	41·04
1st qr. of 1913 ...	296·32	6,65,878	4,06,008	1,65,812	+2,07,899	42·16
1913–14	298·02	22,50,319	12,45,837	6,84 031	+4,86,870	51·38
1914–15	312·51	19,40,856	8,79,923	7,07,593	+1,52,675	54·13
1915–16	312·51	20,17,355	10,15,377	7,39,732	+2,41,504	45·13
1916–17	312·51	23,98,560	13,90,059	7,21,831	+5,80,704	45·97
1917–18	312·43	27,04,857	15,02,723	7,31,984	+6,67,477	46·06
1918–19	312·43	31,85,922	15,64,314	7,47,338	+7,06,335	58·0

	Rs.
Total capital expenditure to 31st March, 1919	1,90,10,303
Net gain + charges – to the State from commencement of operations to end of 1918-19	+76,41,193

Oudh and Rohilkund Railway.

Year.	Mileage open at end of each year.	Gross earnings.	Net earnings.	Interest.	Gain or loss to the State *pertaining to each year.*	Proportion of expenses to earnings.
		Rs.	Rs.	Rs.	Rs.	
1879	Information not available.	43,44,843	18,19,936	28,00,000	— 9,80,064	58·11
1880		44,55,150	19,04,409	28,19,946	— 9,15,537	57·25
1881		49,28,730	19,75,699	29,14,137	— 9,38,438	59·91
1882		52,62,844	18,01,371	30,67,622	— 12,66,251	65·77
1883		54,56,255	24,80,362	31,35,495	— 6,55,133	54·54
1884		52,75,198	23,26,146	41,14,587	— 17,88,441	55·99
1885		55,37,369	17,95,361	46,53,333	— 28,57,972	65·50
1886		65,05,408	28,60,755	51,88,014	— 23,27,259	56·02
1887		66,46,213	31,35,249	53,98,339	— 22,63,090	52·83
1888		70,77,053	30,16,005	51,67,494	— 21,51,489	57·38
	Miles.					
1889	692·55	75,39,683	42,04,076	49,71,898	— 7,67,822	44·24
1890	692·55	73,81,396	37,54,478	44,23,109	— 6,68,631	49·14
1891	692·55	85,64,209	49,42,458	47,25,666	+ 2,16,792	42·29
1892	692·55	85,42,836	50,16,329	52,79,411	— 2,63,082	41·28
1893	741·11	87,15,926	50,17,053	55,01,058	— 4,84,005	42·44
1894	796·64	1,05,18,836	57,36,138	63,11,201	— 5,75,063	45·47
1895	797·18	1,02,94,880	52,55,948	64,26,370	— 11,70,422	48·95
1896	830·15	86,97,076	43,50,907	61,30,729	— 17,79,822	49·97
1897	891·97	85,15,856	36,96,778	59,77,486	— 22,80,708	56·59
1898	1,030·36	98,51,599	53,07,727	58,76,247	— 5,68,520	46·12
1899	1,030·36	1,11,38,990	60,76,595	59,75,202	+ 1,01,393	45·45
1900	1,101·56	1,15,15,132	55,91,727	62,28,185	— 6,36,458	51·44
1901	1,118·94	1,32,54,991	72,20,007	63,12,044	+ 9,07,963	45·53
1902	1,119·24	1,31,65,792	64,11,336	64,79,103	— 67,767	51·30
1903	1,180·79	1,39,49,922	72,31,862	68,40,953	+ 3,90,909	48·16
1904	1,237·65	1,52,96,206	71,33,117	70,54,120	+ 78,997	53·37
1905	1,244·65	1,53,85,913	63,43,667	71,68,431	— 8,24,764	58·77
1906	1,292·16	1,64,67,329	78,15,731	75,66,010	+ 2,49,721	52·54
1907	1,302·83	1,81,93,069	65,62,413	70,99,564	— 5,37,151	63·93
1908	1,302·83	1,61,61,543	50,29,153	74,73,210	— 24,44,057	68·88
1909	1,310·52	1,61,86,594	45,93,282	76,42,849	— 30,49,567	72·76
1910	1,406·75	1,83,03,844	88,80,832	78,34,486	+ 10,46,346	51·48
1911	1,513·77	2,03,88,454	1,04,88,468	80,09,802	+ 24,78,666	48·56
1912	1,604·14	2,45,19,400	1,39,76,826	90,21,621	+ 49,55,205	43·00
1st qr. of 1913 ...	1,604·14	61,06,475	28,60,729	21,64,489	+ 6,96,240	53·15
1913–14	1,638·33	2,41,23,950	1,23,21,631	91,48,838	+ 31,72,793	48·92
1914–15	1,682·00	2,08,24,033	91,22,888	93,51,473	— 2,28,585	56·71
1915–16	1,606·87	2,23,58,588	1,12,50,582	91,53,246	+ 20,97,336	49·68
1916–17	1,606·87	2,63,18,738	1,50,41,365	89,71,560	+ 60,69,805	42·85
1917–18	1,592·29	2,85,32,134	1,76,54,269	91,89,367	+ 84,64,902	38·13
1918–19	1,591·25	3,29,56,941	1,93,85,777	92,23,329	+1,01,62,448	41·18

	Rs.
Total capital expenditure to 31st March, 1919	21,11,84,320
Net gain + charges — to the State from commencement of operations to end of 1918-19	2,76,848

Owing to the impossibility of getting rolling stock and permanent way materials during the war, the companies charged off to working expenses during that period and subsequently the amounts considered necessary to maintain a proper standard of efficient upkeep. They also charged off the estimated revenue share of cost of replacement of rolling stock commandeered by Government for war purposes, and hold these amounts in deposit. These charges, combined with the higher rate of wages and enhanced cost of materials, explain the higher percentages of working expenses to gross earnings since 1914.

It is understood that no provision for depreciation or renewals was made on the Oudh and Rohilkund State Railway, and that there will be a charge against future revenue.

Contractors.	Date contract placed.	Materials.	Delivery promised.	Actual delivery.
Locos.—				
Hawthorne Leslie & Co.	21-6-17	5 Locos. "B" ...	About one year but subject to War.	Jan.-May, 1919 (Delivery completed).
" "	1-10-17	" ...	And priority obtained.	Delivery completed Aug.-Sept., 1919.
W. G. Bagnall, Ltd. ...	29-1-19	20 "F" Class ...	January, 1920	Now in course of shipment. 1st Loco. shipped April, 1920. 12 shipped.
Nasmyth Wilson & Co.	1-3-19	8 "B" Locos. ...	As soon as possible.	July-Oct., 1920.
R. Stephenson & Co. ...	13-9-19	4 "Tank"	January, 1922	" "

Contractors.	Date contract placed.	Materials.	Delivery promised.	Actual delivery.
Carriages—				
Metropolitan Carriage and Wagon Co.	18-2-19	35 III class Bogie... 4 Upper Bogie.	August, 1919 ...	Delivery completed Jan.-May, 1920.
Blake Boiler Co. ...	31-1-19	Wheels and Axles for above.	June, 1919 ...	Delivery completed Jan.-Nov., 1920.
Reid & Johnson ...	4-7-19	Materials for 10 sets 3rd class Bogie.	December, 1919	Commenced in Oct., 1919, and now nearly finished.
J. Baker & Co.... ...	4-7-19	Wheels and Axles...	November, 1919	Delivery completed, April-July, 1920.
Reid & Johnson ...	13-7-20	Material for 30 sets Bogie 3rd.	April, 1921 ...	Delivery commenced.
Blake Boiler Co. ...	15-6-20	Wheels and Axles for above.	December, 1920	" "
Wagons—				
Metropolitan Wagon and Finance Co.	20-1-19	300 G. G. Wagons complete.	August, 1919 ...	Delivery completed Feb.-June, 1920.
Blake Boiler Co. ...	31-12-18	Wheels and Axles...	June, 1919 ...	Delivery completed May 19-Oct., 1920.
Reid & Johnson ...	4-7-19	Materials for 200 covered G. Wagons.	December, 1919	Commenced Oct., 1919, and now nearly finished.
J. Baker & Co.... ...	4-7-19	Wheels and Axles for above.	December, 1920	Delivery completed April-July, 1920.
P. and W. Maclellan ...	22-6-20	250 C. G. Wagons complete.	December, 1920	Not commenced.
" " ...	28-6-20	Materials for 300 C. G. Wagons.	December, 1920	Delivery commenced.
Blake Boiler Co. ...	15-6-20	Wheels and Axles for above.	December, 1920	" "

STATEMENT No. 6.

BARSI LIGHT RAILWAY CO.—LETTER DATED 9TH NOVEMBER, 1920.

See oral evidence, paragraphs 1342/1542.

In reply to your letter P.W. 5265, dated 30th October, enclosing a copy of the terms of reference entrusted to a Committee appointed by the Secretary of State for India to consider various questions in connection with the administration of the Indian railways, and informing us that representatives of the Barsi Light Railway will be received to give evidence, we are directed to thank the Committee for their invitation and to say that our directors have very carefully considered the terms of reference and after much hesitation have instructed us to submit the enclosed note. Their hesitation has been due to the apprehension lest their motive should be misinterpreted and they should be suspected of a desire to turn the occasion into an opportunity for raking up old controversies. They wish to assure the Committee that they have no such desire or intention; the note is submitted with the sole object of assisting the Committee as far as lies in their power by drawing attention to certain aspects under the terms of reference which they believe it to be in the interests of Government and the public to emphasise.

The note, it is thought, is in sufficient detail to answer this purpose without the need for oral evidence; should this be required, however, the Chairman of the Committee, Mr. G. A Anderson, and Mr D. C. Wilson, a director, will be glad to attend when summoned.

Enclosures.

Note on the Terms of Reference.
Note by the Chairman.
Small scale map of the Barsi Light Railway. (*Not reproduced.*)

NOTE ON THE TERMS OF REFERENCE.

Item 1 of the terms of reference.—The Barsi Light Railway being a purely private enterprise, is not directly concerned with the methods by which the railways owned by the State are managed, though in its character of a feeder to two main railways owned by the State, its interests must necessarily be affected in some degree by the conclusions that may be arrived at regarding the management of those main lines. At the present time our directors offer no remarks on the subject of item 1.

Items 2 and 3 are co-related, in that while the extent to which private enterprise may be enlisted for the construction of new lines depends primarily, no doubt, on the financial terms offered, it is also largely influenced by the measure of the confidence that Government assurances inspire. The case that follows is adduced with the object of demonstrating the superfluous work and anxiety and the material loss that results from imperfect acquaintance with conditions, dilatory procedure, and neglect of antecedent engagements, factors deterrent to the co-operation of private enterprise in the development of the railway system of India.

Our directors are fully aware of the difficulties attending Government administration under the intricate conditions of finance and varied interests which complicate the affairs of Indian railways, and they are reluctant to intrude with suggestions for modifying the existing system of Government control, which it may well be thought should more properly come from railways of greater importance. In view, however, of the significance attached to private enterprise in the railway sphere by successive Governments (including, it is believed, the present Government) and of their reiterated assurances of encouragement to such enterprise, they feel that undertakings initiated and worked without financial assistance from Government occupy a larger place in Government railway policy than is denoted by mere mileage and consequently they think it will

not be taken amiss if they draw attention to a source of weakness in the present system of administration which the case they present would appear to indicate. The matter is discussed in a note by the Chairman which accompanies.

CASE UNDER ITEMS 2 AND 3 OF THE TERMS OF REFERENCE.

1. In 1899 the Government of India stated that the following lines which had been proposed by the Southern Mahratta Railway Company would encroach on the sphere of the Barsi Light Railway:— (No. R. C. of July 26th, 1899, from Government of India, P. W. D., to the Government of Bombay.)

(*a*) Jejuri, *vid* Pandharpur, to Bijapur.
(*b*) Lonand to Pandharpur.

and the lines were vetoed on this account.

2. In 1910, when the Barsi Light Railway negotiations for extending south across the Bhima were nearing completion, rumours reached us of the projection by outside agency of an east and west line in the Nira Valley. We pointed out to the Secretary of State the danger of such a line to us, and asked the intentions of the Government of India regarding a line of this nature. (B. L. Railway, letter of June 22nd, 1910, to Secretary of State.)

3. In reply we were told that a line from Jejuri to Bijapur (the first of the two lines vetoed in 1899, paragraph 1 above) had been proposed and negatived, and that if the proposal was renewed the interests of this company would receive due consideration. (India Office No. P. W. 1958 of December 14th, 1910.)

4. In January, 1911, we pointed out the suitability of the company and its third (2 ft. 6 in.) gauge to act as an impartial feeder in the area between Great India Peninsula and Southern Mahratta Railway branches, and asked for the prior right of construction within this area. (Letter of January 4th, 1911, to the S. of S., in which the reasons for our suitability are given.)

5. In June, 1911, we were told that such a monopoly could not be given, but we were invited to submit proposals for a system of lines within the "specified area." (Letter P. W. 968 of June 28th, 1911, from Secretary of State).

6. Before we could plan a system we had to ascertain what (if any) lines within the area were under consideration by other companies. In answer to our enquiries we were told: (Letter No. P. W. 2861 of January 10th, 1912.)

(*a*) By the Secretary of State in January, 1912, that the sole line within the "specified area" for which a concession had been asked was a branch line from Dhond *to Baramati*, which evidently was not the line apprehended by the Barsi Light Railway, and as it did not appear to be prejudicial to our interests, it was proposed to let the negotiations for it proceed.

(*b*) By the Great Indian Peninsula Railway (in March, 1912) that they were interested in a line from Dhond *to Baramati* and proposed to construct and work the line for the promoters.

7. With these replies it seemed abundantly clear that all apprehension of a west and east line north of the Nira—such as had been vetoed by the Government of India in 1899 (paragraph 1 above)—had disappeared. We were therefore free to scheme lines such as, in our opinion, would best meet the needs of the district, while at the same time affording to the Great Indian Peninsula and Madras and Southern Mahratta Railway Companies those equal opportunities for sharing our traffic which, as we had stated from the first, formed the principal feature of all our proposals (see paragraph 4 above). Accordingly, we proposed the Pandharpur-Lonand and Pandharpur-Miraj lines, and, seeing that (according to our information) the Dhond-Baramati line was to stop at the latter place, and that consequently the Great Indian Peninsula Railway would be deprived of a share in our traffic, we proposed to restore the balance in favour of the Great Indian Peninsula Railway by connecting with Baramati by a branch across the Nira, meeting our Lonand line at a point equidistant from Bombay by both the Great Indian Peninsula and Madras and Southern Mahratta Railways. (Letter of June 29th, 1912, to Secretary of State).

8. In March, 1913, we heard for the first time of proposals for extending the Dhond-Baramati line, and in April we sent in our objection. In June we had the full proposals of the Great Indian Peninsula and Baramati Companies, which showed that unknown to us negotiations had for some years been in progress for extensions from Baramati which would secure the traffic on both sides of the Nira Valley from both right and left bank canals and that the Great Indian Peninsula had had these very proposals in consideration at the time they agreed to work the Dhond-Baramati line for 45 per cent. of gross earnings (see paragraph 6 (*b*) above). (Railway Board's letter No. 316 R. C. of February 4th, 1913.) (Letter of April 11th, 1913, to Secretary of State.) (Letter P. W 1595 of June, 12th, 1913.) (Letter 56 of May 2nd, 1913, from G.I.P. to Secretary of State, paragraph 5.)

(*N B* —These proposals are shown in black-dotted lines on the accompanying map.)

9. The circumstances, therefore, in which we had planned the Pandharpur-Lonand line were now entirely changed. We were not, as we had been led to believe, free from the west and east attack north of the Nira. The very line which we had feared, and had been so often assured against, was actually under consideration. We therefore submitted revised proposals—they were, in fact, forced upon us in self defence, viz.:— (Paragraph 35 of our letter of July 25th, 1913, to Secretary of State.)

(*a*) A line from Pandharpur to Baramati *vid* Velapoor and Akluj, with a branch from it to Indapur.

(*b*) A branch from Baramati to Nira Bridge, in order to give the Madras and Southern Mahratta Railway facilities for sharing our traffic in accordance with our consistently expressed policy.

(*c*) The remainder of the Lonand line—Velapoor to Lonand—but to await development of Nira right bank canal.

(*d*) If desired, a connecting branch between Baramati and Phaltan.

10. Thus it took nearly three years for the company to discover that the capture of the entire Nira Valley by a rival company had been deliberately designed for some years; that their proposals had during this time been frequently before the Railway Board without any objection taken, and that these proposals for invading a field which long before had been recognised by Government as within the sphere of the Barsi Light Railway were still the subject of negotiation with Government.

11. The reply to our revised proposals came in the shape of a report by the Railway Board, dated November the 11th, 1913, the terms of which were offered for this company's acceptance. Correspondence ensued in which our directors showed the inadequacy of the suggested safeguards to the interests of the company; until in June, 1914, it was felt that, if we were to get on with the work, as we were pressed to do, the general assurance offered to us by the Secretary of State that in certain circumstances "the interests of the company would receive consideration" must be accepted, in spite of the hesitation induced by previous experience; and, accordingly, it was requested that the preparation of the contracts might be proceeded with, and that permission be given to start the survey at once so as to make full use of the working season. This permission was given in October, and the survey was commenced at once by a staff engaged in anticipation, and in readiness to pass on to immediate construction.

12. The draft contract came to us in February, 1915, and before there had been time to thoroughly consider it the Railway Board sanctioned the survey of the very line from Baramati to Baura (Saratti) which the Secretary of State had assured us should not be made until the representations of the company had been considered; a proceeding which showed the futility of relying on any assurances that were not embodied in the form of a binding contract.

13. A personal representation was then made by the Chairman of the company to Sir Lionel Abrahams, the Assistant Under-Secretary of State for India, and it was entirely due to his frank admission of the nature of the treatment the company had received, as revealed by the facts and circumstances laid before him, and to his earnest endeavour to right the wrong, that the contract with the company was amended by the addition of protective clauses.

14. And so, at long last, it was made possible to execute the contract (August 8th, 1916) for putting into execution the proposals which the company had submitted four years before. By this time a commencement of the work had become impossible, an embargo on fresh issues of capital had been imposed. Since then the cost of new capital, of labour and material have risen continuously and the extensions must now cost the company more than double what they would have cost in 1914. The question as to when, and in what manner, a commencement may be made has been deferred for consideration next year; meanwhile, there is reason for believing that the proposals of the Baramati Company are still in active being, and the safeguarding of the interests of this company, together with those of the Madras and Southern Mahratta Railway with which they are linked will depend entirely upon the consistency of Government policy and control.

15. As to the merits of the proposals made by the Railway Board in their report of November 11th, 1913, ignoring the prescription regarding the sphere of the Barsi Light Railway, mentioned in paragraph 1 of their note, they attempted to introduce into the Nira Valley (whereas the Great Indian Peninsula were bound to admit there was not room for two) a rival company, whose interests were confessedly bound up with only one of the two main lines which, with the approval of Government, the Barsi Light Railway had engaged to feed impartially, and in this attempt they made statements and employed arguments which could never have been set down had they been acquainted with local conditions. They represented as an "effective, natural barrier between the areas north and south of it," which, they said, had little connection, a river, which not only presented no obstacle to the passage of traffic, but which traffic habitually crossed at many places. They represented as a place of no importance a trade centre, the possession of which by extension of the Baramati Railway Company, the Barsi Light Railway had shown must paralyse the traffic on their proposed extensions. They were, it would seem unaware that the Public Works Department contemplated bridging the river at this point, a step which would set the seal to this paralysis, and in their endeavour to refute the arguments which the Barsi Light Railway had advanced they miscalculated the distances on which the arguments were based.

16. With special regard to *item No.* 3, we would record that in 1895 the £75,000 share capital required for the original line was subscribed at a premium of 5*s.* per £10 share on a prospectus estimating a return of 5.86 per cent. Owing to exceptional conditions of drought and famine during the first few years of its existence, the earnings of the company fell considerably short of this estimate and projected extensions had to be held over, but subsequent issues of capital were successfully made in this country as under:—

1905, £85,000 in shares for Tadwala Extension, at par.
1905, £140,000 in 4 per cent. debenture stock for Pandharpur Extension, at par.
1908, £40,000 in shares for additional rolling stock, at par.
1909, £125,000 in 4 per cent. debentures for Latur Extension, at 98½ per cent. and
1913, £60,000 in shares for Pandharpur Town Extension, at par.

It is believed that these terms were as reasonable as would have been got in India—in fact, an attempt which was made to interest Indian investors in the 1905 share issue, evoked practically no response from that source, while negotiations undertaken in more recent years with a view to raising capital in India showed that possible subscribers there looked for the promise of a higher return for their money than was required in this country, also that they were disinclined to look at fixed interest bearing shares, or debentures, giving a moderate but guaranteed return.

17. In our opinion the relief in respect of Colonial Income Tax granted by recent legislation will tend to assist the raising of capital in this country for Indian railways, but the retention of the present limit of 4 per cent. for interest payable out of capital during construction must operate as an adverse factor, in England and India alike, so far as raising capital for new projects or considerable extensions is concerned while monetary conditions remain on anything like the present level.

Item 4.—The present system of Government control over rates and fares is, in the opinion of our directors, adequate, and, under normal conditions, presents no difficulty of exercise; exceptional cases, however, occur in which the automatic control of regulations and schedules ceases to be effective. When agreements as to rates and fares between powerful main lines and small private enterprise undertakings are made dependent upon certain conditions essential to the interests of the latter, these conditions are liable, in the course of time, to be lost sight of, or ignored in the stress of main line competition unless the railway policy of Government is continuous and the control it exercises is alert and firm. The company's contract for extension of its system presents a case in point.

NOTE ON ITEM 2 BY THE CHAIRMAN, BARSI LIGHT RAILWAY COMPANY, LIMITED.

Under the system prevailing before the institution of the railway board, Government control of railway was exercised by a Department of the Government of India of equal status with the other Departments of State, and similarly constituted. It was in the charge of a Secretary to Government and a Director-General of Railways, serving under a Member of Council. It was equipped with the necessary staff of assistant secretaries and clerks, and included a Chief Consulting Engineer, and a complete establishment of examiner of accounts. This Department had its qualified agents all over India in the shape of consulting engineers and secretaries to Local Governments, who were usually senior and experienced men, selected for railway knowledge and administrative capacity.

2. Just as headquarter administration in India is made possible and efficient by the presence of qualified Civil Servants stationed all over the country, to advise on matters within their own provinces, so the Government Railway Department, through the medium of its consulting engineers and Local Government secretaries, was kept constantly and fully informed of the needs, aspirations, and tendencies of Local Governments in regard to railway communications, and as to the technical and commercial aspects of the operations of each individual railway, and their effect on railway policy and operations at large.

3. Thus informed, the headquarter department was made competent to deal intelligently and sympathetically with the varying requirements of all parts of the country, and to mould railway policy conformably. With the exact information at its disposal, there was little risk of the observance of previous compacts and understandings being neglected, or of the dangerous tendency that belongs to autocratic administration, towards subordinating lesser interests, or interests ill-equipped for self-defence, for the sake of convenient uniformity, or for political ends. What might at first sight appear a highly centralised bureaucracy, was, in fact, a thoroughly decentralised organisation controlling railway policy and operation, not independently of, but in the closest possible communication with every Local Administration and with everyone of its delegated assessors, and finding time for the efficient execution of this considerable task, only because of the delegation to the consulting engineers and Local Government secretaries of large powers for the exercise of the essential detailed supervision and control of the railways of the country. Nor did the advantages attaching to the system end here. The agents of the several railways shared in them. The consulting engineer was more than the guardian of Government interests, he was also the adviser and counsellor of the agents, who at all times had at hand for their assistance in difficult or unusual circumstances, a trained official versed in railway matters of a wider scope than that covered by any individual railway, and also conversant, as no company's agent could be, with the methods and propensities of Government.

4. In common with all systems this one was not free from faults, the principal of which were: The control expected by Government from their Consulting Engineers was of too meticulous and hide-bound a nature; the consulting engineers were not always well chosen, and their strength was not always properly maintained (the exigencies of Government service in the railway department did not always allow of sufficiently experienced men being appointed, or of their number being adequate for their duties), and Local Governments were at times rather too insistent in their claim to prominence in the regulation of railway affairs. These combined defects led to the appointment of a Commission of Enquiry, the result of which was the institution in 1903 of a railway board to replace the former regime and to inaugurate a procedure under which the railway companies working the State lines should have greater freedom and scope for initiative. The Local Governments could and did expect from the new system little to their advantage. In its inception it was mainly a concession to the outcry of some of the company-worked lines against what they considered excessive control, made on the recommendation of a Commissioner strange to India, and who, in the course of his brief visit to the country was able to absorb but little of the peculiar conditions attaching to Indian railways. The new system placed the final authority in all railway matters in the hands of three men, expert in railway affairs, but not designedly or even necessarily conversant with administration, and of necessity not conversant with conditions in the parts of India where they had not themselves served. Starting without the steadying influence of the traditions of the Department which they displayed; prompted, indeed, to waive all tradition and start on a career of self-inspired decisions, they were from the first debarred from all the sources of information which had informed the actions of their predecessors in office. They stood somewhat as Scotland Yard or a London newspaper editor would stand if cut off from the Country Police or country news. The former widespread decentralised organisation had suddenly shrunk to a central authority of three isolated men, whose duty it was to manage the railway affairs of all India, entailing incessant touring, if they were to keep in touch with the varying needs and conditions of trade, Local Governments, and the various railway systems, and demanding, at the same time, the conduct of the voluminous correspondence inseparable

from such a great undertaking, and the presentation in due form of their numerous decisions, financial, commercial, technical and administrative, all to be moulded into a consistent policy. Whoever may be the " Three " they are asked to undertake the impossible. The work of the railway board must necessarily be done under conditions of hurry and incomplete or ill-digested information, which must militate against successful administration.

The principal defect in the system seems clear, " Want of Touch," and it can be remedied with little or no disturbance of the present organisation. The name by which an Administration is known matters little; call it a Secretariat, or call it a Board, it is its efficiency for its duties that matters, and to make it efficient, its eyes and ears should be restored; its delegated subordinates in the provinces and on large railway systems should be revived, and when reviving them, an inherent defect in the old Secretariat system should be remedied. Under that system the consulting engineers to Government were also the Government inspectors of railways, and it was largely due to this confusion of " Administration " and " Control " that the system fell into disrepute. It was difficult for Government to define, or set limit, to the views that should be expressed in the reports of its inspectors, and these officers themselves were often in a quandary as to the proper scope of their remarks. " Administration " and " Control " are two entirely distinct phases of railway government, and should be kept separate. Aids to both are needed, the one to aid the Headquarter Administration and assist in the shaping of its policy in regard to all matters affecting or affected by the railways of the country; the other to control the technical features of railways, and to see that the rules and regulations prescribed by the " Administration " are duly observed.

As to the titles of these delegated subordinates, the old one of " Consulting Engineer " would be inappropriate.

" Railway Board Deputies " or " Government Railway Agents " would seem to be appropriate appellations.

STATEMENT No. 7.

GREAT INDIAN PENINSULA RAILWAY COMPANY.—SYNOPSIS OF PROPOSED EVIDENCE.

1 (A).—STATE *v.* COMPANY MANAGEMENT.

See oral evidence, paragraphs 1939/2170.

Whatever system of Management be adopted for railways, it should secure that:—

(i) That advantages resulting from competition should not be abandoned.

(ii) The railways should be regarded primarily as business undertakings whose function it is to give as cheap and efficient a service as is consistent with a remunerative return on the capital expended.

It is our opinion that neither of these objects, which we regard as of the utmost importance, could be secured under a system of State management of all the railways in India.

As to (i). The element of competition under a system of State management would be wholly lost, whereas, under the present system, it is preserved—since those railways which are State managed compete with those which are company managed to the benefit of both, while these latter further compete amongst themselves. We consider that it would be in the highest degree unwise to dispense with this healthy spur of commercial rivalry.

If it be urged that those lines which are at present managed by the State are efficient and economically successful undertakings, we do not think that their successful management could be used as a valid argument in support of a complete system of State management, since such lines under the present mixed system of management are subject to competition and its resultant benefits.

So far as the trading interests of India are concerned, a competitive system of Railway management is preferable to the dead level which would result from the State management of all Railways. Political considerations, however, might induce some individuals to argue in favour of State management, in spite of the fact that under such a system commercial interests would be likely to suffer.

As regards (ii). We do not think that under a system of State management the principle of regarding railways as primarily business undertakings could be maintained, but that there would more and more be a tendency to subordinate the interests of the railways as commercial and economic organisations to extraneous considerations of a political nature. It is recognised that such considerations cannot, and should not, be wholly excluded, but we think that under a system of State management such considerations would be given undue weight, and that the interests of the railways as commercial undertakings would tend to be lost sight of. Moreover, we think that this evil is especially likely to occur in India, where political agitation is so rife, and where a desire is expressed to hamper the foreign trade of the country, a trade which is of so much benefit to Government and to the community generally.

If the present system is maintained, it may be found that the Company managed railways will serve as a useful buffer between the public and the State, in the sense that they will tend to diminish undue interference by political agitation. It is possible to conceive political pressure being brought to bear upon an all State management in such particulars as the demands of labour, the manipulation of rates, the multiplication of appointments, etc., which, however prejudicial in its effect on the profitable and efficient working of the railways, might be difficult to resist. In such an event the existence of Company managed railways, with Boards in London and not therefore subject to local influences, would strengthen Government in resisting such pressure.

A further point which we think of considerable importance is that the officers on those railways which are at present State managed are constantly being transferred from place to place on temporary or permanent promotion or reversion. We consider that this is to the disadvantage of a railway, as it tends to loss of continuity of policy and further prevents administrative officers from becoming acquainted with and keeping in touch with their staff—a matter of the greatest importance under present conditions for the smooth and efficient working of the railways. Under a system of all State management we think that this evil would be likely to be aggravated.

1 (B), (C) AND (D)—IF COMPANY MANAGEMENT IS RETAINED—THE DOMICILE OF THE COMPANIES AND THE LOCATION OF THEIR BOARDS.

On this question we are strongly of opinion that the best method of company management is that at present pertaining, namely, the management by companies domiciled in England with Boards sitting in London.

In support of this view we would submit that the important question of the personnel of Boards can only be satisfactorily solved in the case of Boards sitting in London. For such Boards it is possible to obtain as directors men who, having spent their lives in India have gathered experience in Government, railway or commercial work in that country, and are thoroughly versed in Indian conditions. Such men, moreover, having generally retired from active work, have ample time to give to the work of direction and to the full and careful consideration of the important questions which come before them. It might also be advisable to obtain the advice of residents in India who are especially interested in railway matters by the creation of consultative or advisory Boards in India.

Were the Boards to be situated in India they would necessarily be composed of men who would be engaged in other active employment, whose interests might not always be identical with those of the railway. These men would also be without the long experience of railway matters which is requisite. Boards so constituted could not give the time and consideration to the affairs of the railways which they ought to receive, and their work would in our opinion tend to degenerate into a mere confirmation of the acts of their administrative officers.

Further, in the case of Boards located in India, their personnel, more particularly as regards Europeans, would constantly be changing, and an absence of continuity of policy would be likely to result. It is, in our opinion, of great importance to maintain this principle of continuity of policy, and, as a means to that end, the avoidance, as far as possible, of frequent changes throughout the personnel of railway staffs, and more especially in their Boards of Direction should be aimed at.

Boards situated in London are not subject to local and political pressure, and can deal with the important questions which come before them entirely without bias—while the advantage to be derived from such Boards being in constant touch with the best expert advice and modern practice is of the greatest importance and cannot be overlooked.

Government in the past have, it is believed, at times found it convenient to make use of the companies to resist the introduction of measures clamoured for by uninformed agitation, and in the same way the administration of an agent in India is facilitated by the fact that the necessity for referring important questions to the home Boards protects him from being forced into precipitate action on doubtful questions. On the other hand, this enables an agent to obtain support for reforms and schemes which he may desire to introduce for the benefit of the railway and the public, but which may at the time be considered in India too advanced to receive attention.

2.—FUNCTION, STATUS AND CONSTITUTION OF THE RAILWAY BOARD, ETC.

The functions of the Railway Board are in general those which necessarily would be exercised by the authority in charge of the railway business of the Government, and apart from the control of rates and fares, there is little to be said about them. Complaints are sometimes made of undue interference on the part of the Board, but the powers of the companies and the extent of Government control are defined by contract, and the companies are in a position to resist any tendency in this direction that may show itself.

Considering the extent of the Government interest in railways, there must, in fact, be a Government railway administrative authority. Whether this authority should be a Board as at present, or whether there should be a Director General of Railways, with a staff of subordinate experts, is one of the questions which has most frequently been discussed in the light of the experience gained since the Board was established. While advantages, however, can be claimed, no doubt, for the suggestion that there should be a single administrative head, we think, considering the importance and complexity of the interests involved, covering the whole continent of India, that the necessary experience can only be supplied by a Board, and that more confidence will be felt in the decisions of a Board than of any single individual. In practice the work of the Board is divided between its members, and provision can be made for the decision of urgent matters.

If in the past the disposal of railway business has been open to criticism, the reasons are to be found in two directions.

In the first place, the Railway Board have not had sufficient powers, and they have not had sufficient powers because the Secretary of State has kept so much for himself. It seems unnecessary that the sanction of particular projects, or anything but matters of really large policy, should be reserved for the decision of the Secretary of State. The disposal of nearly the whole railway business might be left to the Government of India, and they should, with few exceptions, make over their powers to the Railway Board.

Secondly, while the position of the Railway Board is such that the public naturally regard it as responsible for success or failure in forwarding railway interests, its status has not, in fact, been sufficient to enable it to do what was expected of it. The representation of railway and transportation interests in the Executive Council by a member without knowledge or experience of railway working, and who is, moreover, not even a railway member, but can give only part of his time during his five years' tenure of office to railway questions, is inadequate and unsatisfactory. It is essential that railway matters should be brought before the Council by a whole-time officer who is himself concerned with the actual administration of the railways.

It should be pointed out, however, that the relation between the president and members of the Railway Board is affected by the status finally to be assigned to the Board. At present the President is merely *primus inter pares*, and so long as the Board is a subordinate authority this position cannot cause inconvenience, as in case of a difference of opinion the member of council decides. Were the Board to become in any sense the final authority, the position would be altered, and presumably the President would have to be given power to overrule his colleagues.

In addition, the increase of railway business, and in particular the great increase in the public interest taken in railway matters, make it essential that the Board should be adequately staffed. Any idea that three is an excessive number for the members of the Board, and that one or more of them may be taken away at any time for other duties, should be abandoned. A further point is that the traffic side has never been adequately represented on the Board or its establishment. There should be a member specifically for traffic work with traffic experience, and it would also be advisable to have a locomotive or rolling stock expert of the status of the Chief Engineer.

3.—Finance.

This is a very important question, as more money is undoubtedly needed for Indian railways than can be financed from the Government Budget. If the London market is to be relied on for this, the Board must remain in London, where under normal conditions money will be obtained cheaply and in quantity. The location of the Boards in London will give confidence to British investors. The amount of rupee money to be obtained in India for railways is limited and if working expenses continue to increase as they have done rapidly of late, the investment will be less attractive. Unless rates and fares are suitably raised the return from Indian railways will presumably decline, and the Indian investor when asked to take a financial interest will hesitate to do so if he cannot see a satisfactory return on his money, which if invested in industrial enterprises might yield handsome dividends.

The four following methods for raising additional sterling and rupee capital are put forward for consideration:—

(i) Companies should be allowed to raise share capital as recommended by the Mackay Commission.

(ii) There is a large amount of money invested every year in London by the Trustees of Railway Annuity Sinking Funds. The Trustees of the G.I.P. Fund invest largely in Government securities repayable in or before 1948. They also invest in their own B Annuities. About £500,000 of G.I.P. Annuity money (being deductions for the Sinking Fund and interest on investments) will be invested this year. Of this £100/150,000 will be placed in B Annuities and the remainder in Trustee stocks. The amount of interest accruing annually increases, and in ten years from now it is roughly estimated that there will be £900,000 or more available for investment, and of this it will only be possible in all probability to place a small amount in the B Annuities. So long as the Annuity Trustees are Directors of the Railway the greater part of this money could in all probability be lent to the Secretary of State in exchange for debenture stock repayable in or before 1948. The objection may be that there would be a heavy redemption liability on the Secretary of State unless a Sinking Fund be formed to discharge the stock at maturity.

(iii) If the above scheme is not feasible the Sinking Fund deductions and interest accruing on Sinking Fund investments might be obtained for railway purposes under a scheme by which B Annuitants would agree in advance to the Sinking Fund being capitalised in 1948 as irredeemable guaranteed stock.

(iv) In India rupee capital might be raised by the formation of an independent Financial Company with local directors. This company in Western India might be called The Bombay Railway Development Company, and particular works, such as electrification, feeder and other extensions, carriage building and the manufacture of necessary supplies might be financed by capital issued at a guaranteed rate of interest with a share of additional profit earned either by the works themselves or by the main line as a whole. The main line would borrow from the Indian company at a fixed rate of interest which would be a charge on revenue. The details of this scheme need development, but the object of a separate Indian company is two-fold—to avoid English income tax, and to encourage the Indians to help in the development of their railways.

4.—Rates, Fares, Machinery for Decision of Disputes.

Under existing conditions, in contracts between the Government and companies working railways, the Secretary of State authorises the maximum and minimum rates within which a company working the railway is entitled to charge the public for services rendered in connection with conveyance of passengers and goods on the railway.

The Secretary of State also prescribes the several classes and descriptions of passengers and goods to which such rates shall be respectively applicable, as well as the extent to which within the maximum and minimum so authorised, the company may vary rates in respect of the distance or weight or special conditions under which conveyance takes place, or services are rendered.

Any change in the classification for the conveyance of any commodity is subject also to the sanction of the Secretary of State.

These powers provide a system of control by Government which is full and complete.

As between railway companies and the public the Indian Railways Act prescribes the procedure to decide whether the charge levied by a railway company does or does not amount to undue preference. The procedure for deciding disputes between railways and traders in matters of rates is by appeal by the traders to Government, whose powers described above are sufficient to deal with all possible cases. The Railways Act of 1890 also contains provisions enabling Government to refer disputes in rates or any other matter to a Railway Commission constituted under the Act. As the calling into existence of a Railway Commission is troublesome and would be expensive to the trader, it might facilitate matters if a permanent Railway Commission was brought into existence with sufficient powers to settle questions referred to it. A provision might further be included in all companies' contracts, reserving power to the Secretary of State to decide all questions of undue preference.

While the competence of Government to deal impartially as between companies and traders in the manner referred to above would be admitted, another view might be taken if the question is put in regard to the relations of Government and of its interests in the revenues of railways worked by the State.

5.—Other Recommendations.

We have no further recommendations to make, but would draw particular attention to the political aspect of this question, which is of supreme importance. To this question the Committee will no doubt give very special attention.

STATEMENT No. 8.

Sir David Barbour, K.C.S.I., K.C.M.G., Chairman, East Indian Railway Company.—
Synopsis of Proposed Evidence.

It may be convenient if I state the opportunities I have had of forming an opinion regarding the construction, working and financing of Indian railways. See oral evidence, paragraphs 2171/2341.

I joined the Indian Civil Service in the year 1863. In January, 1872, I became Under-Secretary in the Financial Department of the Government of India. I left India in November, 1893, having been Finance Member of Council for the preceding five years. Between 1872 and 1893 I dealt continuously with business of a financial nature, and during nearly the whole of this time I was serving under the Government of India. I became a director of the East Indian Railway Company on 8th May, 1895, and I have been chairman of it since 9th October, 1918. I can, therefore, claim to have had exceptional opportunities of acquiring a knowledge of Indian railways from a purely financial point of view. I have also had some experience of the working and construction of railways from other points of view. I was chairman of the London Traffic Commission, 1903-1905, and a member of the Committee on Indian Railway Finance and Administration, 1907-1908, which sat under the presidency of Sir James Mackay, now Lord Inchcape.

Although speaking in the light of subsequent experience, one can see that mistakes have sometimes been made in connection with the Indian railways. I am of opinion that the history of railways in India compares favourably with the history of railways in most other countries. The present Committee will, no doubt, have before it statements showing the financial results of the working of Indian railways generally, but I wish to put in, as an illustration, some remarks* made by the late Colonel Gardiner, Chairman of the East Indian Railway Company, on the financial results of the working of the East Indian Railway by the East Indian Railway Company.

Indian railways were constructed in the first instance through the agency of guaranteed companies. I believe this to have been the only practicable course at the time. It had the approval of Lord Dalhousie, who, I believe, had been President of the Board of Trade in England, and had taken a leading part in English railway policy.

In the course of time conditions changed, and it appears to have been felt that the contracts with the guaranteed companies in some respects rather hindered than facilitated the construction of Indian railways. The construction and working of Indian railways by direct State agency was adopted. I believe that to have been a wise move at that time.

Some years later the agency of companies was reverted to in order to accelerate the construction of much needed railways, and the change had the desired effect. The contracts with the guaranteed companies included a purchase clause, and when the time arrived when purchase was possible, it was found to be financially profitable to purchase the railways, and the Government consequently took advantage of the purchase clause. The railways so purchased have either been worked under fresh contracts with the companies or have been managed by direct State agency.

I served for 20 years in Departments of the Government of India, and for 26 years I have since had some experience of commercial business, and I have formed a very strong opinion that no Government Department can successfully manage a commercial business. This is not due to the fact that the officials in Government service are less intelligent than those engaged in commercial business, for I am disposed to take the opposite view, but it is due to the fact that the procedure in a Government office is, and must be, totally different from that which is suitable to commercial business. The same amount of responsibility and initiative cannot be left to individuals in Government offices which can be given to a single person in a commercial business, and which in fact must be given if the business is to be thoroughly successful. A railway, however, is not on quite the same footing as an ordinary commercial business, and I think the management of railways by the State can be efficient if the management is entrusted to a specially chosen Board or Commission, if the Government will not interfere with the Board or Commission, and if special care is taken that the Board of Commission shall not be subjected to political pressure. These conditions are difficult to secure in practice at the present day, and the difficulty is likely to increase as time goes on.

A Railway Board has been established in India, and I believe it to have done much good, but I have formed the opinion, which you must take for what you consider it is worth, that it is too much interfered with by the Government of India, and that the tendency has been to put it in the position of an ordinary department of the Goverment. I have not been in India since the Board was formed, but I think it right to state the opinion, or perhaps impression, which I have formed. At the present time some Indian railways owned by the State are worked by State agency; others are worked by companies under contract with the Government. I believe this to be the best system that could be adopted. I view with alarm the prospect of all the railways in the Continent of India being worked in the future under the control of a Board appointed by the Government, liable to be interfered with by the Government, and to be subjected to increasing political pressure as time runs on. On the other hand, the fact that the Board works certain

* Enclosure No. 1.

railways supplies the Board and the Government with a trained staff of railway officials who are invaluable in dealing with the companies, and also in cases of emergency in India which are sure to recur from time to time.

As regards the Boards of Directors who are to work the State-owned railways under contract, I believe they should be in London rather than in India. The Board in London can always obtain the services of men of commercial experience who have lived and carried on business in India, but the special advantage they have over Indian Boards is that they can obtain the services of men who have had long experience of the construction and working of Indian railways. For example, the Deputy Chairman of the East Indian Railway Company, who is practically Managing Director, is at present Sir Robert Highet, who served on the East Indian Railway for 36 years, and was Agent in Calcutta for eight years. Former Chairmen of the Company were Colonel Gardiner, Sir Frederick Upcott and General Sir Richard Strachey, all being men of great Indian railway experience. No men in any way comparable to these I have named could be obtained for continuous service on Indian Railway Boards at the present day.

I do not think that the present time is a favourable one for making a great change in Indian railway policy. What we most feel at the present time is the crying need for more money and more railway material to enable the existing railways to carry the traffic which is being offered them. I strongly recommend the Committee to read the address* of General Sir H. Freeland delivered at the opening of the Railway Conference at Simla on the 11th October last, with which I entirely concur.

ENCLOSURE No. I.

Extract from a speech by the Chairman, Colonel R. Gardiner, R.E., at the 70th Annual General Meeting, held at the Company's Offices, Nicholas Lane, London, E.C.4, 25th July, 1917.

This being a record year, I think it will be of interest to give now a few figures setting forth the progress of the Railway under the Company's direction since the ownership of the line was bought up by the Government at the end of 1879 at a cost of, say, £32,750,000, which is being paid off by an annuity to expire in 1953. As you are, of course, aware, your deferred annuitants represent £6,500,000 of the purchase price, the annuity in respect of which is deferred under the present contract which expires in December, 1929, subject to the possibility of being revised or determined in December, 1919.

Since 1879 the line has grown as follows:—

Miles worked on 1st January, 1880, 1,548.
" " " 31st March, 1917, 2,806.

and the gross earnings have increased from, say, £2,863,000 to, say, £7,637,000 in 1916-1917. The passenger mileage compares as 583 millions of miles in 1879 to 2,283 millions of miles in 1916-1917, approximately a fourfold increase, and the charge per passenger mile and cost of carrying a passenger one mile have decreased from 3·59 and 1·28 pies respectively in 1879 to 2·43 and ·64 pies in 1916-1917. A pie represents now one-twelfth of a penny. Similarly, the goods ton mileage has increased from 780 millions ton miles in 1879 to 5,794 millions ton miles in 1916-17, say, eightfold, and the charge and cost of carrying a ton mile has decreased from 8·16 pies and 1·98 pies respectively in 1879 to 2·59 pies and 1·13 pies in 1916-1917. Put into English coinage, the average charge for carrying a passenger one mile and the average charge for moving a ton of goods one mile are both now under one farthing.

Additional capital in round figures of nearly £25½ millions has been laid out on the undertaking since 1879, of which £18½ millions has been raised in debentures through the company and £7 millions provided by Government. The railway has earned for the Government during this period £30 millions of surplus profits, being the gross earnings less cost of working and of all the indirect charges for interest and annuity, and less also the company's share of the profits which it receives for being the Government's agents for conducting the business of this great undertaking. The annuity charge referred to is, as mentioned in the foregoing, the annual charge through which the Government is paying off the cost of the line when purchased from the company in 1879. This repayment will be completed in 1953, when £26,200,000 of the capital of the railway *plus* the premium at purchase of, say, £6½ millions, will be wiped out. As 37 years of the 73 years of the annuity have now expired, in may be said in a general way that 37-73rds of the cost of the line in 1879, £32,750,000, has been met through the annuity to date, that is, say, £16½ millions, and in order to get a fair idea of what a financial success the undertaking has been under the present system of administration these £16½ millions should properly be added to the Government surplus profits of £30 millions referred to in the foregoing, making a total of £46½ millions of Government profits from the undertaking during the period 1879 to date.

The few figures I have given bring out the extent and importance of the undertaking which we assist the Government to administer with, I think I can safely say, the general satisfaction of the commercial community wth whom we come in contact.

ENCLOSURE No. II.

Extract from Proceedings of Indian Railway Conference Association of Monday, October 11th, 1920, viz., extract from address by General Sir H. Freeland.

5. From the subject of increased wages of railway staff, it is in natural sequence to pass to that of the additional revenue we must earn to meet the bill. Material and stores now cost two and three times what they did in 1914, and show no signs of coming down; in fact, it seems hopeless to expect that they will ever be reduced to an appreciably lower figure. Increased production may do something in that direction, but with wages all over the world so greatly above pre-war level, the cost of production has in all likelihood been permanently raised.

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* Enclosure No. II.

We have all granted largely enhanced pay to our men, but it still remains to find the money. Thus it seems impossible that in this country a general advance in rates and fares can be postponed, if the long deferred renewals and reconstruction are to be undertaken to meet the increasing demands of commerce and industry.

The satisfactory results shown by the recent reports of companies' lines do not give a correct representation of affairs. These results are partly due to profit on exchange and partly to the fact that expenditure on account of renewals was curtailed, because materials, machinery and stores could not be procured.

A proposal to increase certain rates is before the Conference, and it is to be hoped that unanimous agreement may be reached in the matter.

The raising of the rates for the carriage of coal is one of the most important issues. The existing rates were fixed some 15 years ago, when working expenses were very much lower than they are now. They were barely remunerative then and at the present time do not cover the cost of carriage. Moreover, the absence of shipping in the first instance and later the high cost of sea freights has forced nearly the whole of the trans-Indian coal to rail, with the result that nearly half the broad-gauge goods stock of the country is locked up in this traffic. The existing rates, therefore, amount to a tax on the public for the benefit of one section of the trading community, and an enhancement of the rates to a figure which will give a fair return for the services rendered seems inevitable.

While on the subject of increasing our revenue, a reference may be made to the subject of railway concessions. A number of demands for these have been received during the year, but, on full consideration, have been refused by the Standing Committee. As Sir Robert Highet pointed out a few years ago, railways do not, except in very special cases, such as for Red Cross work, grant concessions from philanthropic motives, but with the object of obtaining, either directly or indirectly, increased revenue. In the existing conditions of finance and limited traffic facilities there seems little prospect of such concessions being granted for some time to come.

Briefly then we are faced with the necessity of enhancing our rates and fares to such a degree as will meet our increased wages bill and increased cost of material and will leave something over to enable us to carry out the renewal and replacement of worn-out material. It is not anticipated that any sweeping advance in railway charges will be necessary to attain the object in view, nor does there seem to be any necessity to follow the example of English and European continental railways in this respect.

The increases in goods rates in the United Kingdom are very heavy, more than 100 per cent. over 1914 in some cases, while on the Continent of Europe an advance in these rates of a still higher percentage has been made. Passenger fares in Europe too have gone up 70 to 150 per cent. In South America, however, the general increases in rates and fares has been 20 to 33 per cent. over pre-war figures, and the conditions there seem to approximate more closely to our own.

It has just been announced that we may expect a special Commission of Inquiry to come out to India this cold weather, and the question of the control of rates and fares by Government will be one of the subjects for their consideration. This Commission will undoubtedly realise in the process of their investigations that the problems to be faced here are fundamentally different to those to be met with in a country like England, in that here we have a vast territory sparsely equipped with means of transportation and asking for more and more capital for development. To attract such capital we must show that it is a good investment, which means we must cover our increased working expenses and continue to pay a return on capital of something in the neighbourhood of 7 per cent.

Admittedly cheap transportation is the principal means of development, and we must strive to that end in this country. There is very little hope that we shall be able to effect such economies in operation as will reduce expenditure to an appreciable extent, but I think it will be right to point out that with more efficient traffic facilities we ought in time to be able to handle a greater volume at a lower cost proportionately, when rates and fares should again incline to fall.

6. Before I sit down I would like, with your permission to refer briefly to our prospects of development. As was to be expected, the moment conditions of war were thought to have passed away, a constantly increasing pressure was brought to bear on railways to revert to their pre-war practice without delay and to effect a rapid improvement on the 1914 standard of transportation. That this would be so was foreseen, and such steps, as were permissible under the existing system of annual budget grants, were taken to place orders for material and new equipment, both in England and in India. Unfortunately, the whole world had suffered and every country was in violent competition for the supply of manufactured material, steel in particular. Frequent strikes and labour unrest in England slowed down the output of the workshops there, and shipping, during 1919, at any rate, was very short. Consequently, much of the material and stores ordered immediately on the conclusion of war for the reconstruction of our railways was not forthcoming within the period for which the grants had been made. It is true that the portion of such grants which thus lapse, as it is called, is carried over to the following year, but the allotment of money for that year is curtailed to an equivalent extent. Under this system a failure to obtain delivery of material from the manufacturers within the time allowed means a permanent retardation of reconstruction and development. There is no getting away from that. Furthermore, it is only fair to recognise that the purchasing power of money is barely half what it was in 1914. If 12 million sterling was necessary for railway development then, and that be it remembered was inadequate for the needs of the country, it is necessary now to raise at least 24 millions to do the same work. Very much the same state of affairs exists as regards our annual revenue budget grants, and, as you may recall to mind, Sir Lawless Hepper at the 1916 Conference made a very lucid statement of the adverse effect of the existing system on our renewals. From the financial point of view has any plan been made to provide for the renewal of locomotives, carriage and wagon stock, permanent way and bridges, which have been deteriorating steadily since 1914? I do not think so. Such

renewals can only be carried out gradually. We cannot obtain the necessary material and labour to effect a sudden resurrection, and the traffic must be kept moving all the while, but we can do it in time if we are assured of the necessary funds.

There are unmistakable signs that our programme will be ruthlessly curtailed in the near future, because it will be difficult to raise the money, and because no reserve fund was created during the last few years to meet the renewals which would obviously have to be undertaken sooner or later if railways were not to be closed down. The money was voted for our programmes and a large proportion of it lapsed for reasons beyond our control. It had disappeared into other channels under the existing system of finance and we may assume that unless there is a plan for overcoming the difficulty of raising new money, deterioration of our equipment will continue.

The fact is that renewals on all lines are seriously behindhand at the present moment and improved and enlightened methods of raising capital are not the only remedy for our backwardness; more revenue must also be found if we are to replace our worn out equipment.

In considering the amounts of capital and revenue grants to be given to railways, there is an inclination to lay too much stress on the direct benefit to be obtained, whereas since adequate and efficient means of transportation are an essential part of commercial and industrial advancement in any country, more consideration should be given to this fact when allotting money for railways. Even if a new line cannot be shown as likely to return an appreciable dividend on capital expended in its construction, or if it is not immediately evident that the replacement of obsolete equipment will bring more grist to the mill, the general revenues of the State will certainly be augmented by improved transport facilities or by any carefully selected railway alignment, and education and enlightenment will be brought to the country. These are the indirect benefits which should be placed on the credit side of the account.

The war has been over two years, but I doubt whether any railway is satisfied with the progress it has made during that time in renewals and improved equipment and facilities. As I have already said, this is due in the main to the difficulty and uncertainty of obtaining manufactured materials from abroad and as a consequence it has been difficult to spend even the small grants allotted to us. These were circumstances over which railway administrations had no control, and the only way to put matters right is the adoption of a more liberal and flexible financial policy in future. It is most distinctly contrary to the interests of India as a whole, to her trade, her education and her industrial welfare if, because it is a lean year or because money cannot be raised except at a higher rate of interest than is in keeping with past practice, our revenue and capital grants are to be curtailed for the next financial year. Such a policy is short-sighted in the extreme for to curtail expenditure in one year will only accentuate the difficulties in the next.

I do earnestly insist that, although my remarks may be condemned in some quarters as ill considered, they set forth the true position as regards the development of this country, not only in the opinion of railway men of experience, but also of those outside our own ranks who have the well-being of India at heart.

Summary.

If a company, whether domiciled in India or England, works a railway on behalf of the State, I recommend:—

(1) That the company own a substantial portion of the total capital.
(2) That the contract be for a long term of years.
(3) That the terms of the contract be such as to give the company a strong interest in increasing the net profit from the railway. The scale of remuneration need not be liberal at the commencement of the contract.

I strongly recommend that the Railway Board be made as independent of the Government as may be found practicable, and that it be freed, as far as possible, from political pressure.

It would be very desirable to introduce some system for regulating the provision of capital for Indian railways. I would recommend a moderate programme of new construction and a firm determination to raise every year, if at all possible, whatever money was required to carry out that programme, and also to provide the necessary improvements on that already existing to enable them to deal with the traffic which was being offered.

I think the whole Indian system should be worked in a series of large groups.

I am not in favour of small companies to carry out extensions and subsidiary lines. That is merely an expensive way of raising capital which could be raised more cheaply by direct Government action. The formation of such companies might be justified if the Government or the railway companies would not, or could not, raise the capital for necessary extensions, but I am sure that if the small subsidy companies can raise the capital, the Government or the railway companies could also do so, and on cheaper terms.

STATEMENT No. 9.

Madras and Southern Mahratta Railway Company.—Memorandum.

See oral evidence, paragraphs 2738/2946.

The Board propose to follow generally the terms of reference, and to deal in the first place with the administrative advantages in the retention of the Home Boards, of which they are strong advocates. They desire primarily to address themselves to the reasons which have prompted the suggestion to change the existing arrangements under which the Home Boards were constituted and carry on their business. It would be idle to pretend that there is not a considerable volume of opposition in India against the retention of Home Boards, but they believe that these views are founded upon a radical misconception of the work of these bodies, and of the conditions under which railway work is carried on.

In so far as the present agitation is based upon the desire to make the Indian Administration more popular it would command sympathy. But the main desideratum in railway management is efficiency, and India is not yet ripe for such sweeping changes. The transfer of the Home Boards to India is not, they consider, proposed on the ground that the change will promote

economical working; they believe that it proceeds from the desire to exert political pressure which may induce the Government to forsake an arrangement that can be shown to be working with efficiency, in favour of a very doubtful experiment the result of which no one can foresee. To choose the present moment for the inquiry into the proposal seems of doubtful value and likely to discourage investors in England.

The Board do not for a moment suggest that there are not points in working which the Committee will, as their inquiries proceed, doubtless agree are susceptible of improvement. If there is to be any decisive change in working, this should, in their opinion, ultimately take the shape of State management when existing contracts fall in, as being better than administration by Boards in India. But financial considerations will probably prevent this course being followed for a long time to come, and the fact that the competition and rivalry between company and State line management has many advantages and leads to efficient working will be difficult to disprove. As a matter of fact it is doubtful if any railways in the world are better managed than Indian lines, and this is largely due to the two systems of working, State and company, in force, each being subject to the same stringent Government control.

THE LOCATION OF BOARDS.

We now come to the reasons which appear to render it necessary that the Home Boards should be located in London, noticing at the same time the arguments advanced which are claimed as justifying their transfer to India. As it appears to be considered desirable that the Secretary of State should retain the control in relation to reserved subjects which he now exercises, the proximity of the Boards to that personage is of some importance. Opinions as to the transfer to India are divided. It seems to be certain that there is no leisured body in that country, whether professional or otherwise, from which Boards could be suitably recruited. A very high salary would be required in order to attract the services of those really competent, such as bankers or business men, whilst the heads of firms or banks are too fully occupied with their own affairs to enable them to devote the time necessary for railway work. It is certain that continuous service on Boards of Europeans living in India would be unobtainable. Besides this, most of the main lines traverse several provinces, and it would be difficult in Madras, where the Board would do its work, to get directors with knowledge of other districts, and having their interests at heart, and consequently the local interests of Madras would receive undue attention to the prejudice of those of other provinces, who might not be represented on the Board. In London, however, the members of the Board have no local interests, and are impartial in consequence. If constituted in India, it would conceivably be necessary to appoint some whole-time Government officials in order to obtain a suitable *personnel*. Incidentally it would be found that there would be few men of the requisite commercial position and experience possessed of sufficient independence to render their membership of Boards in India desirable. By this we mean that the greater part of the commercial community is engaged in using the railways for their business purposes, which is not the case in London.

It is also put forward that Home Boards must have merely a knowledge of changing conditions limited to what is disclosed in official reports, and that these Boards are conservative, slow, inaccessible, and out of touch with the constantly changing conditions in that country, whilst the necessity for reference to London causes delays. If these accusations are true, railway work in India would suffer under grave disadvantages. We maintain that they are, generally speaking, gross exaggerations. The suggestion that the Boards are mainly dependent upon what they can pick up from official reports is entirely erroneous.

We have on the London Boards men recruited from various spheres of official and commercial life in India, as well as those with railway experience who have served either on the Railway Board or as Agents or Heads of Departments of State Railways, or who have held similar appointments on Companies' Lines. Thus practically every branch of the Indian Administration is represented, and on the whole the Home Boards are possessed of an all-round ripe experience which is of high value. They exercise independence, the importance of which is considerable, and the fact that their work is carried on at a distance from India is in some measure an advantage ensuring for its disposal a balanced and dispassionate judgment. Additionally, they are in close touch with the India Office and the Consulting Engineers, the latter forming the link for communication with manufacturers, and giving their advice professionally on all projects and helping in the selection of staff. As is well known, the business of the Boards is also carried on under the close scrutiny of the Government Director, who sees that the obligations of the contract are carefully observed. Moreover, the Home Boards have the opportunity of consultation with experts in London, thereby obtaining first-hand acquaintance with all new developments. It has also become the practice for members of the Board to visit India, and thus to keep up a connection of undoubted advantage with the work out there. Finally, it is now the practice to have monthly meetings of the representatives of Indian Companies, at which Agents on leave in this country are often present, as well as the Government Director, and current questions of importance affecting all railways are carefully considered.

It is easy to meet the charge that Home Boards are conservative, slow, and inaccessible. The Committee will no doubt realise that there is generally more than one party to railway enterprises. Take, for instance, a proposal to construct a branch line inaugurated by a District Board. The scheme is adopted by the Local Government, and the necessary sanction for the preliminary reconnaissance is accorded by the Railway Board. After a report by the Agent the proposal may be sufficiently promising to justify the undertaking of a regular survey, and the results are then reported to the Home Board. Following a careful examination by the latter the project is accepted by them, and the necessary report is then furnished to the Government of India. Thereafter come sanction to the estimate and discussion of the proposed terms for working, inclusion in the programme, provision of the necessary capital, and commencement of the work. All this procedure, in a case which as stated presents no special difficulties or obvious objections, naturally takes some time, and often delays occur for which the Home Board may be blamed, but is in no way responsible. In any case practically the same procedure would have to be adopted if the Board were in India, or were the project connected with a State line. The Local Government is often inclined to take up the cudgels on behalf of the promoters, but the former have no financial

responsibility, and are as a rule only anxious to secure the completion of the branch line to open out backward districts. We desire to make no charge against any Local Government, or the Government of India, but it would not be difficult to rebut charges of delay brought against Home Boards, and to fix the responsibility on the system of financial control by the Government of India, which control, on the whole, is wholesome and necessary, and is quite unaffected by the nature of the organisation working a railway.

To show that Home Boards are not the only ones who cause delay, I quote the following case. About a year ago, when there was a necessity for revising the officers' cadre, as soon as the Board had received the Agent's proposals, orders sanctioning them *en bloc* were wired out to India. In such matters, however, the Board have to wait upon the approval of the Railway Board—and for some reason, with which the Board are unacquainted, it has not as yet been possible to carry out their intentions with regard to the revenue branches of the officers' cadre. My Board are ready to take action immediately this matter is decided by Government. We mention this case because it is one for which the Board may be wrongly blamed—similar delay has occurred in respect of State lines.

Before taking leave of this branch of the subject, we should like to mention that matters of routine, even of considerable importance, or of special urgency, are not delayed by the Agent in India for the necessity of reference to the Home Board. Our Agent in India has very large powers —often added to—which he exercises, whilst he knows well that in all cases involving urgency, especially instances of unrest among the staff, he will be supported by the Board in any orders he may pass. These remarks apply also to the case of any work which must be done in anticipation of sanction to facilitate working.

The Agent sends home every week a printed despatch, several typed letters on every conceivable subject, and frequently writes confidential letters to the Chairman, so that the Board are constantly posted in all important questions. Telegraphic communication is also freely used in urgent cases.

POSSIBLE LOCAL CONSULTATIVE COMMITTEE.

This claim for some voice in the management of Indian Railways may have some validity, and it could, if necessary, be met by the appointment at the Headquarters in India of a Consultative Committee—but to go beyond this, or to admit any claim to interference in matters connected with management of the staff, would enormously increase the work of the Agent, and would tend to diminish his authority and promote indiscipline. We do not, however, wish to be taken as advocating a *combination of management* which would necessarily, it is thought, lead to delays and inconvenience and impair the authority of the Home Board.

On this question the evidence of our Agent would be valuable.

It appears to the Board that where close co-operation is required, it should be confined chiefly to the question of how to develop the industries of the country and the best way to transport the produce. This, it is thought, could best be met by the extension of the practice of railway representatives being on the Chambers of Commerce at the Port (this being the custom now where they also sit on Port Trust Bodies) by the appointment of traffic officers on European and Indian Chambers of Commerce all over the system. In this manner the requirements of trade would be ascertained, and the Agent would then deal with each situation as it arose.

RELATIONS WITH THE STAFF.

Incidentally, it is to be anticipated, especially when, as is generally the case, ex-members of the staff in India occupy seats on the Boards, the relations between the Boards in London and members of their staff recruited by them would be closer than between the members of a State Service and the Railway Board, or with a necessarily changing Board in India, and this friendly relationship the visits of Directors to India tend to promote. Similarly, the long association of the members of the same service with one another should tend to the promotion of *esprit de corps* to a greater extent than is possible on a State Railway. The Board have thus also a wider knowledge of their staff to guide them in selection for special promotion and the rejection of the unfit than can be enjoyed by the administrative authority under the alternative methods of management suggested.

FINANCE

Advocates of State Railway management urge that thereby the whole of the profits come without deduction into the coffers of the State. This is true, but against a total capital outlay by Government of £370,000,000 outstanding (according to page 3 of the Administration Report for 1918-19 the real total is much larger as much has been paid off by annuities) the ordinary capital of the operating companies with boards in London amounts to about twenty-seven and a half millions.

At the time each contract was renewed the Secretary of State's advisers preferred, as the alternative to purchase by a Government loan at the current rate of interest, to continue a guarantee on capital raised by the company at a lower figure with a profit-sharing arrangement contingent on good management for the term of the new contract.

For the last two and a half years the average dividend paid by 11 companies operating so-called State railways has been about 8 per cent., but it must not be overlooked that the receipts of the companies, like those of State railways, have been increased during the war and up to date, owing to the postponement of renewals, and particularly to the fact that the very large increases of expenditure on salaries and wages, to meet the rise in cost of living, have not yet come into the accounts. With increasing expenditure on labour and materials, the returns are likely to be much less favourable in future, even if rates and fares are raised. Also it must be remembered that on the Madras and Southern Mahratta Railway, in addition to the arrears of renewals, a very expensive programme for strengthening the road has scarcely been begun. The Working Estimates for the Madras and Southern Mahratta Railway system for the year 1920-21, show an increase of Rs. 1,09,54,204, or 38 per cent. over the actuals for 1918-19, and do not include heavy staff increases since sanctioned. The favourable rate of exchange

at which the receipts were remitted accounted last year for a bonus of 3 per cent., or an addition of one-half the dividend paid for the two last half-years, thus making the normal dividend of this Company 6 per cent. per annum. Since then the rupee has fallen from 2*s.* 1¼*d.* to 1*s.* 7*d.* or 1*s.* 8*d.*, and its future is unknown. At any rate, a fortuitous change in exchange from the Company's point of view should not be taken into account in considering the merits of State *versus* Company management.

RAILWAY BOARD'S FUNCTIONS.

With regard to the second of the terms of reference, the functions of the Railway Board are such as must be discharged by some central body on behalf of the Government of India. They act, however, in a dual capacity as administrators of State Railways and as Controllers of the Railways generally.

The course of events arising chiefly from the cost of living in India during the last two years, points to the necessity for the Government avoiding action in modifying rates of salary or conditions of service for State Railway employés without consultation with Agents or Companies; in some cases prior consultation between representatives of the India Office and the Board would have been of service. It must be admitted that before the war Railways were worked in water-tight compartments, and Boards were jealous of their rights in regard to their own staff. Circumstances have, however, changed, and independent action on State Lines or by any Company undoubtedly affects other lines, as benefits given on one Railway are claimed as a right on others, whether justifiable or not.

The policy of the Secretary of State and the Government of India in taking independent action has certainly added to the difficulties Companies have had to contend with, and has at times been offered as an excuse by some Company who followed suit.

The following instances may be given in relation to this point:—

(1) Fixing of salaries and conditions of service for State Railway officers;
(2) Fixing of salaries and conditions of service for State Railway subordinates;
(3) Introduction of oversea allowance for State Railway officers;
(4) Addition of technical allowance for the same;
(5) Revised rules for leave and passages for officers and subordinates.

As controllers of Railways generally on behalf of the Government of India, there appears to be need for some machinery to bring together conflicting interests in the case where different Railway Companies and the Government of India, whether through State Railways or otherwise, are concerned in the construction of new lines. Under existing circumstances discussions between the Railway Board, the Great Indian Peninsula Railway, this Company and the Nizam's Government have been going on for eight or nine years as to the construction of a railway connecting Secunderabad *via* Gadag with the Port of Marmagao, the stumbling-block hitherto being the question of the means to be adopted to prevent undue competition with the Great Indian Peninsula Railway and the Port of Bombay. The case is complicated by the fact that an Indian State is concerned, but it is suggested that the matter could have been materially advanced by a meeting of representatives of all the parties concerned, either in India or England—or if the machinery had existed, reference to an independent tribunal or arbitrator before whom each party could have argued its case.

STATUS OF RAILWAY BOARD.

From time to time suggestions have been made that the Chairman of the Railway Board should be a member of the Viceroy's Executive Council, and we think the idea sound, and that he should also certainly be a railway expert. What seems required is a strengthening of the Railway Board in respect of numbers and responsibility. The salaries of the members should be increased and appointments should only be made of the very best railway men obtainable—men who possess independent views, and of great strength of character, and who are not easily prepared to be overruled by the Financial Department. A further improvement might be made by appointing an Indian to the Board; at first, a railway officer need not be selected, but the very best man in the country possessing sound commercial and financial qualifications.

ARRANGEMENTS FOR FINANCING RAILWAYS.

This question is in fact as important as any with which the Committee will have to deal, possibly the most important, since the provision of adequate capital is the key to efficiency of Indian Railway Administration, by whatever agency the actual management may be carried out. The Commission will doubtless receive evidence from competent financial authorities, but as far as can be judged, no one is at present able to forecast the amount and rate of interest at which money will be obtainable in the near future for Railway purposes, either in India or England. While the policy adopted prior to the war has secured the provision of capital at a very moderate rate, the state of things has now completely altered, and the location of Companies' Boards will probably be decided by the results of attempts to raise future capital. If most of it has to be subscribed in Great Britain, it is not likely that the investors will look with favour on the proposal that Home Boards should be transferred to India.

Advocates of a more forward policy prior to the war usually suggested the separation of the Railway Budget from the General Budget of the country, with power either to individual Companies or to a combination of the whole, to raise funds on the security of the Railways themselves, and this Board hold there will never be any real steady advance in Indian Railways until the finance of the Railways is separated from the general finance of India.

There is one point we should like to emphasise, and that is that the Budget system under which, the money not spent at the end of the year lapses and has to be re-allotted out of the funds allotted for the following year, thus upsetting the programme of work for the following year, is unsuited to a commercial business like a Railway. In our experience this practice only tends to hurried and extravagant expenditure towards the end of the year. At the present time,

when the preliminary programmes for next year's work have been formed and money provisionally allotted, we have suddenly heard that grants next year will probably be reduced 50 per cent.

The immediate problem is that the open lines of India require about £20,000,000 annually, against the £12,000,000 prior to the war, while there are at least £60,000,000 of arrears to be made up as rapidly as the work can be efficiently carried out.

CONTROL OF RATES AND FARES.

With regard to the fourth paragraph of the terms of reference:—

The control of Government over rates and fares has been capricious.

(A) On the first introduction of maxima and minima rates with a classification between which Railways were allowed to vary them, the assumption was laid down in the preamble of the circular that the shortest route should fix the rate as in England, and that longer routes might equalise but not quote lower rates, and the idea was that through rates should be divided on mileage. At this time the Conference Rules applicable as now to all Railways contained a provision that the shortest route between junctions should fix the rates.

This rule was eliminated in 1899 by the Conference without objection from the Government, and down to the absolute minimum of the longer route, the shorter route has no protection.

The rule, if reintroduced, would need some qualification by a definite additional mileage being laid down to cover transhipment, and a condition that the route must be a practicable one. At present the construction of a 2-ft. 6-in. gauge line is under discussion which would short-circuit a through broad gauge route partly owned by the company. It is seriously contended not only that the shorter 2-feet 6-inch route should fix the rate, but although it could not carry the existing traffic, and would not thus be adopted as a practicable alternative route by traders, the rates by the through broad gauge route should be calculated over the 2-feet 6-inch route and *vid* the junction on to the broad gauge, no extra charge being made for transhipment.

Coal Rates.

(B) Some years ago the Railway Board introduced a very low scale of coal rates to develop the industries of the country and all State railways, and by considerable pressure induced practically all railways to accept them. With the increase in working expenses many railways, especially those distant from the collieries, hold that the rates for public coal are unremunerative, owing largely to the cost of returning empty stock over long distances, and this Board are in favour of the rates being appreciably raised.

Control of Rates Generally.

(C) As regards rates generally, many railways hold that with the increase in working expenses the maxima rates should be raised. The Railway Board, it is understood, do not favour the proposal, and advance two pleas against it:—

(1) That the rise in exchange helps the railway companies;
(2) That increased traffic can be carried at a cost of 25 per cent. of the rates charged.

To these arguments the Board would say: First, as regards (1) that the rate of exchange is too capricious to be taken into account, and that it cuts both ways, as although the higher rate helps in the matter of buying English stores, it increases the amount of capital, if raised in England, required for capital and renewal purposes and expended in India. As regards (2), the contention is not applicable to the case of main lines with heavy traffic requiring stronger roads, doubling or quadrupling of lines, large yards, and expensive signalling arrangements. The argument was only pertinent to lean lines hungering for traffic.

Standard Classification.

(D) On the introduction of the classification mentioned in (A) above, varying classifications were introduced for different Railways based on that in force. Some years ago the Railway Board pressed the Railway Conference to compile a standard classification, and asked railways to accept it. This was arranged, and, speaking generally, was naturally the highest in force on any railway, but this while giving some railways power to raise rates, by no means implied that they would do so. When the classification was about to be introduced, the railway board, influenced, it is believed, by certain commercial parties, refused sanction to it in any case in which the maximum chargeable on any railway would be raised.

The effect is that the M.S.M.R. are unable to charge as high a rate, *e.g.*, for cotton as the G.I.P., and are unfairly handicapped.

There is no machinery for appeal except to the Secretary of State, who would obviously not interfere.

Disputes between Railways and Traders.

We have not heard of any special demand of traders for a Railway Commission, though instances could be quoted of rates which a Railway Commission would probably alter on the ground of undue preference.

My Board believe that a Railway Commission or other similar tribunal would be of value to both the railways and traders, but if instituted, appeal should, as in England, be at the request of either party.

General Conclusions.

Finally, the argument for or against State lines may be summed up as follows: With the absolute control that Government possess and exercise in fixing maxima rates and fares over all Indian railways and its regulation of expenditure, both capital and revenue, it is obviously in the power of Government to determine approximately the rate of interest earned, either by State or companies' administrations, and the question for Government to decide is whether each railway shall be worked separately on a commercial basis only or whether other considerations shall govern its policy. If Government consider that they are in a position to raise all future capital required for the requirements of Indian railways, no doubt the best policy for the country is that all railways should belong to the State, and the rates and fares can be fixed from time to time so as to provide a sufficient return on the capital expended to offer inducements to the Indian public to subscribe money to provide for future requirements. This, of course, presupposes the absolute separation of railway finance from the general finances of India. But until that condition of affairs is reached, and unless Government can raise the money to buy out the existing companies, it appears absolutely necessary that companies in London should help in providing funds from the British market, and to encourage a feeling of security in potential investors, the best course seems to be to have the home boards located in London.

Looking at railways from a commercial point of view, it is not clear why the Enquiry by a Committee is called for—it has always been in the power of the Indian Government to buy the companies' lines as their contracts expired or permitted, and if Indians wish to make and work railways, they can carry out that policy to-morrow by subscribing the money.

Employment of Indians.

It is perhaps necessary to refer to the question of the larger employment of Indians in the upper ranks of the service, and in the upper subordinate and foremen classes of employés.

This subject is sure to be discussed in India, and the board can refer the Committee to their views which some time ago were communicated to Government and their agent. As long as politics do not play a part in the appointment of railway servants, the board will endeavour, without fear or favour, to treat all their staff without any racial prejudice, but until an Indian holds equal qualifications—which on the whole he does not at present possess, at any rate on the mechanical and technical sides—it is only right, if a railway is to be worked on a commercial basis, that the fitter man should be preferred.

The board regret that the time allowed for compiling this note has been so limited that they have been unable to do full justice to the subject.

STATEMENT No. 10.

Bengal Dooars Railway Company.—Letter dated 10th November, 1920.

In reply to Mr. W. Gauld's letter of 30th October, 1920, P.W. 5265, I have the honour to inform you that Clause No. 1 of the "Terms of Reference" to be considered in connection with the administration of the Indian railways, is the only clause in which the board of directors of this railway would appear to be interested, and having regard to the constitution of the company and the powers vested in the Secretary of State for India under the contracts dated 27th April, 1891, 2nd March, 1898, 27th September, 1900, 7th November, 1901, 16th April, 1903, 1st May, 1914, and 6th July, 1916, to acquire the property and control of the company on terms therein laid down and on specified dates, my board do not see their way to express any opinion except of so academical a character as to be of little value at the conference. See oral evidence, paragraphs 2947/3084.

As regards (*a*) of Clause No. 1, my directors have reason to believe, *vide* the opinion expressed by the Planters' Association, with whom this company is concerned, that the customers of this railway, who are also planters in the Bengal Dooars territory, would greatly object to the control of this railway being changed from its present status.

With reference to (*b*) of Clause No. 1, in like manner my directors are satisfied that the stockholders of this company, who are all domiciled in England and many of whom are connected in business with this railway's customers, would also object to a change in the existing status.

So far as (*c*) of Clause No. 1 is concerned, the above-expressed views of my directors would also apply.

The chairman of the company, Mr. Robert Miller, will be prepared to attend to represent the company before the Committee on or about the 11th November, 1920, if it is considered necessary.

STATEMENT No. 10 (*a*).

Mr. Robert Miller, Chairman, Bengal Dooars Railway Company.—Letter dated 16th November, 1920.

I have the honour to acknowledge receipt of your letter of 30th October, 1920. In reply, I beg to submit a short summary of the statement I should be prepared to give to the Committee in connection with the Bengal Dooars Railway Company.

2. I append papers as follows, which bear on the subject:—

(*a*) A précis of the contract for the original line, dated 27th April, 1891.
(*b*) A précis of the contract for the extension line, dated 2nd March, 1898.
(*c*) Statistics of goods and passenger traffic, indicating the growth of movement and evidence of the usefulness of the railway to the public.
(*d*) Statement of the capital expenditure of the combined lines, which shows that a considerable part of the undertaking has been financed out of revenue.

3. This railway company has not had direct or indirect financial assistance from the Government. It rests on the results of its own efforts to serve the public, who, so far as this enterprise as a commercial undertaking is concerned, chiefly are, if not altogether, planters of tea and agriculturalists.

4. At the initiation of the undertaking, the promoters of it, who were owners and managers of tea companies, did not receive the help they thought themselves entitled at least to ask for from the then existing Government of Bengal. It was obvious that a concession would have to be given in respect of facilities for the acquisition of land, of course, in conformity with existing law. It was, however, not practicable to get all the land to the extent which the promoters of the railway considered, if not necessary, at all events desirable; and the then Lieutenant-Governor of Bengal laid it down that not an acre of land should be allowed to be expropriated or a single occupier to be dispossessed beyond what was unavoidably required for the laying of the rails and the construction of the stations. As most of the land was swamp and another large area was jungle, the necessity for such a precaution was not apparent to the promoters. Moreover, it required several years of time and much correspondence to induce the local government to assist or permit the construction of roads to serve the cultivators or to feed the railway.

5. The case of this railway, stated as in the above note, does not encourage a desire for management by the State. This line is of a special character. Until it was constructed, widespread lands specially suited for tea-growing, on the foot-hills of the Himalayas, were isolated from the State railway. Its rivers were flooded in four months of the year and almost dry for eight months; bad roads through almost impenetrable jungle constituted the access from factory to market. There was no stimulus to the State line to develop traffic. The State line got traffic without asking for it, and competition did not exist. This little line is the offspring of enterprise generated by commercial instinct.

6. An objection to State management lies in the changing character of the superior staff of the State railway system.

A line managed by a company acts in the spirit of the owner of a great trading organisation. A railway is, in fact, a "merchant of transportation." It sells its commodity, which is "transport," at the best price it can get, and it gets the best price only when it gives the best article, and having regard to the further fact that the best article is only to be given when it can be given in the largest volume, the company railway has an increasing stimulus to grow.

In the case of a State-managed railway, the staff is necessarily a body of State officers, moveable at the will or under the necessity of the State service from one district in India to another district, and in India one district differs from another as if it were a different country.

What the public like is continuity of policy, of plan, and of treatment; as far as possible of personnel. A company can without difficulty keep up a continuity of personnel and of plan and the treatment of its customers, but in the way of the State there are grave practical difficulties. A company agent knows that the longer he keeps a waster on his staff the more difficult it is to get rid of him. An agent and a merchant can act, but too often a State railway agent can move only by means of a shift of his waster to some other district.

ENCLOSURE A.

BENGAL DOOARS RAILWAY.

Original Lines Contract, dated 27th April, 1891.

1. Sole right to construct and maintain railway about 26 miles from a point on bank of River Teesta opposite Jalpaiguri (Barns Junction) to Mal.

About 7 miles from Tataguri running east to Ramohai Hat and thence north-east to Tondoo Hat.

About 5 miles running west to Dam Din.

(38 miles in all, of which 36 miles only have been constructed.)

2. Sole right to establish and work a ferry across the river Teesta from the railway terminus to Jalpaiguri.

3. Use, free of cost, of all land required for construction of railway branches, sidings, etc., etc.

4. Right to obtain, free of cost, such timber for sleepers as may be available from the whole area of the Tondoo forests for first construction only. Company to bear all charges for cutting same and cartage.

5. Secretary of State had the right to purchase at 31st December, 1919, with renewed right of purchase at end of every seven years, on giving 12 months' notice in writing of his intention so to do.

Purchase Consideration.

6. "Cash payment of 1-2/5ths of the amount of the invested capital and capital liabilities."

ENCLOSURE B.

BENGAL DOOARS RAILWAY CO., LTD.

Extensions Contract, dated 2nd March, 1898.

1. As to following extensions:—

(1) Malbazar station on existing railway to Hantupara.
(2) Dam Din station on existing railway to Bagrakote.
(3) From Bagrakote to a point, to be sanctioned by Secretary of State, about 1½ miles from the colliery called the Daling Coalfields, if company shall agree with Secretary of State to construct such line.
(4) From the Deomoni Hat station on the existing railway to Lalmonir Hat.

(In all 116·56 miles have been constructed.)

2. Concessions similar to those agreed to be granted by the 1st, 2nd, 3rd, 4th and 5th paragraphs of 1st clause of the contract of 27th April, 1891.

Purchase Consideration.

A sum (in £ sterling) " equal to 25 years' purchase of the average of the net earnings during the last preceding five years. Provided always that such sum shall not exceed by more than 20 per cent. the total capital expenditure and capital liabilities."

ENCLOSURE C.

BENGAL DOOARS RAILWAY CO., LTD.

Goods and Passenger Traffic.

	Passengers. No.	Goods. Tons.
Year to 31st December, 1907	492,145	101,124
Year to 31st December, 1912	877,119	141,396
Year to 31st March, 1918	1,010,981	171,522
Year to 31st March, 1920	1,145,617	169,760

ENCLOSURE D.

BENGAL DOOARS RAILWAY CO., LTD.

At 30th September, 1919 (the date of the last published accounts).
Capital expenditure amounted to:—

	£
Original Line	214,364
Extensions	674,912
do. Chalsa Matelli Branch	38,970
A total of	928,246
Against issued capital of	760,000
or, Capital owes Revenue	168,246

STATEMENT No. 11.

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY COMPANY.—LETTER DATED 10TH NOVEMBER, 1920.

In reply to Mr. Gauld's letter P.W. 5265, dated 30th October, I am instructed to say that my Board, availing themselves of the invitation contained therein, desire to nominate as their representatives their Chairman, Major A. D. G. Shelley, R.E., and Mr. T. J. Bennett, C.I.E., M.P., a member of the Board. See oral evidence, paragraphs 3095/3308.

They further beg leave to submit for the consideration of the Committee the following preliminary comments on the subjects under reference, beginning with questions (*b*) and (*c*) as to the relative advantage of Boards of Indian Railway Companies being located in London or in India.

2. The most cogent reasons which have been advanced in support of the change of domicile of the Boards from London to India are briefly:—

(1) That Indian Boards are likely to be in much closer touch with actual requirements than Boards in London.
(2) That strong and efficient Boards of Directors could be recruited from the local commercial community of India.
(3) That Home Boards must be limited in their knowledge of changing conditions by what is disclosed in official reports.
(4) That the location of Boards in London constitutes a serious difficulty in efficient Railway Administration in India, as these Boards are conservative, slow and inaccessible, and out of touch with the constantly changing conditions in that country.
(5) That Boards of Directors in India would have a closer knowledge of the need for improvements to meet the requirements of traffic, and would be in a better position to foster and develop the trade of the country than Boards located in London.
(6) That delays are caused by the necessity for reference to London.
(7) That London Boards place obstacles in the way of the construction of Feeder Lines.

3. Before proceeding to comment on the above it is well to emphasise the fact that the Board of Directors of an Indian Railway Company has to work under conditions different from those of railways in other countries. The terms of the contracts entered into between the Secretary of State and the Indian Railway Companies are based essentially on considerations of finance and control, and a transfer of Boards from London to India would in this respect leave unchanged the conditions under which the Boards would have to work. Unless the existing system of Government control is to be abandoned, Boards in India would be subject to precisely the same limitations and disabilities as Boards in England, with the added disadvantage that they would be deprived of the opportunity of direct and immediate access to the Secretary of State, which is undoubtedly at present of great value both to them and to the Secretary of State.

The main conditions laid down in the Companies' Contracts with the Secretary of State, which would have to be observed as much by Indian Boards as they now are by London Boards, are:—

(*a*) That no Indian Railway Company may raise independently any of the capital that is required for developing its undertaking and providing additional public facilities.

(*b*) That such capital as the Company raises from time to time under the direction of the Secretary of State for India, is not hypothecated for use at its own discretion, but after having been paid in to the Secretary of State, is incorporated into the "Ways and Means" of the Government of India, for financing the Annual Railway Programme of Capital Expenditure on all Railways, State and Company worked alike, and as the provision in that programme is necessarily limited by the amount of the "Ways and Means," it never happens that the capital requirements of each and every railway are fully, or even adequately met.

(*c*) That, except within small limits, no Indian Railway Company may incur expenditure on account of capital, without the previous sanction of the Government of India to detailed estimates for the proposed work.

(*d*) That the Government of India exercises complete control over Working Expenses, sanctioning detailed "Working Estimates" for each year, which may not be exceeded without further sanction. All funds required to meet working expenses have to be drawn from the Government Treasuries, into which are paid all station earnings and miscellaneous receipts as soon as possible after collection.

(*e*) That an Indian Railway Company is limited in the same way as a State-worked line, in regard to the maxima and minima rates which it may charge to the public. The sanction of Government must be obtained to any reductions in rates below the official minima before such reduced rates can be charged to the public.

These broad restrictions limit the scope of the development of a railway by the enterprise of its Board of Directors, whether the latter is located in London or in India. All that can be done is to take up as much work as the funds allotted by the Government of India permit.

The Agent of the Company in India is given powers to deal independently with a wide area of administrative questions, and is responsible to the Board for:—

(*a*) All work with which he has authority to deal without reference to the Board.

(*b*) Consulting the Board on all matters regarding which its advice or instructions are necessary or desirable.

With regard to (*a*), an Agent has the following executive powers:—

(1) The powers of the Board of final sanction to expenditure, both Capital and Revenue, within the limits sanctioned by the Government of India and delegated to the Agent.

(2) Full power to engage and dismiss staff within the limits of the Capital and Revenue estimates, excepting staff in the higher grades of the permanent establishment.

(3) Full powers regarding all questions of rates and fares within the maxima and minima limits for each class as sanctioned by the Government of India.

(4) Full authority in India over the whole of the staff, and responsibility for their welfare.

With regard to (*b*), when dealing with questions which the Board have no final authority to settle, and consequently have to be referred to Government, the Agent has to place his proposals before his Board. The Board then considers whether the proposals are sound and workable, and when returning them to the Agent for reference to the Government of India it expresses its views. These views necessarily carry weight with Government, representing as they do the considered opinion, not of one person only (*viz.*, the Agent), but of the Members of a Board composed of men of Indian and technical experience, competent to comment and advise on all propositions relating to the construction and working of Indian Railways. The Agent also refers matters on which, although he may have authority to deal with them finally, he desires advice.

Besides these broad powers which are delegated to an Agent to enable him to deal with the every-day business of a railway, he is required on occasions of emergency to act on his own responsibility, and to make a full report of the circumstances to his Board for their concurrence in the action taken by him.

4. It will now be appropriate to comment seriatim on the several allegations summarised in paragraph 2 above.

(1) *That Indian Boards are likely to be in much closer touch with actual requirements than Boards in London.*

This opinion would appear to be based on the assumption that the Boards of Indian Railway Companies in India would have full power to do anything and everything they thought fit, irrespective of Government control. As already pointed out, they would have to work under the same limitations of powers as the Boards of London, as the Government of India would not relinquish the important financial and executive control which they now possess. Furthermore, Boards composed of gentlemen resident in a Presidency town and possessed of only a slight knowledge of the requirements of remote provinces could hardly be in close touch with the peoples and interests affected.

(2) *That a strong and efficient Board of Directors could be recruited from the local commercial community of India.*

The personnel of a Board of Directors in India required to perform the duties of administration of a large railway system should comprise (1) Railway Experts; (2) Financial Experts; (3) Commercial men. There is, however, in India neither a leisured class nor a body of retired professional men from which to draw and, so far as Europeans are concerned, the remuneration must be considerable, if men of experience were to be persuaded to stop in the country after they have done their normal length of service. The only railway experts available would be men of the standing of Agents or Heads of Departments, and it is unlikely that the services of men of the requisite standing and experience could be obtained except at a wholly disproportionate cost. It is notorious that leading men in active business in important firms in such places as Bombay would not be at liberty to devote the necessary time to the efficient discharge of such duties as membership of the Governing Board of this Company involves.

It is clear, therefore, that in actual practice, if it were attempted to form a Board in India at the present time, the function of the Directors drawn from the commercial and banking communities could only be advisory, unless it were to be recognised that an Indian Board of Directors must result in a financial burden on the Revenues of the Railway out of all proportion to the present cost of the Board or to the benefits to be gained. The result would be, in fact, to replace the present Agency by a Chairman of the Board. Apart from the increased expenditure, and the impediments to business which would result from this arrangement, the undertaking would be deprived of the advantages obtained through the present constitution of a London Board.

The extent of the area served by the Railway system to be controlled and the varied and conflicting interests involved do not appear to have received any consideration. Railways are not local, serving only the locality from which the Indian Board would be drawn. They are systems with their operations extending far beyond the locality in which the Indian Board would be situated, and with which alone most of the Directors would be acquainted. The East Indian Railway runs through four Provinces, *viz.*, Bengal, Bihar and Orissa, Punjab and United Provinces, and each Province has its own Government, with local railway interests unknown to Calcutta, and, perhaps, opposed to Calcutta interests. The Bombay Baroda Railway runs through four different Provinces, the Bengal-Nagpur through four, the Great Indian Peninsula through five, and the Madras and Southern Mahratta through three.

Is it sufficiently realised that in place of the Boards in London, interested equally in every Province which the Railway runs through, and anxious to develop the interests of each, the proposal would place the control of the Railways running through various Provinces in the hands of a purely local body, interested primarily in the development of that section of the Railway system with which they had acquaintance, and in which their commercial interests were mainly situated? This, it is submitted, is a very important question.

(3) *That Home Boards must be limited in their knowledge of changing conditions by what is disclosed in official reports.*

Strong exception must be taken to this view. The Boards have access to many sources of information regarding changing conditions in India other than official reports. Every week the Agents of Railway Companies send confidential letters to their Boards, dealing not only with matters concerning the working of the Railway, but also with new questions affecting its policy which are arising, new ideas which are being discussed in India, together with reports of interviews with business men on matters of development. The confidential traffic reports submitted each week to the Home Board contain full information regarding existing traffic, development of new traffic and cognate matters, which enable the Board to keep in close touch with the conditions of trade in which the Railway is interested. Members of the staff in England on leave are seen by the Board, who discuss with them matters in which they are interested and new developments that are taking place. The Indian newspapers, dealing both with financial and business subjects, are carefully perused. Speeches by important Official and Commercial Representatives are studied and recorded. The views of each Chamber of Commerce are brought to the notice of the Boards by their Agents, when they deal with any questions that indicate changing views among the commercial community in India. The Imperial Legislative Council proceedings, in all matters relating to Railway affairs, are considered.

So far from the Board's information being, as is asserted, limited to the perusal of official reports, the truth is that it takes a wide survey of everything that is going on in the trade of India. The Board of a Railway Company not only deals with the trade affairs of every one of the Provinces through which its system runs, but it also takes cognisance of the conditions and movements of trade elsewhere throughout the country, and notes every circumstance that is of interest, and likely to be useful for increasing the efficiency and public utility of its line. Moreover, visits to India are made from time to time by Members of the English Boards with a view to perfecting, by means of direct personal observation and investigation, the knowledge of the Boards in regard to the general conditions of the business of their respective railways, their working and development, and the requirements of trade.

(4) *That the location of Boards in London constitutes a serious difficulty in Railway Administration in India, as these Boards are conservative, slow, and inaccessible.*

The underlying assumption is not supported by any evidence, and it must be again pointed out that the mere transference of the Boards of Indian railway companies to India could not, in any way, remove the conditions under which the management of Indian railways must continue to work, as, before these conditions could be changed, a complete revolution would have to be made in the system of control of finance and responsibility which is exercised by the Government of India in railway affairs. Indian railway companies suffer from the great disadvantage that Local Governments frequently act as if under the impression that the Boards of Indian railway companies have an absolutely free hand to spend as much as they like, to do as they like, and are in no way responsible to the Government of India for limiting their policy within any financial restrictions. They are frequently referred to as rich railway companies, actuated solely by a desire to do only such things as may lead to their own profit, without comprehension of the fact that the Government of India are immensely interested in the results of the working of every company line in India. It is doubtful whether Local Governments study the terms and conditions of a contract between the Secretary of State and an Indian railway company, and, if they do, whether they appreciate the power of control which that contract exercises over expenditure, and the limits placed on companies which prevent them from carrying out every desire that a Local Government may express.

Moreover, it should be remembered that the expression of a wish by a Local Government does not in the least mean that action can be taken by the railway at once, even though the latter may warmly support the wish. A Local Government very often has generous views as to what a railway should do, when this does not throw any financial burden on itself, and is unmindful of the fact that the burden falls principally on the Imperial Government, whose financial interests in the company's working are so large. Before a Railway Administration

can act, it has not merely to convince itself, but also to persuade the Government of India that the proposition is a sound one financially. When this is not possible, the Local Government, for want of a correct appreciation of the conditions under which a railway has to work, unjustly come to the conclusion that the policy of the railway is conservative and that its method of business is slow. It is submitted that the Boards of Indian railways are no more open to this charge than are the Boards of other Indian undertakings which are successfully managed in this country. What is really at fault, if there be a fault, is the system under which the Indian railway companies are compelled to work. The remedy lies in some modification of the system and not in transfer of the direction to India, which would not touch the real cause of the difficulty.

Before concluding the discussion of this question, it is appropriate to refer to certain advantages derived from the location of Board of Directors in London. In the first place this location enables the directors to have ready personal access to the Secretary of State, which greatly facilitates the disposal of the larger questions of working contracts, finance and management, which must be settled by the principal contracting parties. It must also be remembered that London Boards can and do maintain close personal relations with their Consulting Engineers, and that, consequently, the economical and technical consideration of important engineering projects is conducted with a completeness impossible of achievement by Boards domiciled in India. Finally, the location of the Boards in London admits of the interchange of views of questions on policy and of working, not only amongst the Boards themselves, but also with the Managements of English railways.

(5) *That Boards of Directors in India have a closer knowledge of the need for improvements to meet the requirements of traffic, and are in a better position to foster and develop the trade of the country than London Boards.*

These opinions have already been dealt with in sub-paragraphs (2) to (4), in which it has been pointed out that the interest of an Indian Board recruited in one town, would be concentrated in the affairs with which their local representatives were concerned, and would not extend to the affairs of the other Provinces through which a large Indian railway system runs. On the other hand, on each of the London Boards there are directors who have lived and served in several of the areas traversed by the railway systems, and have a far wider knowledge of Indian conditions generally than commercial gentlemen possess who have gained their entire experience of India in the one place in which they have carried on their business. Moreover, meetings are held monthly in London of representatives from the Boards of all the Indian railway companies, at which matters of importance or of general interest to Indian railways are discussed, thus affording to each Board, by a full and free interchange of ideas, the means of obtaining a still wider and more comprehensive view of affairs.

(6) *That delays are caused by references to London.*

This point has been dealt with in the reply to (4). The delays mean no more than those to which every commercial firm in India has to submit when it has partners in England to consult. If firms can satisfactorily carry on their business with such references to London, as caution and business methods indicate as necessary, it is unreasonable to charge the administration of Indian railways with backwardness for adopting methods of business which are considered sound in all commercial circles.

Moreover, when delays occur, they are not due solely, or even generally, to the necessity for referring to the Boards in England. Such references when of urgency are dealt with both by the agent and by the Board by cable. Where delays *do* occur, is when proposals have to be referred to the Railway Board in accordance with the company's contract with the Secretary of State The Railway Board may feel obliged to refer the question to other authorities, and then serious delays may occur. These are popularly attributed to the location of the Boards in London, whereas the cause of delay is beyond their control, and would equally be beyond the control of Boards located in India.

(7) *That Companies place obstacles in the way of the construction of feeder lines.*

In this matter also the fundamental difficulty that an Indian Railway Company is not its own master in every respect again intrudes. The Board of no railway company can, on its own initiative, make a binding agreement with a branch line company, and grant the concessions permissible under the Government rules, as these rules distinctly state that they apply only to "such branch railways as the Government may be prepared to entrust to a branch line company." A Local Government may be very anxious for the construction of a branch line, but if the main line railway company is unable to provide the funds which are necessary for its construction as part of its system, the only alternative is for its construction by a branch line company under the conditions of the Railway Board's Circular 457 R.P. of 1913. Now, in advocating the construction of a branch line by a branch line company, a Local Government is usually actuated by the laudable desire to open out a backward district of its Province. This very often means that, as a railway project, for many years it would not be able to earn the interest on the cost of its construction. With every desire to help the Local Government to have such a branch built, the railway company which has to undertake the financial liabilities necessary to enable the branch line company to be floated, has to consider the proposition from a different point of view to that of the Local Government, as it has to recollect that its action would affect the railway receipts of the Imperial Government, whose sanction is necessary before the branch line company can be assisted by the main line.

Many instances occur in which the railway company is obliged to decline to recommend a project to the Government of India, for the simple reason that the estimated financial return and benefit to the main line would be too small and remote to justify any hope that it would be sanctioned by the Government of India. In this respect, however, Indian boards would be in precisely the same position as Home boards. They would have to realise that they were trustees for the Government of India in such matters, and they would have to act in precisely the same way as the London boards do if they desired to retain the confidence of the Government of India.

The two parties who complain most of delays in the construction of feeder lines are too sanguine promoters and Local Governments, who, generally speaking, are not affected by the financial risks which fall on the Government of India and the main line railway.

If Local Governments would shoulder part of the financial obligations as is done in Assam, this would be a great step in advance. The acceptance of the general policy of the Madras Government towards district board railways would also be of great help in relieving the Government of India and the parent line from the liability of taking the whole risk.

5. Having now discussed, in reference to " company-worked " railways, the relative merits of company headquarters being situated in London or in India, my board turn to question (*d*), which propounds some combination of two methods, and they have no hesitation in saying that, in their opinion, such an alternative could not but be unsatisfactory, for, first, in regard to administrative details, the intervention of a local board or committee would unavoidably impair the imperative responsibility of the agent. Secondly, no outside body could be permitted to exercise any control over the finances of the undertaking, and no such body could be constituted as would be really representative of all the principal interests affected. For the attainment of the latter objects my board would favour any practicable augmentation of opportunities for the agent being kept in closer touch with such established bodies as are the recognised exponents of commercial, industrial and local interests.

6. Having dealt with questions (*b*), (*c*) and (*d*) in the terms of reference, the Board will now revert to question (*a*), that of direct State management. This question has been studied for many years and in many countries without any final conclusion being come to. The problem is largely affected by varying financial and political considerations, so that a solution which satisfies the conditions obtaining on any one occasion may fail to meet the requirements of other times. In India the policy of Government has oscillated between State and company management, but for many years past has rested on a compromise position which combines the co-existence of both methods. My board consider that this dual arrangement best meets the needs of the country, and see grave objections to the introduction of universal State management into India. It is in the highest degree desirable that railway operation should be as free as possible from political influences, and be impartially conducted on commercial and economic lines. State management is unquestionably more susceptible to political pressure than independent company administration would be, specially when the working agency is far removed from the active area of such influence. One great disadvantage of general State operation would be the removal of the healthy stimulus to efficiency and progress which results from the commercial rivalry of several independent companies. Mercantile interests, as well as the Imperial exchequer, would undoubtedly suffer if the large railway systems were worked on the comparatively inelastic methods which prevail in Government Departments, and the removal of company direction would involve Government in the heavy expense of a very large and ever-increasing department of State to perform the duties now discharged by the Home boards.

At present the transfer of officers between State-managed lines, consequent on the promotions, absences on leave, etc., of members of a common cadre, is recognised as objectionable, on account of interruptions to continuity of policy and disturbance of personal relations between officers and the subordinate staff. With a general introduction of State management the railway establishment would be immensely increased, and unless this staff were permanently distributed between the different railways these drawbacks, especially the second, might become very serious.

7. The question of the provision of future capital for the needs of Indian railways is of vital importance in the present enquiry, and the Board assume that expert financial evidence will be invited regarding it. It has been argued in some quarters that although the location of the boards in this country might have been justified in the past by reason of the entire capital for railways having been raised here, that reason no longer holds good owing to the presumed inability of the London money market to provide additional capital under present conditions and the anticipated ability of India to finance such undertakings in future. The high cost of raising money in this country at the present time may be admitted, but the gravest doubt exists as to the ability of India to finance a yearly capital expenditure on railways estimated at a minimum of 20 millions sterling, and it may be confidently assumed that the assistance of the London money market will continue to be indispensable. It is inconceivable that with boards located in India loans could be raised in the London market on as favourable terms as would be the case if the control of the railways were retained in London, and in this connection the following extract from the opinion of the National Chamber of Commerce is of interest, showing as it does the opinion of Indian merchants on the subject:—

> " For the purpose of efficient management of an important railway the board of management should have amongst its members experienced administrators and financiers, business men, and railway experts of proved merit. In the matter of raising loans for railways, the Government will find it difficult to obtain that amount of help from the directors in the proposed Board in India as they are now getting from the present London Board. The Committee, while they recognise the advantage of developing railways in India with Indian capital, have doubts as to the present financial capacity of the country to undertake the task. They do not believe that there is any large unutilised wealth lying hoarded anywhere in the country, and that Government will be able to raise loans in India sufficient for the proper development of railways in the country at 3½ per cent. or such moderate rates of interest for a long time to come. Under the circumstances, the restriction of connection with the London money market by the transfer of the Board of Control of Railways from London to India has its risks."

8. So far my board have confined their remarks to considerations specifically and, perhaps, exclusively appertaining to railway administration, but there are others of a more general character which, in their opinion, have an important bearing on the questions at issue. To these they will briefly allude.

It is now, they believe, recognised that of recent years there has been a gradual and ever-increasing tendency to over-centralisation, and constitutional reforms now being introduced are in no small measure due to a desire to correct the pernicious results of that tendency and to substitute a devolution of authority, save in regard to matters affecting principles of Imperial policy or of necessary uniformity. Concentration of control over administrative details invariably entails

diminution of real control and increase of the central establishment, with attendant petty intervention, unprofitable correspondence, and obstructive, irritating delays; it diverts attention from the ascertainment of local needs and interests to the duty of compliance with the meticulous behests of superior authority. It is, my board believe, indisputable that either of the alternatives suggested, viz., State management or Indian Boards, in substitution for the comparative independence of the present London Boards, with agents immediately responsible to them and enjoying their confidence, must increase the danger of over-centralisation and its consequences.

But there is another factor of still greater importance which should not be ignored, and my board trust that they are not going beyond their province in adverting to it. Sufficient stress has already been laid on the need of a continued influx of British capital for the satisfactory development of the Indian railway system, and, further, on the fact that if such capital is to be obtained on present terms, it is imperative that those who subscribe it should be assured of the means of being in direct touch with representatives responsible for its application. There is, however, another aspect of the situation that should not be overlooked. Never was there a time when there was greater need for attracting the attention of the people of this country to Indian affairs and enlisting their co-operation in promoting the material progress of India. No means to that end should be neglected, and my board venture to urge that the adoption of any course that would tend to diminish public interest in Indian undertakings would be a most retrograde and impolitic step.

9. It is likely that the attention of the Committee, when in India, will be called to the bearings of the general policy of railway administration in that country upon the employment of Indians in the higher ranks of the service. The board desire to make it clear that they have never regarded the claims of Indians to a larger share in executive posts in other than a friendly and sympathetic spirit. If the number of Indians who have found employment in such posts is small, this is not due to a settled purpose of restricting the opportunities of well-remunerated service to a small number of natives of the country. The Board recognise that as the field of choice of capable men becomes wider so will the number employed in well-paid posts in the railway service increase. Where merit and capacity amongst Indian subordinates have shown themselves, there has always, so far as this railway is concerned, been readiness to recognise, by promotion to posts of responsibility, the claims of such men to advancement. The Board entirely disavow any desire to retard, on racial grounds, the advancement of any of their servants who have shown that they possess the necessary qualifications of character and education and technical skill. But they are bound to bear in mind, in making their choice of responsible appointments, the high importance of choosing men who are capable of facing with tact, no less than with strength, the often difficult and delicate questions which have to be faced by men in executive office, and they have to recognise also that the field within which the choice has to be made is not a wide one. They are content to observe that they have never faced this problem in a narrow spirit, and that they have no reason to believe that a board in India, operating in a local atmosphere, would deal with it in a more generous way than they themselves have done, and, in fact, they are inclined to think that there are some advantages in the sense of local detachment.

10. In conclusion, it is submitted:—

(*a*) That in the interests of the trade of the country and the financial interests of the Government of India, it is expedient that the present system of company-worked railways, with headquarters in London, be maintained.

(*b*) That if the boards of the companies were located in India it would be impossible to obtain directors of the same experience and standing and with the same leisure as those that are now obtained in London, and that the proposed local boards could not, with merely local experience, efficiently deal with the affairs of the various Provinces traversed by an Indian railway.

(*c*) That if all the railways were State-worked, an overgrown and unwieldy bureaucracy would be the result.

(*d*) That as between the systems of working referred to in (*b*) and (*c*) the latter is the less objectionable.

(*e*) That methods should be adopted by which local bodies and traders would be brought into closer touch with the working officials of the railway than is now the case.

(*f*) That railway companies should be given a freer hand to raise capital for the development of their lines, so as to enable them to keep pace with the requirements of trade for increased railway facilities.

STATEMENT No. 12.

Lieut.-Colonel H A C CAMERON, R.E., Agent, Eastern Bengal Railway.—NOTE DATED 17TH DECEMBER, 1920.

See oral evidence, paragraphs 3877/3899, 3953/3965.

Reply to Question No. 1.—I have no very decided views on the subject, but consider the retention of certain railways strategically situated and forming important lines of communication towards the frontier of India should be left under State control and management, as such railways provide a valuable training ground for officers and subordinates in railway engineering and transportation questions and results in the formation of a nucleus of railway officials whose services can, if necessary, be utilised overseas or in other theatres of war when desired. Further, certain sections of railways in India have been constructed from a strategic point of view as apart from a commercial one at a very heavy expense, and in view of this from a company's point of view of a profit-sharing basis. One of the main disadvantages of State control appears to be the question of finance, and if control by company management would result in more liberal financing of railways it would be possible to improve the standard of Indian railways generally. Should, therefore, some system be evolved under which the raising of money on company-worked lines be easier than is the case with State railways, greater improvements on railways generally would result.

Reply to Question No. 2.—The existing system of management as in force on the main trunk lines such as the East Indian, Bengal Nagpur, Great Indian Peninsula and Bombay Baroda and Central India railways, would appear to be efficient. The progress of all these railways has been hampered by financial restrictions.

Reply to Question No. 3.—In this case again finance plays an important part. Should it be possible to raise funds in India then, provided suitable directors can be found who are domiciled in India, I would recommend boards be domiciled in India.

Reply to Question No. 4.—The larger the interest held by a company the greater will be the number of shareholders. What appears to be wanted at the present time is to interest the investing public of India and the United Kingdom to a larger extent in railways with a view of obtaining funds necessary for extension, etc., and for this purpose it is, in my opinion, desirable that the companies should hold a larger share in the various undertakings.

The alternative I would suggest is to allow the company to raise further capital on its own initiative for some considerable time, the Government holdings remaining unchanged.

Reply to Question No. 6.—I consider the board of directors should be constituted of selected commercial men of sound Indian experience and general knowledge of Indian trade conditions, the paramount interest of Government being safeguarded by a general manager or agent skilled in railway duties, duly appointed by or with the consent of the Government of India. In addition similar control as at present exercised through Government Inspectors and Government Auditors should be continued.

Reply to Question No. 7.—In view of the fact that the leading commercial men in this country have their own businesses to attend to and will not be able to spare any great amount of time for the consideration of railway questions, there is a danger of a lack of continuity of any board domiciled in India, but such directors could act more as an advisory committee than a controlling board and sufficient continuity would, I consider, be secured by a permanent member nominated by the Government and duly skilled in railway work.

Question No 8 is partly answered by my reply to Question No. 7. I would say that the majority of the leading men amongst the commercial community in India could be freed of any charge of partiality. As an instance of this, I quote representations on Chambers of Commerce Committees and on Port Trusts. Such gentlemen, being business men of considerable ability and attainments and fully alive to the conditions in India, and the necessity of improving the communication on Indian railways, not only from the point of view of the public but also from the point of view of the shareholders, would form a very considerable asset on any board of direction domiciled in India.

Reply to Question No. 11.—Control by means of a railway board or some such body is, I think, in view of the large Government interests involved, a necessity. Such board or constitution must be in close touch with the Government of India in the various departments in connection with many questions of policy in regard to railways, especially close touch being maintained with the Military Department.

As regards the Board's subordinate officers, the multifarious duties and responsibilities of the Railway Board and their limited number makes it impossible for them to do much touring, and for this reason in addition to the chief engineer I consider it desirable to have senior experts in both Traffic and locomotive departments whose opinions will carry weight and who can deal with traffic and locomotive matters in detail and act as advisers to the railway board with a view of helping them to arrive at a decision in many important questions of railway extension, developments and transportation questions.

Reply to Question No. 14.—Yes.

Reply to Question No. 16.—I think railway policy in India would be better developed if the President of the Railway Board were given a higher status in the Government of India. In view of the interests involved, it would not seem too much to ask that he be appointed as Member for Railways, with a seat on the Executive Council. This will put him on the same footing as other Government Departments. I would advocate the separation of the Railway Budget from the General Budget, so that railways can be run on business lines. In addition to the President as Member in Charge, I would suggest that there be a Member selected from agents of Indian railways with transportation knowledge and also of rates and fares.

A Member, selected on account of his engineering knowledge, who would be in charge of surveys, construction works, stores, and projects and estimates of all kinds.

A Finance Member or Financial Adviser.

Also the extra traffic and locomotive experts recommended, in reply to Question 11, as part of the Subordinate Staff of the Board's Office.

Reply to Question No. 17.—Undoubtedly due to conditions brought about by the war, the supply of funds for railway purposes has in the past years been totally inadequate, and there has not been any building up of reserves, and, as a consequence, in times of financial stringency, as at present, Budgets of railways have had to be cut wholesale, with a result that practically no funds will be available (*a*) for any new construction, (*b*) barely suffice for maintenance, and (*c*) leave a very small margin, indeed, for improvement of existing railways. The strain on railways during the war, the difficulty in obtaining material, increased cost of obtaining the same, and the putting off of improvements due to insufficient funds, makes it, in my opinion, essentially necessary to increase very largely the provision of funds for Indian railways, and I am convinced that unless grants are forthcoming, that a considerable deterioration and loss of efficiency is bound to occur in the course of the next few years.

Reply to Question No. 18.—Judging by the condition of rolling stock in the country to-day, I consider the policy adopted in devoting a greater part of available capital funds to the improvement of equipment and rolling stock on existing railways has been fully justified. It is certainly better to make the best use of what you have than to embark upon new enterprises.

Reply to Question No. 20.—The necessity for raising capital for the development of railways is clear, and it is doubtful if efforts in this direction in the United Kingdom will be successful. Such being the case, I consider that, if possible, capital funds should be raised in India, but this, in my opinion, will only be possible by making schemes for railway development more attractive to the prospective shareholder.

Reply to Question No. 21.—I consider the existing systems for supplementing the Government of India resources for railway construction will not be found sufficient in the present times of financial stringency, as the present branch line terms are not sufficiently attractive. The alternative I would suggest, therefore, is increasd guarantees, and no division of surplus profits with Government except towards meeting any deficiency on the guarantees of past years. If Government works the line a higher percentage towards working expenses than allowed in some existing cases will probably be necessary.

Reply to Question No. 28.—I consider that the existing system, under which money which has not been actually expended during the financial years is allowed to lapse, has resulted in retarding railway development. The system further is, in my opinion, conducive to extravagance and wasteful in principle. I consider funds which have been provided in the Budget for one year, and not expended during that financial year, should not be allowed to lapse, but be thrown forward as an increase to the next year's grant. Unless this is done it is impossible to make up leeway. This especially applies in the case of indents for rolling stock, etc., for which money has been allotted in one financial year, and which, due to failure on the part of contractors to supply or deliver in time, cannot be paid during that financial year. This can only result, as it has done, in the utter demoralisation of the next year's programme, as funds from that Budget have to be ear-marked to pay former commitments which, had everything been favourable, would have been paid for during the former year's Budget. The position is undoubtedly difficult, but I would suggest for consideration the possibility of framing a Budget grant covering a period of three to five year. I am of opinion that this method would result in a more regular expenditure and result in economy. It would seem possible for such a Budget to be framed provided the railway grant was fixed for the same period, *i.e.*, three to five years, instead of being fixed annually, as at present, for one year in advance.

Reply to Question No. 30.—The principle of fixing of maxima and minima rates as now in force does, in my opinion, give ample margin for fixing the rates of the various commodities to suit the varying conditions with the various provinces of India.

Reply to Question No. 31.—I beg to reply in the affirmative.

Reply to Question No. 34.—Speaking as regards the E.B. Railway, I consider that the carrying capacity of both broad and metre gauge is adequate for the present requirements and needs of the various industries concerned. This should not be taken to infer that the terminal and transhipment facilities, rolling stock, etc., are sufficient to move at any time of special rush all the traffic offering during a limited period, but the traffic offering if spread out throughout a reasonable period can be carried. This railway has been in a position for some time past to help foreign railways with rolling stock, and this in itself is, I think, a proof that as regards rolling-stock equipment the E.B. Railway is fairly well placed. In view, however, of increasing demand, it will be necessary to provide a yearly capital grant and capital and revenue grant for new rolling stock and replacement.

STATEMENT No. 13.

Note by Mr. F. R. BAGLEY, M.I.C.E., Retired Chief Engineer, State Railways.

Explanatory.

See oral evidence, paragraphs 3998/4036.

I venture to offer in evidence to the Commission the result of my 45 years' experience on Indian Railways, 32 years of it as a State Railway officer (in the position of Engineer-in-Chief or Chief Engineer for 16 years) and 13 years as Agent and Chief Engineer for Companies' Railways. While chiefly employed on Surveys and Construction work, I have been Chief Engineer for 11 years of open lines, where all Railway matters have been freely discussed at official meetings and otherwise, while my 13 years on Companies' lines have given me much wider experience in all departments of Railway work in this country, with exceptional opportunities for comparing State and Company Management and financial arrangements in every detail, the working of the Branch Line rules and, perhaps above all, experiences as an ordinary passenger and as a consigner and consignee of goods, which have enabled me to form a much clearer idea of the point of view of the traveller and trader than is possible for Railway officers travelling in their private carriages and seeing usually only the surface of things. I write on all points, on the entirely practical side as to how existing arrangements work out in practice.

(2) I may also be excused for explaining that I was for many years convinced that, *for India*, State Railway ownership and management was clearly indicated as a means of Railway development far superior to any other, and if I have changed my views since, it has been with reluctance and only after long experience of the conditions under both State and Commercial methods of finance and working.

Theoretically there can be no question that India is a country where State ownership and management *ought to be* a success. The Railways could not have been and cannot now be built without State encouragement and help, which took the shape for many years of large expenditure on guarantees, and survives to this day in rebates and concessions granted to Branch line companies.

India is a poor country and economy in Railway construction and management is a necessity of the case. The State can borrow money cheaper than any one else can and should not need to aim at high dividends (as a Company would in the interests of its shareholders) and can devote profits to further improvement and development. Also, the State, in the interests of the public safety and convenience of traders, is obliged to keep up an organisation for supervision and general control, which might conveniently and economically construct and work the Railways also. Unfortunately these plausible theories do not work out in practice.

(3) The reasons for this failure are briefly, (1) the working of the Railway Administrations under the heavy yoke of an autocratic Financial Department absolutely incompetent to deal with business matters in a business spirit, and (2) the *impossibility* under State control of the rigid

selection of the most efficient officers for important administrative posts and of giving them the free hand in working which is indispensable for successful management, and the extreme difficulty of getting rid of the most disastrously inefficient State official once appointed.

Bitter experience of these essential drawbacks to State management of a vast commercial undertaking has shown me conclusively that they nullify all the theoretical advantages in favour of it.

Besides these essential disadvantages is the red tape and circumlocution apparently inseparable from baboo-ridden Government offices in India, which hamper business to an extent intolerable and inexcusable in the eyes of any man with commercial training and experience.

(4) The history and present circumstances of Indian Railways are told clearly and comprehensively in two Reports, first, that written by Mr. T. Robertson, C.V.O., a distinguished Railway expert of conspicuous practical ability who made a special enquiry in 1902-03, and produced a monumental work on which all discussion of Indian Railway matters must be based, and second that of Lord Inchcape's Committee of 1908, which was confined to questions of finance and management. Both of these with information brought up to date will no doubt be made available for the Commission now to sit, and give valuable information on nearly all points raised in the present references.

(5) It should be noted that Mr. Robertson was an experienced Railway man whose idea was that Indian Railways should be worked on a commercial basis and freed from the red tape trammels of State control by "programme and code" as far as possible. His chief recommendation, the institution of a Railway Board consisting of experienced Railway men to supervise and control railway matters on business principles, was accepted and carried out, but in a half-hearted way, leaving the Board as a branch of the Ministry of Commerce and Industry, and in a state of subjection to the heavy yoke of the Finance Department.

One of Mr. Robertson's recommendations, that the Board should consist in the first instance entirely of English Railway experts, was found impossible to carry out except in part. One English Railway expert was appointed, but the experiment was, to put it mildly, not a success. A later experiment of putting in a non-Railway man met with a similar fate, and it is hoped has rubbed in the lesson (which scarcely needed demonstration), that it is Railway experts with Indian experience who are most likely to be competent to control Indian Railways run under conditions very unlike those in most other countries, and that technical knowledge cannot be learned in a day by any layman, however enthusiastic and brilliant.

(6) Lord Inchcape's Committee was meant to report chiefly on Financial matters and did not include a single Railway manager or engineer or expert of any kind. The members were all men of exceptional distinction and ability and have from their point of view written an exhaustive and masterly report, but they were under the spell of the Financial authorities consulted, and could not free themselves, when it came to practical matters of Railway financing and administration, from the idea that in India it was a question of State finance essentially, and could not be considered apart, thus missing, in my humble opinion, the key to the whole situation. They considered the position and working of the Railway Board at the time unsatisfactory, and made several valuable recommendations for improvements which have mostly been carried out since, with. I believe, comparatively good results. But they rejected the idea of the President being a member of the Viceroy's Council on what I venture, with due deference, to think were wholly insufficient grounds (*see* para. 40 below).

In my remarks following I will mention the opinions expressed in the two Reports on each subject as it is reached.

References.

(7) Relative advantages for State Railways of—

A. *Direct State Management.*—I think it can be shown that this has been a failure, both financially and administratively. *Financially*, because it has come under the absolute control of the Financial Department, essentially unfitted for directing a business enterprise under business conditions. Railway expenditure is at present mixed up with the general finances of the country, and becomes subject to the system of red tape, "budgets" and "grants" and "lapses" and "excesses," all unnecessary, and fatal to systematic economical working.

(8) In practice, the railway grants are given, admittedly, "*not according to the estimates of requirements*" sent up by the Railway Administration, but in proportion to the money that may accidentally be available from other purposes (*see* page XVII., para. 29, of the Committee's report, in which this is acknowledged; also in para. 34, page XXIV.). And *this insufficient sum is seldom left unaltered for long, so that no definite programme of work can be based on it.* If money is required for a threatened famine or small war or other unforeseen purpose, the railway grant is one of the first to be cut down. Changes are made up to the last moment of the financial year, and if the altered grant is "exceeded" (often unavoidable, under such circumstances, to prevent useless waste) there is trouble which most officers are unwilling to face; or, if the grant cannot be fully spent in the time, it "lapses," and is not available for expenditure after 31st March. An inconceivably cumbrous and gratuitously stupid system as applied to business enterprises, causing an enormous waste of money annually.

(9) When, for example, as Chief Engineer of the N.W. Railway, I drew up a statement of expenditure needed during the ensuing financial year (which was always ordered to be confined to works urgently needed) it was also necessary to draw up a rough programme of how the money should be spent, and in many cases to take preliminary steps for arranging for labour and getting in materials, etc. If I asked for, say, a grant of 200 lakhs (a figure often reached on that railway), the sum actually allotted might be anything from 80 to 120 lakhs. This involved a new programme on which work could be started and contracts let, etc., but a few months later, just as everything was getting into full swing, orders would come cutting down the grant by 20 or 30 lakhs. This meant another laborious revision of the programme, the stoppage of some of the works (always causing great waste of money) and retardation of the progress of others (also involving waste of money and time). There would often be another cutting down of grants later on, at the expense of further heartbreaking labour in revision of programme and upset of arrangements and contracts, and then very frequently, near the end of the year, a

sudden new grant of several lakhs in January or February (or even in March) with a request to spend it if possible before the end of the financial year. The results of such a system, or rather want of system, are, of course, disastrous in every way. There is great waste of money, and of time spent in unnecessary labour, *and one of the worst results is the tendency to demoralisation of the staff.* The keen and energetic men try to do their best under the very discouraging circumstances, often tempted into overcoming the absurdity of the system of "lapses" by irregular expedients of drawing the money and keeping it in the chest till due, or of predating payments, etc., all very improper, however well meant, but in the average man it puts an end to keenness and energy, and he acquiesces silently in the system of delays and waste as unavoidable, and laid down for him by superior authority, and acquires what is called the "Government touch."

I can if desired quote hair-raising cases of wanton waste of money caused by this system.

(10) After my 36 years in Government service under these financial fetters, I went in 1908 to build the Sutlej Valley railway for a company, and found the difference in money arrangements to be simply a change from hell to heaven. There were no budgets, or withdrawals, or lapses or excesses! I gave a quarterly forecast of funds likely to be required and they were duly provided. If I could not spend it all, I reduced the demands for the next quarter, and if I needed more during any month I gave due notice and the money was ready when wanted.

(11) There appears to be no evident reason why similar businesslike arrangements should not be made in the case of State railways also, but if they cannot, so much the worse for the State system, and the sooner it is abolished the better. I believe myself that the removal of railway finance from the blighting control of the Financial Department, and its entire separation from the general revenues of the country, is quite possible and would be an effectual remedy, *if* the State could be relied on to select competent railway administrators to do the work efficiently. Which brings us to the *Administrative* advantages (or otherwise) of State management.

(12) I think no one who has had experience of both can deny that as a rule there is a much greater chance of a railway being well managed by a company than by the State. There is also against the latter in India the essential defect of subjection to an ignorant financial department which not only meddles with grants and budgets as described above, but, under "Code Control" interferes in every detail of "Establishment," "Stores" and other expenditure, always with disastrous effect. Results much intensified since the Railway Accounts Department, manned largely in the past by thoroughly trained men who had risen from railway accountants, has been amalgamated with the general financial staff who know, to begin with, little about railways.

(13) *The management of a railway depends primarily on the efficiency of the manager, and on the amount of freedom and discretion allowed him in running his railway.* If the State could select their manager as rigidly as a company can do it, *and give him the same free hand, and free him from the Financial Department incubus,* there is no reason why one kind of management should not be as good as the other. Unfortunately, in practice *the State cannot do it.* Considerations of seniority, return from leave, social qualifications, etc., make rigid selection impossible, and no Government *can* give its haphazard agent as free a hand as the directors of a company can give their selected manager, nor it appears can he be freed from the Financial Department chains. The necessary results being at best a fettered and handcuffed State railway manager, as compared with a free and efficient company's man.

(14) *State management of railways in India compares therefore very unfavourably with company management, both in financial and administrative matters.*

(15) On this question Mr. Robertson fully confirms what I say about the blighting effects of Financial Department interference. As a practical business man he laid his finger at once on the "damned spot." In paras. 47 *et seq.* of his report he states very clearly the disadvantages of this "code control" and the utter folly of such "archaic interference" which "reduces the great railway undertakings of India to the dead level of other Departments of Government and prevents their being treated as large commercial concerns on the lines on which alone such undertakings can be successfully worked."

The Inchcape Committee did not consider the question of State *versus* company management, but there are on record in its pages many mentions of complaints made as to undue interference in details (originating nearly always from "code control") and it takes up the burning question of "lapses," and discusses various proposals for avoiding them, all of which are rejected on grounds based on the supposed necessity for adhering to "programme" expenditure. The baneful effects of these lapses are minimised, and an attempt made to show that a "lapse" need not mean a *loss* of funds for that particular work, or a deduction from the provision made for other work in the next year's programme, "on the ground that these lapses increased the Government of India resources for providing more money in the following year," which it *was very erroneously presumed would be done.*

(16) An illustration is given of "lapses" in connection with a purchase of rolling stock and it is sought to show that it would be no real loss, as the grants for the next year would be correspondingly increased by the Government of India, *if its finances admitted. In practice the finances do not admit* in 19 cases out of 20. The rolling stock ordered has to be paid for, and the money provided by a revision and cutting down of grants, probably from urgent works more or less in hand, involving stoppages or retardations meaning a lamentable waste of money and time. Every word the Committee says on this subject shows their misconception and utter ignorance as to how the programme system works out in practice.

(17) A very illuminating and conclusive commentary on the view stated above, that lapses are made up for by additional grants for the following year, is conveniently just to hand in the happenings of the past and current official years. A special effort was made to provide funds during 1919-20 for making up arrears of renewals and replacements, and something like 17 or 18 million pounds were allotted for the necessary purchases. Owing to difficulty in getting delivery in time of the rolling stock and other materials ordered, several millions of the grant "lapsed," *but it did not mean any "Addition to the resources of Government,"* allowing of additional grants for the next year. On the contrary, it has resulted in a ruthless cutting down of the grants for the most urgent works planned for 1920-21 and 1921-22.

(18) It is with much diffidence and respectful reluctance I venture to remark that this Committee, composed of unimpeachably distinguished and able men in their own line, did not include a single experienced railway man, but included three ex-members of the Financial Department and was thus dominated by Financial Department influence, and not qualified to take full advantage of the evidence or to elicit the full particulars of the practical defects of the " programme system under code control."

Their consequently narrow views, and inability to consider the Railways as commercial undertakings to be treated on business lines, are exposed completely by their dictum in para. 34 (page XXIV): " The whole arrangement works back to the fundamental principle that the Government of India provides as much money in each year as it possibly can, *all things considered*, for expenditure on railways, and distributes that money in the way which it conceives to be most *advantageous for the country as a whole*." The evident inability to conceive that this is an untenable and essentially unsound idea in connection with a vast commercial undertaking, and that it will be " most advantageous for the country " to treat such an undertaking on business principles, and not to mix it up with other Government Departments, amounts to an obsession which detracts very much from the value of a report which on the question of different methods of raising funds, and its recommendations for improved precedure at the Railway Board, has given much authoritative and invaluable advice.

(19) This " mark of the beast " is visible again in paras. 25 to 28, where great stress is laid on the necessity for the State guarding against making over to private enterprise " improving properties " without some method of sharing later in the improvement, a narrow view ignoring the public benefit by increased prosperity of the country (*see* Mr. Robertson's report, page 44, para. 123), that would ensue from the more rapid development of railways following on such liberality. On similar short views the construction of branch lines by separate assisted companies is condemned, and a recommendation made to leave such development to the trunk lines, and in para. 29, the separation of railway finance from the general finances of the Government of India is declared to be impracticable. These points will be dealt with later under Reference 3.

(20) I have written briefly above of State management as I have seen it in practical working. Mr. Robertson's report discusses the subject exhaustively (pages 22 to 26). He puts every aspect of each side of the question fully and impartially, and comes to the conclusion that " the disadvantages of State management outweigh any advantages it may possess." (This has, as a general principle, been confirmed by experience in all departments in England and India during and since the war.) But he also thinks that it is the mixed-up system of working some railways in India through companies and others directly by the State that is to blame, and that " if the duality of system was eliminated, most of the objections to State management would disappear." In this I do not agree, for reasons given above, but when he says (para. 77), that " the two systems should not be in operation together, and that either all railways should be worked by the State or all worked by companies," I think his arguments unanswerably in favour of all being worked by companies.

(21) The Inchcape Committee also discuss (page XV, para. 25) the question of transferring the State railways to companies, and suggest that one or more of the State lines might be leased to companies on the basis of profit-sharing arrangements. It should, of course, be done completely if at all, and probably more profitably by sale outright as described in para. 26, where the idea is rejected because it might mean the Government suffering a loss " by the sale of an improving property without sharing directly in the improvement." This is a short view ignoring the great indirect advantages. That they *are* improving properties would be the chief reason for investments in the share capital necessary to effect the purchase, and if there was any plan for reducing the possible profits from such improvement there would be no investments.

(22) To sell all the State-owned railways (of a mileage in 1908 of 23,000 miles, representing a capital of 254 million pounds sterling) would be a gigantic operation, but if it was done gradually within, say, 20 years, at 12½ millions a year, which could be used for financing the construction of a large mileage of new railways, it sounds feasible and an attractive proposition worth considering in detail by competent business financiers.

Such a system of sales would, of course, be a somewhat complicated proposition and needs careful working out to see what it would actually mean. Two obvious considerations are that the railways would not fetch anything like their book value, which has never been written down, and that a certain small share of the profits (or it might be called a " cess ") would still have to be retained by the Government towards the cost of its Railway Department in whatever form it may survive.

B. *Relative advantages for State Railways of management by a Company domiciled in England with a Board of Directors in London.*

(23) This was an arrangement necessary when railways were first started and all capital had to be raised in England, and all stores and materials purchased in that country and all engineering staffs, etc., engaged and sent out.

Circumstances have changed so much since then that there is now no need for such an arrangement. Capital can be raised in India now, nominally at any rate, and great part of the materials and stores are available in the country, and the need for importing covenanted engineers, engine drivers, permanent way inspectors, etc., is much smaller than it was.

(24) My experience of working with a London Board, when the Burma State Railway was handed over in 1896 to a Company, showed that it meant, or could mean, an intolerable amount of delay and circumlocution which did not exist previously. Working directly under the Railway Secretary at Simla, and having his confidence, and that of the local Government, we were able to do things promptly and efficiently, often in " anticipation of sanction," but with the coming in of the Company, the Agent found himself under three masters, the local Government, the Government of India, and the Home Board, and every proposition had to pass through the routine of three offices, one a month away in London and another a fortnight off in Simla. Any criticism or remark in any one of these offices, with its reply, had to go again the round of all three, and

any further remark would despatch it on a third round, and so on *ad infinitum*. I found the delays and obstruction to business so absolutely maddening and intolerable that at the end of the two years' agreement, during which I tried to work for the Company as Chief Engineer, I left a country and a job I loved, to get back to Government service.

(25) This experience may seem to contradict my opinion given above as to the general superiority of Company management, but the circumstances were accidental and exceptional. The Directors of the Company in London knew absolutely nothing about Burma, and appointed as their agents strangers to the country, and the unavoidable drawbacks of the circumlocuting machine were for some years, till knowledge came with dearly bought experience, much accentuated by this general ignorance of local circumstances.

It showed up, however, conclusively the disadvantages of a Board of Directors located in London. I found when I returned on a visit to Burma two years later, that besides a host of minor matters, urgent questions of maintenance raised in my time which we should have settled in a month, were still " under correspondence," with very disastrous results in the end.

It should be understood therefore that when I said above under A that Company management ought to be better than State management, I assumed that the London Boards are coming to India as foreshadowed in the case of the E.I. Railway.

(26) I have discussed the question of London boards with several experienced high authorities, and never heard a word of denial of the delays and obstruction involved in their existence. The following reasons only were ever suggested in their favour:—

(1) That these boards acted as useful brakes on the sometimes too impulsive proposals of the Government of India (*e.g.*, the central three-crore Railway Station for New Delhi).

(A reason with something in it, but not sufficient to counterbalance the disadvantages described above.)

(2) That London boards have a better knowledge of the state of the London money market than the far-removed Government of India.

(This might have been the case once, but now that the raising of capital in India is aimed at as far as possible, the argument loses effect.)

(3) That in London there were facilities for purchase of materials and stores, etc., of better quality and cheaper than those sent out by the Secretary of State.

This is denied by many, and I never found much difference myself, except that the Secretary of State's Stores Department was more dilatory in delivering the goods, and weak about inflicting penalties on contractors. The New Stores Department now being organised will presumably settle this point for the future.

I wish, however, to make it clear that this applies only to the boards in London, which *work* their railways in India in every detail, and not in such exceptional cases as that of the Southern Punjab Railway Company, which does not work its railway but deals only with the financial side of the question, for which London is a very appropriate headquarters.

My opinion is therefore strongly against the continued existence of the London boards and in favour of their transfer to India.

C. *Relative advantages of railways domiciled in India with Boards of Directors also in India.*

(27) The reasons given above under B explain my opinion that Railway Companies should be domiciled in India, with their Boards of Directors also resident in India.

There is the practical objection that all the capital needed may not yet be available in India, and recourse may still be necessary to the London market, but this could quite easily be done through financial firms in this country with London offices only a few hours off over the telegraph wire.

(28) A more practical objection will be the difficulty of finding a sufficient number of competent Directors in India. Most of the qualified business men in the Presidency towns are too busy to take on such heavy additional duties, and there is no reserve of retired Government officials (who at any rate in most cases know something about India) to fall back upon. This will be a real difficulty but not, I believe, a serious matter in practice. Some retired Railway men will probably stay out in India to take on such duties, and the members of firms interested in Railways will also be available.

I am strongly in favour therefore of Companies domiciled in India, with Boards also in India.

(29) D. *A combination of B and C* is suggested, which would mean apparently either Companies domiciled in India with Boards in London, or domiciled in England with Boards in India. The former only needs statement to show its impracticability, but for the latter something might be said in the case of Railways of which the capital is held in England, where there must be at any rate some Agency for distributing dividends and dealing wth shareholders in Europe, or with such financial matters as need resort to the London money market.

The essential point is that the Board of Directors, the governing authority in all practical matters, should be in India, so that it could keep a constant watch on working details and be on the spot for quick and free communication with the public and traders, and the Railway Board or other Government offices concerned.

When existing contracts expire, the new arrangements could follow the lines of the new East Indian Railway contract, which have no doubt been carefully thought out.

(2) *Functions, status and constitution of the Railway Board and system of control of Railway matters by the Government of India. Suggested modifications for better disposal of business.*

(30) *Functions.* In practice the Railway Board controls, or tries to control, practically *all* matters big and small connected with all the railways in India, thus " biting off a great deal more than it can chew " as at present constituted, with a President and two members only.

This universal control used with necessary discretion is no doubt needed in India at present while the Railways are nearly all the property of the State. Even when worked by Companies, the State has to see that its property is properly maintained and worked, with due regard to public interests and public safety.

(31) There is the alternative, sometimes suggested, of giving up direct State ownership and management, and reducing the Railway Department to the position of the Railway branch of the English Board of Trade, but for reasons obvious to anyone who knows India, this is not at all easily done. The State has to be the "ma-bap" (mother and father) of all such enterprises, and must keep a general control, to prevent undue competition, or rash and unscrupulous schemes to exploit the Indian financier keen for a gamble, but timid about investments for small returns.

At the same time there is no reason why the Railway Board should undertake the direct management of the three State Railways and interfere in all details in the meticulous way they do at present under the malign influence of the Financial Department. This interference extends also to the Companies' lines which could be given with advantage a much wider discretion than they are at present. (See para. 33 (4) of the Committee Report.)

(32) There is much to be said however for the idea of *selling* all the State-owned railways to Companies and giving up direct State ownership and management altogether. It has been urged against this idea that for strategical reasons and for training officers to be efficient controllers of military railway transport in war time, it is necessary that the frontier lines at any rate must be worked by the State. Also that the State Railways are indispensable training schools for Government Engineers and other Railway experts who will be required even for the reduced general control in Railway matters which it will always be necessary for the Government to retain in its hands.

(33) There is very little in these arguments, *see* Mr. Robertson's report, para. 76, page 25. Recent experience in England and India has shown that civilian-managed lines properly organised can work most efficiently in war time, and arrangements could easily be made to train a sufficient number of military officers in Railway management, etc., on Companies' lines. Similarly the Railway experts required for general control by the Government of India could be selected from the Companies' Railways, with a much larger field for effective selection. If this root-and-branch change was possible, the functions of the Railway Board could be simplified to some extent, but there is little chance of its being considered a practicable proposal, and I will proceed to discuss things as they are, with a view to suggesting such improvements as are possible while working on the present general lines.

(34) The further consideration of the Board's functions is, however, inextricably mixed up with its *status*, and it is necessary to first consider that point.

Status of the Railway Board. If the Board is to continue its comprehensive and complete control of Indian Railways, it must be put on a footing commensurate with its responsibilities and importance, and must be made a separate Department of the Government of India, with the President as a Member of Council, *and it must above all things be released from the yoke of the Financial Department*, by the complete separation of Railway Finance from the general revenues of the country.

(35) No one perhaps, without my 50 years' experience of the blighting influence of this mix-up of Railway finance with the State revenues, can have any conception of what muddle and waste is caused by the consequent subjection of the Railway Board to the Financial Department, but the net results are open to the eyes of all men. The Indian railways are unsatisfactorily managed and bankrupt and nothing is being done to restore them to solvency. The Finance Department seized the nominal surplus profits from the Railways even during the earlier years of the war, ignoring the fact, that these were largely fictitious profits due to the impossibility of carrying out renewals and replacements of rolling stock, permanent way, etc., and should on business principles have been set aside as a reserve or sinking fund from which such renewals, etc., could be made when it again became possible to procure the materials. For want of such provision the cost of making up these arrears is being charged to current Railway revenue and reduces the railways to a state of insolvency, for facing which nothing is apparently being done yet.

(36) Briefly then, as to *status*, the Railway Board should be put on the same footing as other Chief Departments with the President as "Member of Council for Railways," *with full powers in all financial matters*, which could then be run on business lines. As to "functions" there would still be the complete comprehensive control of all important railway matters especially rates and fares, etc., but a cessation of interference in insignificant details, and very much more discretion left to the Agents and Managers of the various Railways.

This will mean some reduction in the duties and responsibilities of the Board, but on the other hand these will be much increased by the complete freedom in financial matters which is postulated as the first indispensable condition of improvement, and the number of members of the Board now most inadequate will have to be considerably increased.

(37) An effective personnel would be somewhat as follows:—

One President and Member of the Viceroy's Council, who must be an experienced Railway officer carefully selected. Probably, but not necessarily, an ex-Agent of an important Indian Railway.

One "Agent Member," probably the ex-Agent from a large Indian Railway for supervision of rates, fares and working details.

One "Chief Engineer Member" of experience and authority who should also be "Consulting Engineer for Railways to the Government of India" and have charge of an improved Technical Section, and of Establishment questions.

One "Projects Member" to have complete charge of Surveys and Estimates and Projects of all kinds, also of the negotiations for all new construction, and supervision of contracts with the new companies proposing to build railways. Such an appointment is an urgent necessity for many reasons which can be given in detail if asked for. It is sufficient to say that at present, branch line contracts are often not completed and signed for 3 to 5 years after work has been begun, or even for years after completion and opening!

One "Financial Member" already provided as a Financial Adviser. These four members, in addition to the President "Member of Council," are the minimum number required to cope with the duties of the Board, and it may be found necessary to add a "Labour" or "Wages" Member to supervise the machinery for settling railway labour disputes, and a "Commercial Member" to represent the public and the mercantile community. The cost of such a new and

enlarged Railway Board will mean extra expenditure but the increase is necessary to obtain efficiency, and is a drop in the ocean compared with the vast interests involved. There can be no more remunerative expenditure imaginable.

(38) *Control by the Government of India* would be of a general character, by the Viceroy in Council through the Railway Member as in the case of other departments. It would guide in all essential matters of policy, but refrain from interference in details which should be left to the free discretion of the Railway Board.

The remarks and recommendations I have made above are founded on my long experience of the practical working out of the rules in force.

(39) Mr. Robertson's report first made practical proposals for a Railway Board which was established on his recommendation, but with very limited powers compared with those he considered necessary.

In paras. 47 to 49, he pointed out the necessity for releasing the railways from " code control," and in paras. 51 and 52 showed clearly the unhappy results of the administrative Head of the Railway Department, (then) the Minister in charge of the Public Works portfolio, having no experience or training in railway management and working, so that everything had to be presented to him after tedious delays in " noting," and exhaustive expounding of all sides of the question. Mr. Robertson pointed out that " every other Governing Department had at its head an expert trained to the business, while the highly technical Railway Department alone, had placed at its head in supreme authority an officer who was not a railway expert."

The whole of para. 52 of his report needs very careful consideration as it proves conclusively the necessity for the head of the Railway Department being a full member of the Viceroy's Council.

(40) The Inchcape Committee did not take this view (page XX, para. 2) and recommended the Railway Department being left under the Member for Commerce and Industry, under all the disadvantages of working under a non-expert head who would require tedious explanations to enable him to understand railway questions put before him for decision. Their objections to a Railway Member of Council are extraordinarily futile, if looked into—they are as follows:—

(1) That he would be called upon to take a responsible part in the general business of the Government. This is not at all convincing as there are many subjects in the " general business " which include railway questions, and the others need not take up much of his time. The same objection would apply to every other member.

(2) That railway administration would take up his whole time without extraneous duties being imposed on him. So far as there are any extraneous duties necessarily imposed, he will have time enough for them when the Railway Board is strengthened as suggested above. This objection also would apply to all other members.

(3) That appeals to the Government of India should as a matter of principle not go to the head of the Department against which they are made. This is plausible but futile. The Member for Commerce and Industry is just as much a servant of the Government, and as much a Head of the Railway Department as a separate member would be. In both cases such appeals would go to the Viceroy in Council for decision. The same objection would apply to all members.

(41) The Committee did, however, acknowledge the cumbrous nature of the machinery then in force and recommended (page XXI) greater freedom and powers to the Chairman with direct access to the Governor-General in Council, etc., etc., proposals which have mostly been carried out with good results. But there is still the fact that the President of the Railway Board, however closely he approaches *de facto* to a real head of his department, has not the position or authority which should accompany it, and put him on a footing of equality with the heads of the Financial and other Departments. Nothing short of that can be considered satisfactory.

(3) *To consider the financing of Railways in India, especially the utilisation of private enterprise and Capital in new construction.*

(42) In the matter of financing railways, the circumstances, as already explained above, do not allow of raising funds in India *from Indian investors* to any great extent. Money is always cheaper in the London market than it is in India, and whether nominally raised in this country or not, the underwriting would probably for the bulk of the issues be done in England. Any conditions making it compulsory that only Indian-owned capital is to be accepted would mean a very high rate of interest. This may be seen from the present price of Indian Railway securities, some of which can be bought to yield nearly a certain 9 per cent. and scarcely any at prices yielding less than 7½ to 8 per cent.

(43) If the Boards of Direction are in India, the raising of capital will also presumably be done in this country, nominally at least, wherever the money may come from eventually; and on full consideration, I do not think that any better methods are feasible than those adopted under the " Branch line rules of 1913." Under these rules the firms interested in branch lines raise the capital for a commission of 5 per cent. on the sum required for promotion and underwriting expenses, etc. Applications for shares are called for by public advertisement and those received in India have preference. Indians have never taken very largely to investments in railway shares as the dividends in prospect are very small in the eyes of people accustomed to receive or pay 12 to 30 per cent., in their everyday lives. Such railway shares were in pre-war days in favour with Europeans resident in India for investment of savings, but nearly all such money was withdrawn recently when exchange went up, and remitted to Europe, and there is not much to be hoped for at present from this source. Nor will the Indians engrossed in gambling in industrials be keen about low-dividend propositions, however safe and steady. The prospects of raising railway capital in India at low rates of interest are therefore bad, and very liberal rates, distinctly better than the rates of Government loans, will be a necessity.

(44) If and when the railway finances are separated from those of the State, the money for capital expenditure on open lines will probably be most easily raised by railway loans in the shape of debentures with interest guaranteed at a little above the market rates prevailing at the time for Government securities, but for all new construction the system now in force for raising money for " assisted " branch lines " on guaranteed or rebate terms " seems to be calculated to give the best results, as it would hold out *prospects of improvement*, always an attraction.

(45) When the railways are once more on a paying basis (by raising rates and fares, or otherwise), the yearly profits should be at the disposal of the Railway Board. These used, in pre-war days and for some time after, to run to three or more million pounds annually, and were absorbed in the General Revenues of the country. It has been urged that the State paid for many years, enormous sums to make up the loss on the 5 per cent. guarantee on which the capital was raised to build the original main lines, and can justly demand repayment now that there are surplus profits coming to credit. I am under the impression that these losses have since been directly repaid, but in any case the additional prosperity of the country due to railways, and their importance in guarding against disastrously expensive famines, and the saving in cost of military transport in peace and war, etc., etc., have now repaid any such losses tenfold, and nobody can deny that railway profits should in the public interest be spent in financing improvements on existing lines and in pushing new construction.

(46) As all this expenditure will be remunerative, more or less, from the beginning, it will not be necessary for the Railway Board to pay out the full interest on the debentures or shares, but only the deficit on the guaranteed rate, and for this purpose a few millions will go a very long way.

There are few schemes likely to be taken up which will not pay within 2 or at worst 3 per cent. of the guaranteed interest immediately, and the full amount within ten years. The responsibility of the Railway Board on, say, one million's worth of 7 per cent. debentures, would thus not exceed £30,000 to begin with, reducing to nothing in ten years, or an average of 1½ per cent., or £15,000 per annum, and at this rate even one million spent in making up guarantees would provide for raising £70 millions, or three times the amount that could probably be raised in practice or spent usefully per annum. This is, of course, a sketchy and crude calculation not providing for expenses of promotion, underwriting, or other contingencies, but shows, I think conclusively, that railway profits as they were in pre-war times, and to which we must presumably come again shortly, would be ample if left to the discretion of the Railway Board for employment in raising money for improvements and development, instead of being swallowed by the Financial Department whale.

(47) It will be only fair, of course, to treat purely strategic and military frontier railways on a different footing, and pay for them and the losses from their working from money supplied by the Government of India in the Military Department. I do not know what is the present practice, but when I was on the North-Western Railway (up to 1907) the receipts of the frontier lines were lumped together with those of the other sections of that great railway, and gave a very misleading idea of the real net earnings of the commercial section.

(48) In the matter of attracting private enterprise and capital, it is known from a speech made recently at the Railway Conference of 1920 by Sir George Barnes, that the idea in favour at Simla is one of making railway development over to the existing trunk lines, each in its own "sphere." This will be a very lamentable and disastrous plan, which should be summarily rejected in the public interest. It will take years of controversy to settle the respective "spheres," and the trunk lines will obstruct new construction to an intolerable extent.

(49) The question of development of new railway lines by the existing trunk lines was fully discussed at the time the new branch lines rules were brought into force, and rejected for many reasons which will be found on record in the Railway Board office.

(50) These objections have been amply confirmed by subsequent practical experience, from which have emerged two conclusive reasons for rejecting any such idea:—

(1) It has been found that the interests in new railway developments of the main lines and of the public are very often not identical on the surface, and result in the former, apprehensive of loss from the "short circuiting" of existing routes, discouraging or even opposing connections badly needed in the public interest.

(2) It has also been found in practice that important main lines, the officers of which are absorbed, if not overwhelmed, by large urgent questions, are not able to find time to work minor lines to the best advantage without the constant criticism from outside as applied by the managing agents of "branch line companies" under present circumstances. This can be proved to the hilt from experience in the case of several branch lines, where the working agencies have had to be literally hunted into giving the branches the treatment and facilities needed to get the best results for the public. Such outside influence would disappear if the main lines owned the branches which would (naturally) be neglected as insignificant things, suitable places for the use of obsolete stock and less competent staff, and constantly suffering from "restrictions" of booking whenever stock ran short on the main line.

(51) On the other side, it has been said that the main lines might raise their capital at a lower rate of interest (which seems doubtful without a Government guarantee, equally effective in either case), and that the promotion expenses, etc., of the branch line companies are an unnecessary extravagance. But unless the Government raised the capital itself, as at present, it is not clear where the economy would come in, as the main lines would presumably have to raise the capital in the same money market and under much the same conditions as the "Assisted Branch Line Companies." The root of the opposition is probably that the branch line companies, with their criticisms and claims, have been found to be a "nuisance" both to the working agencies and the Railway Board which has to decide in matters of dispute, but it can be shown that the result of this outside influence has been wholly beneficial to the public, and in some cases has been welcomed and acknowledged as such by the agents, who get to know in this way of matters that would not otherwise come to their notice. The outside company is thus a "waking up" influence on the main line officers which has valuable results on more than the branch line itself, and it will be a public misfortune if it is abolished.

(52) The views put forward in the Committee Report, and apparently accepted at Simla, as to "short circuiting" are believed to be in fact essentially unsound as attaching a very erroneous value to the opinions of vested interests.

In such matters it is the public interest that should count primarily, and all the time. The correct principle in nearly all cases is that if a proposed line can be shown as likely to pay, it may reasonably be assumed that it is needed, and therefore that it is in the interests of the public that it should be built, notwithstanding possible loss to existing lines, which they are naturally inclined to exaggerate. Such losses are seldom appreciable and soon made up for by increased traffic

brought to them, and by the increased prosperity of the whole tract due to improved communications. This is very clearly explained in para. 127 of Mr. Robertson's report, which is conclusive on the subject of the " short circuiting " bogey which makes vested interests see red.

(53) It has been laid down officially recently that no proposed new line connecting two existing railway stations will be considered a " branch line." This is perhaps correct in the dictionary sense, but it ignores the fact that numerous such connecting lines have been built under the " branch line rules " and is in conflict with those rules, which were adopted by the Government of India after Mr. Robertson and the Inchcape Committee's Reports had been fully considered and after an exhaustive discussion of the subject. They are, and were, meant to be on liberal lines so as to attract capital in India, and were also adopted for semi-political reasons to which much importance was attached at the time.

Many hundred miles of " branch lines " have been built under those rules which would not have been built otherwise, greatly to the public benefit, and it is clear that these rules should not be essentially altered by " new definitions," or in any other way than after free and full discussion

We have come to a stage in India where further railway development is most urgent, but where 90 per cent. of the new lines so badly needed must run " between existing stations," and to deprive these of the benefits and prospects of early construction given by the " branch line rules " is a retrograde step to be stoutly opposed by all interested in railway matters.

(54) I have to admit that in this matter of the agency through which new lines should be constructed, both Mr. Robertson (para. 149) and the Committee (para. 28) and, I believe, the present Railway Board, are in favour of working through the trunk lines as preferable to the formation of new guaranteed companies, but these views were, after much discussion, *rejected by the Government of India* when drawing up the branch line rules of 1913, and I submit that I have given good reasons above, founded on practical experience, against any such monopoly being granted to the trunk lines, as it would be a serious check to the railway development so urgently needed.

(55) I have not been able to get at any information on record as to the exact grounds on which the recommendations of both Mr. Robertson and the Inchcape Committee on the subject of building branch lines through the agency of the trunk line companies were rejected by the Government of India, but I heard a great deal of discussion on the subject at the time at Simla, and my recollection is that the then President's (Sir T. Wynne) opinion was that any such scheme " was out of the question " on some of the grounds following :—

(1) The difficulty of deciding on the separate spheres to be demarcated for development by each trunk line, which would lead to endless disputes and delays. (It has already done so in several cases.)

(2) The objections to giving a monopoly to the trunk lines which in their panic fear of " short circuiting " would look at new proposals from a selfish and obstructive point of view, and not in the public interests, which alone should be the guiding principle for railway development. (There are numerous instances confirming this belief.)

(3) It was considered important for financial and semi-political reasons that minor companies domiciled in the country with their capital raised locally in rupees, should attract Indian investors and thus interest the public in the welfare of the railways hitherto almost entirely built and paid for and managed by Europeans.

These anticipations have only been partially realised, as Indian investments have not been heavy, but a beginning has been made, and many hundreds of miles of useful railway built, which could not have been built otherwise.

Financing of Railway Funds.

(56) The several possible methods by which new capital may be raised are discussed exhaustively by Mr. Robertson who in para. 131 comes to the conclusion that " the proper course for the Government to pursue in the extension of its railway system would be the return to the system of guarantee as the cheapest, failing direct borrowing by the Government." In pages 45 to 52 he goes into great detail on the terms to be offered to make the guaranteed loans attractive and to secure at the same time the public interests and the security of the liabilities incurred by the Government. Nearly all these recommendations were accepted (except the recommendation of working through the trunk lines advocated in paras. 149-150) when the branch line rules of 1913 were drawn up and issued, and they form an excellent foundation for the methods to be followed in raising capital in the future, with, of course, such modifications as are called for by the altered state of the money market, and such improvement in the rules as experience has shown to be advisable (see note below).

(57) On page 53, para. 154, Mr. Robertson proposed a " *Railway Fund* " being started on the lines of that now established in Ireland under the Light Railways Act of 1886, for providing improvements on State railways and towards the construction of new lines. In para. 157, he says, " the money thus hypothecated would necessarily require to be kept entirely separate from the general finances of the Government of India. It should be placed at the credit of the railway board, who, subject to the control of the Governor-General in Council, should be left free and unhampered to administer the fund in such manner as would be most advantageous to the country." In para. 159 he lays down that " where the capital is provided by a guaranteed company the payment of interest (to make up the guarantee) should alone be a charge against the railway fund so long as the liability continues."

(58) This fund is in effect on the same lines as proposed by me above for the separation of the Railway Board's finances from the revenues of the country, under which the railway profits for the year would be at the disposal of the Railway Board for financing the capital needed to be raised by debentures for open line capital works, and by guaranteed shares for new construction companies. The railway fund in my scheme would only have to make up the deficit on the debentures and shares raised, and in this way would go a very long way and provide all the money that could be raised or usefully expended in the year. This presupposes certain considerable net profits on railway working annually, such as were received to the extent of several millions before the war, and which we may assume will come again when things have settled down and the railways been made solvent. I do not know why Mr. Robertson's proposal was

turned down, probably for the reasons given by the Inchcape Committee against any proposal for a reserve fund, that " all the money the Government could borrow economically was needed for present urgent needs and more could not be provided."

(59) When we turn to the Inchcape Committee's report on the subject of finance we find them on their own ground and so far as it goes the enquiry was complete and the report is exhaustive and decisive. But it is founded entirely on the assumption that money for Indian railway development beyond the sum available from the general revenues *must* be borrowed by the Government and must be limited to the amount that could be borrowed without affecting the credit of the State. It never seems to have been realised that railway needs were so urgent and of such a nature that it would be justifiable and remunerative to pay a higher price than the Government rate of interest, sufficient to get the money needed, and that it could be done by utilising the profits of the railways (which were then considerable, and would be so now but for the effects of the war, and will be again).

(60) In para. 29, page XVII, they do consider the question of " separating Indian railway finance entirely from the general finance of the Government of India." They state the proposal quite correctly " that the capital required for Railway purposes should be determined *solely with reference to the requirements of the railways and not influenced by considerations relating to the general financial position of the Government.*" This idea, obviously sound to any business mind, they condemn unreservedly as impracticable, apparently because they cannot conceive that the money could be borrowed on anything but the credit of the State. At the end of the paragraph they quote the Bombay Chamber of Commerce as representing in 1907, that they " do not recommend the separation of railway finance from the general budget estimates because it is realised that for some time to come the railways will not be able to borrow all they require on the security of their net revenues and that grants must therefore be looked for from Government." This may have been correct at the time, but it is a practical admission of my argument *that when the net railway profits are* sufficient to borrow against, *it will be possible* to separate railway finance from the general budget estimates, and that if used for financing guaranteed loans as described above, the railway profits will be sufficient to allow of such separation when they are quite moderate in amount.

(4) *Present system of control by Government of rates and fares, and if the machinery for deciding disputes between railways and traders is satisfactory.*

(61) I can say little on this subject except that such Government control is necessary under Indian circumstances, and that it will be much more efficiently administered by the enlarged railway board suggested, one member of which, at least, will be an expert in such matters, and another capable of understanding the provisions of a " contract," which has not always been the case. It is certain that all disputes will be more quickly dealt with by experts with full discretion, and no interference from the Financial Department meddlers.

(5) *Recommendations that may seem germane to the enquiry.*

(62) This is so comprehensive a demand for suggestions that I venture to put forward some recommendations as to details of working which my long experience has impressed on me as essential to more successful railway management, and in the public interest.

The first of these is the abolition of the pernicious system of booking certain goods " *at owner's risk* " at a lower rate for freight than charged for goods booked at railway risks. In practice this system is a terrible evil, encouraging thefts and robberies and causing immense losses to consignors or consignees *paid for by consumers*. It is ordinarily urged in defence of the practice that " consignors have their choice," and that the fact of enormous quantities of goods being sent under these conditions proves that on the whole it must be in the traders' interests to adopt it.

Such reasoning, however plausible, is entirely fallacious. *There is no choice for many kinds of goods*, especially those most exposed to dishonest practices. Coal and oil, fresh fruits, etc., are not booked except at owner's risk, and the railway staff are learning that thefts from such consignments may be committed with impunity. It is the demoralising effect of such a state of things that is to me the chief and crying evil, as *it is turning every railway station into a den of thieves*. As for the losses to traders, they are considered part of the charges necessarily incurred and passed on to the consumer, and it is the public that suffers. There is no remedy but doing away entirely with the accursed thing. It will mean an indirect raising of rates and the extra receipts will much more than pay for the greater cost of the enlarged watch and ward and detective staff which will be needed to check thefts and robberies. This improvement in policing, if taken full advantage of, will have an important effect in stopping other irregularities and dishonest practices in connection with goods sent at railway risk (for losses on which large sums are paid yearly), travelling without tickets, extorting bribes for use of trucks, etc., etc.

(63) Next to the objectionable " owner's risk " system (or perhaps some would say before it), comes the necessity for the institution of training establishments for all classes of railway labour connected with the running of trains.

The Engineering and Locomotive Departments, down to the lower subordinates, are chiefly manned by educated and trained professional men, but for the Traffic Department, on the employees of which almost everything depends in connection with the safe and punctual working of trains and the carrying on of the goods traffic with economy and despatch, things are very much otherwise. From the junior traffic officers downwards, to the pointsmen and jemadars, these men are appointed almost casually and pick up their work as they go along. There are more or less inefficient telegraph classes, some haphazard and very partially successful attempts at teaching station masters' and guards' work, and some examinations to be passed for confirmation or promotion in various grades, but there is nothing thorough or systematic, and to those who know the secrets of the prisonhouse it is a standing miracle that many serious accidents do not occur every day. That scandalous delays and losses do occur daily in the carriage of goods of all kinds is the experience of the public and of every trader who uses the railways. I have often heard wonder expressed " that anyone uses them at all."

(64) Now the real reason at the root of this unsatisfactory state of things is the Oriental temperament, which is the result of generations of easy-going people to whom time is no object,

and energy and punctuality and despatch looked on as the characteristics of fussy, unpleasant, foreign lunatics.

It is necessary first for efficient working, to train all these slackers to ideas of punctuality and energy and despatch and even hustle, *and it can be done*. It has been proved over and over again in training construction traffic staff, who could not be excelled in doing things " on the run ", and keeping an eye always on getting work done in the quickest and best possible way. It has been done by Tata's to a notable extent and in numerous workshops and factories all over India. The steamer " Serang " is a notable instance of native efficiency with proper training. Nor does it need long training for such railway work. A six months' course at a training school (which might be set up by each big railway, or in each province) with keen energetic teachers of the " Scout-master " type, would suffice to turn out efficient workers, knowing practically all the rule. and regulations for each description of work, and above all taught to *hustle*, to keep time, and to treat the public and their interests with fitting consideration.

(65) At the risk of making these notes intolerably voluminous I venture to mention two more subjects of great importance to efficient railway working and development :—

The disastrous system of " pre-audit " of engineers' bills at present in force on open lines for work done by contractors, which means a delay in payment of many weeks (sometimes months) of money due immediately the bills are signed. Prompt payment is the essential condition of economical carrying out of works. It allows of the employment of petty contractors with small capital who are on their promotion and anxious to do things quickly and satisfactorily, and who afford the cheapest and best means of getting work done. The delays in payment make it necessary to employ big men with capital who can wait for payment, but they have to be paid for waiting and it means an unnecessary addition to the cost of works, which all over India means a waste of many lakhs annually.

It means incidentally a great deal of corruption in bribes to men in the auditing and pay offices to get bills through quickly, and above all it is very bad training for the open-line engineers. who lose all ideas of the economy and despatch which prompt payment means, and resign themselves to the circumstances.

It should be noted that this procedure applies only to open lines. On construction the engineer pays the bill as soon as he signs it, work is done quickly and cheaply and the contractor knows where he is. I have fought this scandal for years, sometimes with temporary success, and once got the subject taken up by an able and businesslike accounts officer, so far that proposals were circulated for opinions, but here came in the " iron heel of the Accounts Baboo," and the proposals were almost universally condemned by Financial bureaucrats obsessed with the quite erroneous idea that pre-audit means " control of expenditure." It means of course nothing of the kind. Once the work is done and the bill signed by a responsible officer *it has to be paid*, and no pre-audit can do anything but delay payment, with all the results of waste of money and incentives to corruption.

(66) Another matter of great importance which I will only mention is the necessity for bringing Local Governments more into touch with the Government of India, Railway Department, than they are at present. The first thing done by the new Railway Board when it started, was to free themselves from all " interference " by the Local Governments by abolishing the appointment of Railway Secretary to the Local Administration which was held by the Consulting Engineer (now Government Inspectors) in several provinces (Burma, Madras and Bombay that I know of). The results have been detrimental to public interests by leading to delays and misunderstandings due to the Local Governments having no expert advice at their disposal. This is a matter that needs setting right.

The Local Governments have made efforts to get out railway programmes by setting up " Communications Boards " which have done much good work, but they have no expert advice except that of the Agents of main lines naturally inclined to be narrowminded about short circuiting, etc., and consequently they often grope in the dark. Co-ordination between the Provincial and Imperial views, and general expert advice on railway matters that is badly needed would be the duty of the " Projects Member " suggested above for the Railway Board.

The plans for leaving to Local Government's discretion and freedom as to feeder lines and tramways can only be successful if they have such expert advice. There is a danger otherwise of the consideration and encouragement of " wild cat " schemes, and a distinct need for some final sanctioning authority before such concessions are finally approved.

(67) I may mention here the alterations in the present branch line rules which will be desirable when the construction of new railways is resumed.

The question was raised a couple of years ago by the then President of the Railway Board who asked for suggestions, when the proposals given below were written.

Proposals for Revised Terms and Rules for Branch Railways.

(68) The first question in future proposals of this kind will be the financial one—of the rate of interest the State will guarantee on the Capital, the rate up to which interest will be made up on rebate shares, the percentage allowed for promotion expenses, and the sharing arrangement for surplus profits.

I am not a financial expert but suggest an increase in each case proportionate to the increase in the rate of interest that has to be paid for State loans, since the date when the last branch line terms were issued on 14th November, 1913.

In connection with the existing profit-sharing arrangements, I heard a very interesting suggestion at Simla that the half share over 5 per cent. taken by the Secretary of State might be dropped when the losses sustained on the guarantee had been repaid, after which the whole of the profits would go to the Company. This was the condition attaching to some of the original guarantees, and if reverted to would certainly make such investments much more attractive. But it is almost inconceivable that the Financial Department would hear of giving up a share in an " improving property," and even if the Railway Board is freed from such control, it would need to keep an eye on the profits on which it would depend as security for its operations in raising further capital, and it would be wise to retain some share of surplus profits, though the proportion might possibly be considerably reduced.

The other points I suggest for reconsideration are matters of detail more appropriately considered separately and attached as an Appendix.

(69) These notes have grown to be so voluminous that for fear of their being consequently left unread I will only mention two or three subjects worth serious attention.

Mr. Robertson's report discusses the very important questions of gauge, feeder line policy, and a railway clearing house, and his recommendations are all characterised by strong commonsense and practical ability.

(70) *Gauges.*—He recommends further investigation of the fascinating, but desperately difficult, subject of altering both the 5 ft. 6 in. and 3 ft. 3¼ in. gauges to the European standard gauge of 4 ft. 8½ ins. The expense would be colossal, and though probably really worth it in the long run, the first cost will, it is likely, prove to be practically prohibitive. Calculations made by Mr. J. R. Bell and Mr. Shadbolt some years ago proved this conclusively and it has since become more difficult still by the extension of both systems.

He recommends the 2-ft. 6-in. gauge for developing country served at present by 5-ft. 6-in. gauge lines, and the 2-ft. gauge for country in metre gauge spheres. The 2-ft. 6-in. gauge was once in favour with the Railway Board, and a complete system for the Punjab of such feeders was planned and surveyed and estimated for. The scheme was hung up by the war, and since then the shortsighted opposition of the open lines has effected an unfortunate reversal of policy. The blind fear of short-circuiting has been reinforced by apprehensions of the narrow gauge becoming a connected-up competitive system, to avoid which it is solemnly proposed that feeder lines should have "no physical connection" with the existing railways! The connecting up of the feeder lines would, as a fact, be necessary for purposes of economical management, but all idea of a competitive system can be done away with by the simple rule that "all traffic carried by the feeders must be made over to the main line at the nearest junction in the direction in which it is travelling." "Physical connection" would, of course, be a *sine qua non* at junctions in the shape of joint passenger and transhipment platforms, etc. If this principle is admitted there are complete schemes for about 600 miles of railway in the Punjab which would completely develop that important province.

The 2-ft. gauge, while most useful for mountain railways, where the sharp curvature possible means an enormous difference in cost, often making it possible to build a line impossible on any bigger gauge, is not suitable for easy country, but *in its place* has a capacity for carrying an astonishing amount of traffic, as proved on the Darjeeling-Himalayan Railway, which at busy times earns Rs. 800 per mile per week!

There is much to be said for the idea that the Simla-Kalka Railway, if built on the 2-ft. gauge, would have been 30 to 50 per cent. cheaper and now a paying proposition; and certainly in the case of the proposed railway up the Ganges gorge to Karnprayag it would make something like that difference, and perhaps make construction possible.

The central railway clearing house is an obviously valuable proposal, and was, I believe, gone into in much detail after the Robertson Report, with no result yet, so far as I know. It will no doubt be considered again during this enquiry.

(71) A subject which I venture to commend to the Committee for special enquiry, as calculated to greatly speed up railway development in India, is the utilising of canal banks for railways where they lie in the direction of desired lines of communication. I have been advocating the idea for 20 years with small success, but at last got permission in 1919 to carry out an actual investigation of what it means when we face the facts. This investigation is in progress and not yet completed, but has gone far enough to show that the advantages of such schemes are very great and the difficulties chiefly imaginary or sentimental. I hope by the time the Committee finishes its enquiries to have the survey and estimates for the "Garhmukhtesar-Kasgunge" Canal Bank Survey completed, with a full report on the subject, which, I venture to think, will be conclusive.

(72) The Railway Board controls coal traffic and supplies for all India (and Ceylon to some extent), and as the coal situation is considered to be very serious by many skilled persons in the business, threatening something like disaster in the near future, it will perhaps be considered a subject "germane" to this enquiry. Practically all the Indian coal supply comes at present from quite a small area in Bengal round Raniganje and Jherria, where the crowding together of mines and the railways serving them has resulted in a state of almost intolerable congestion, and there is little to be hoped for in the way of increased outturn; while the demands for fuel are increasing so rapidly that coal for all requirements promises to be presently absolutely unobtainable, which will spell ruin for the railways and the numerous industrial undertakings now being started all over the country.

Immediate action appears to be called for in the shape of extensive exploration and development of other sources of supply which are believed to exist in many places now fairly well known to the Geological Survey Department, but requiring expenditure on finding and proving workable coal mines which only the State can at present incur. On the same general lines, probably, as help is now given by paying in the first instance for railway surveys, such exploration could be encouraged with probably good results worth a considerable expenditure.

It appears to be a subject for consideration by all interested in railways and industries needing fuel for working their machinery, and will perhaps be considered appropriate for enquiry by the Committee.

(73) I cannot conclude without apologies for this long and perhaps too strongly worded representation, but I hope it will be considered excusable as due to my deep interest in what has been my life work, and justifiable by the extreme importance of the subject to the country and public. I regret the plain language I have had to use with reference to the baneful effects of the Financial Department *control of railways*, but it has been to me an Old Man of the Sea, making my life a burden for 36 years, and its strangle-hold cannot be shaken off by spraying with rose-water.

I should add that I do not for a moment question the wisdom, beneficence and efficiency of the Department within its own limits, and have no personal grievances against it, and, on the other hand, cause to be grateful for invaluable help given in Treasury and other matters. It is the machine, out-of-date for dealing with purely business conditions outside its knowledge and foreign to its principles, that needs to be cut adrift if railways in India are to make the progress called for in the public interests.

APPENDIX.

Para. 3, IV. Makes the whole cost of all surveys a charge against the capital of the line when constructed. This works out very unfairly when several previous surveys have been made. This was acknowledged in the case of the Sara-Serajgunge Railway, when the rate was so enormous that it was largely reduced.

There should be a limit, varying from, say Rs. 500 per mile in easy country to Rs. 1,500 per mile for a mountain survey.

Para. 3, VI. It is laid down that materials for the branch line will be carried on State railways at the special rates charged for similar materials belonging to State railways.

It would be better to specify "Revenue rates," as was done in older concessions, to prevent cases of very high charges being made, as in the case of the Sara-Serajgunge line.

It is no real concession unless Revenue rates are actually allowed.

It is also advisable to lay down that the open line will not be freed from responsibility for short deliveries because the materials are carried at concession rates. This is very important.

Para. 3, VII. It is laid down that rebate and guarantee shares cannot be granted for the same branch line. This has since been allowed in some cases, and should be regularised in the Rules.

(*a*) and (*b*). The rates on guaranteed and rebate shares will have to be altered to suit the present rates in the money market (*see* remarks above); also the limit rate above which earnings are shared with the Secretary of State.

It is laid down that "the payment of rebate shall commence when payment of interest from capital ceases." This is paid till "the end of the half-year in which the line is opened *throughout*."

In the case of maintenance charges, XVIII, it is laid down that maintenance expenses will be charged to capital for a year after the line, *or part thereof*, is opened.

In the first case, if the line is opened in sections, rebate is deferred for many months or years after the first opening, and in the second case, maintenance charges for the whole line go against revenue from the date of opening of the first section, irrespective of the date of completion throughout!

In both cases it is desirable to make a more equitable and definite arrangement. Rebate is really due from the date of opening for traffic on the section opened. The end of the half-year may be accepted as a convenient date in making up accounts, but where the line is opened in sections it is not fair to delay rebate till the line is "opened throughout." It should be paid for each section from the end of the half-year in which that section was opened, calculated on the cost of that section, which is easily ascertained approximately.

Similarly, in the matter of maintenance charges, it is not fair that they should go against revenue for the whole line from a year after the date on which *any part of it* is opened (as the clause now reads), and it would be equally unfair to charge maintenance expenses to capital for a year after the line is "opened throughout."

The principle is that maintenance expenses are chargeable to capital for a year after opening, and it should apply definitely to each section *as opened*.

XXI. "At the expiry of 30 years from the date on which the railway was declared open for traffic" add "throughout" to allow for cases of railways opened in sections.

There are some other points not mentioned in the General Rules which come up in the details of the concession and contract, and call for definite understanding as to their exact meaning and in some cases for modification. Of these, the following are some that I have known to cause much dispute and argument:—

(a) *Length of line* to be used for calculating traffic receipts. It was generally calculated from or to the centre of the junction platforms, but as the portion of line paid for by the branch line company ended, under the old definition, at the outer signal, some agents made a claim that only the mileage between outer signals should be allowed in calculating the gross earnings of the company, and this led to much correspondence.

It needs to be definitely stated in the concession one way or the other. The precedents are in favour of the full distance between centres of junction station platforms, and this is also the most simple arrangement in keeping the accounts. The fare charged to the public is the full fare for the whole distance, and to deduct half a mile or so at each end and exclude it from the company's earnings means a trifle in money at a cost of considerable clerical work.

(b) *Limits of the Junction Station "premises"* needs to be strictly defined. It used to be the outer signal, but lately this has been called in question and attempts made to make the facing points the limit. It is very desirable that the original ruling of the outer signal as the limit should be definitely laid down.

(c) *Junction Works.* Under the old arrangements in all the Southern Punjab Railway contracts (before that for the Jullundur Doab Railway) it was laid down that "the parent line paid for all junction works within the "premises" (*i.e.*, inside the outer signals) except quarters for running staff engaged on working the branch." This was a simple rule allowing of no disputes or arguments, and it is very desirable that it should be reverted to.

The newer rules attempt to discriminate between works "for sole use" of the branch line, and works "for joint use," and lead to such frequent and complicated disputes that a junction works estimate is seldom finally sanctioned till two or three years after the new line is opened. It may seem easy to distinguish between works for sole and joint use, but as a matter of fact nothing is more difficult. The remodelling of a station yard for a junction is nearly always an opportunity for carrying out much needed additions and alterations for which funds have been difficult to find, and many of these are put in really for the "sole use" of the main line, which are erroneously included in the "joint works."

Similarly it is difficult to define works for "sole use" of the branch, and even if put in solely for the branch, it is seldom that they do not come to be useful, and are used, for main line purposes as well.

Besides the simplicity of the old rule that the parent line pays for all junction works, is the very strong incentive it is to economy on the part of the main line administration. When dealing with their own money there is not the same temptation to extravagance that there is when dealing with other people's money. In practice this counts for a great deal.

"*Free User.*" This is a question that is excluded from the "branch line" terms, but there will be few cases in the future where the new line does not connect with open lines at both ends.

Of the five "branch lines" with which I have had to do since I became connected with them, only one, the Hoshiarpur-Doab Railway, was a real branch with a junction at one end only. The four others:—

Sutlej Valley Railway,
Jullundur-Doab Railway,
Sara-Sērajgunge Railway,
Mymensingh-Bhairab Railway,

all had connections at each end, involving through booking.

In addition to these, of branch lines that have come directly under my notice are the

Saharanpore-Shahdara (Delhi) Railway,
Amritsar-Patti-Kasur Railway,

both connecting existing railway stations.

It will be as well therefore to lay down clear rules on this subject for branches affording through routes.

I believe the precedent of the Southern Punjab Railway Co.'s contract (the first in which free use was mentioned) will be the best to follow as a rule. Under this contract free use was allowed

for traffic between two N. W. Railway stations,
for carriage of Revenue stores;

earnings for all other traffic passing over the line to be shared.

To avoid unfair routing it was laid down that where the S. P. Railway afforded the shortest route between stations of origin and destination, the earnings would be considered as part of its gross earnings whether the traffic passed over it or not.

All receipts for exchanged traffic passing over the line, whether free use or not, were "liable to rebate."

This was the plain meaning of the contract as originally interpreted by the North Western Railway. It is, I believe, the fairest and clearest and leaves no room for disputes. (Disputes did occur owing to ambiguous wording, but that can easily be avoided now.)

There will, however, be very few cases in future where branch lines will not mean through traffic, and in many cases to give free use for such traffic will mean that the local receipts cannot possibly pay the branch line company, and the railway will not be constructed until the Government can spare funds for it.

Nearly all the lines we have been considering recently are of this description:—

Kissengunge-Siliguri Railway.
Jalpaiguri-Tetalya Railway.
Mymensingh-Serajgunge Railway.
Tangi-Jamalpur Railway.
Kissengunge-Dinagepore Railway.

None of these would on the local traffic pay by itself.

I believe therefore it is highly desirable to revert to the terms regarding free user and rebate that were laid down in the S. P. Railway Company's contract in the case of lines of similar importance, *and for smaller railway to do away with free use altogether* and to allow the branch line to share receipts from all traffic passing over it irrespective of origin or destination.

There are some minor points requiring to be laid down in the contracts to avoid disputes:

(1) Terminals, if to be shared with Branch line company and to what extent.

(2) The charge for working construction ballast trains after the line opens (the S. P. Railway contract lays down, "no charge.")

(3) The division of earnings from through traffic originating or ending on the branch railway to allow for the full rate actually charged on the branch, and not an average mileage rate on the whole journey (as claimed by the A. B. Railway).

Accounts. The clause in recent contracts giving the branch line a claim to inspect accounts, also to make suggestions for improvements in timing trains and other working details, should be adhered to and clearly laid down. There can be no doubt that the branch-line company, being able to inspect and make suggestions, has had a powerful effect in waking up the Working Agencies and keeping them up to the mark.

SUPPLEMENTARY NOTE.

Since writing and printing the Notes on the Evidence I propose to put before the Railway Committee, I have received the "questionnaire" issued by the Secretary, and after consideration think it will be better to add this supplement, going into each question separately with a brief answer and reference to the paragraph in my Evidence where my reasons are given in detail.

Question No. 1.—I think railways owned by the State should be managed by Companies and not directly by the State. (See paras. 2 and 3 above and 7 to 22.) As to "profit sharing," the Government should certainly get back its expenses in the shape of interest on its capital, and a share of the profits above that sum to be at the disposal of the Railway Board for financing improvements and additional railways. But the idea of using such profits for an addition to State revenues should be abandoned and not too much importance attached to preserving an interest in "improving properties." (See para. 19.)

My experience is described in paras. 1 and 2 of Evidence above. It includes intimate knowledge of State management, and important dealings with railways under every other kind of management, both as a member of the commercial community and of the travelling public.

Question No. 2.—I advocate company management as in practice on the E. I. R., B. N. R. and other trunk lines, with general control but less meticulous interference from Simla.

Question No. 3.—Such companies should, I think, be domiciled in India as far as possible (See paras. 23—28 above.)

Question No. 4.—I think the existing arrangement is not suitable or sufficient to give the companies the necessary keen interest in their undertakings; and consider it would be a great inducement to greater interest and efficiency, and a great gain to the State to sell these railways outright (see paras. 31-32, 21-22), and use the proceeds for financing new construction.

Question No. 5.—I consider that boards of directors in the United Kingdom are out of touch with Indian conditions, and their distance away means very great delays and circumlocution in settling references. (See paras. 23-26.) I consider the Boards working their Railways should all be moved to India. (See para. 29.)

Question No. 6.—The boards of directors in India would be constituted as for other large commercial undertakings by election of and by shareholders. " Paramount Government interests " (so long as the railways are State-owned) would be guarded by an *ex-officio* Government director.

Question No. 7.—I do not think there would be any want of continuity in a board domiciled in India any more than in the case of other commercial undertakings.

I think the idea of a permanent Government chairman quite inadmissible, and likely to stultify the whole arrangement, as there would be no more guarantee that the Government would select the right man than in other cases, or be able to get rid of him if found a failure. There *will* be a difficulty at first in finding qualified directors, but (see para. 28 above) it is not likely to be serious. There should certainly be a proportion of experienced railway men on each board, and the others should have commercial experience. The shareholders would look to this in their own interests.

Question No. 8.—I do not think there is any such risk any more than for other commercial undertakings. The other directors would see to it, and the shareholders.

Question No. 9.—I do not think any such combination desirable or easily workable (see para. 29). In the case of companies domiciled in India with capital held chiefly in Europe, a London Agency would provide for all work necessarily done there.

Question No. 10.—I think control by a railway board is a necessity of present, and probable future circumstances, and I cannot think of any alternative, but it needs putting on a proper basis. (See paras. 29 to 41 above.)

Question No. 11.—I have gone into the constitution of the Railway Board in great detail, in paras. 29 to 41 above, and think the changes suggested in status and numbers are essential to its efficiency. I have nothing to say as to the subordinate officers except that they have, I am glad to testify, been selected with great care very unusual in Government service.

Question No. 12.—I think the Board with only three members is much too small to undertake the multifarious duties and meticulous control attempted, and " bites off more than it can chew," leading to perfunctory and erroneous rulings in some cases which have to be revised in a manner not conducive to respect for its authority and dignity. I can give a list of several such cases if desired.

Question No. 13.—I believe the Railway Board has nominally the necessary powers of control but does not always exercise them owing to its want of status and its bondage to the Financial Department.

Question No. 14.—I do not think the powers of control have been sufficiently exercised in the public interests, for reasons given in answer to the preceding question.

Question Nos. 15 *and* 16.—I have fully dealt with these questions in paras. 30 to 41, and think the improvements suggested in status and numbers of the Board are essential to efficiency, and so especially is freedom from the Financial Department incubus.

Question No. 17.—There can be no possible doubt that the supply of funds has always been very inadequate either for (*a*) new construction or (*b*) for maintenance (including renewals and replacements), or for (c) the improvement of existing railways. When I left the N. W. Railway in 1907, I left in my Transfer Notes a list of works urgently needed amounting to 600 lakhs! and I expect a similar list (in proportion to mileage) could then have been made out for every railway in India. At present, of course, things are very much worse owing to the aftermath of the war.

Question No. 18.—I think the policy of putting open line needs first in sharing " available capital " quite sound if the limitation of that capital to the amount that can be borrowed by the State without affecting its credit is unavoidable. But I have given reasons (paras. 42 to 48) for holding that there need be no such limitation, if the railway funds are separated from the general revenues of the country and left to the Railway Board to finance new construction, which there can be no doubt has under the existing system been shamefully neglected.

Question No. 19.—I do not think any such regular yearly arbitrary limit can be laid down. The funds raised should be in accordance with railway requirements at the time being, so far as they can be financed. In practice probably 20 to 25 million pounds would be as much as could be usefully spent in ordinary years on improvements and construction.

Question No. 20.—Yes, I think capital funds should be raised both in India and in England (as for other commercial enterprises), preference being given to Indian investors.

Question No. 21.—I think the present arrangements for raising capital under the branch line terms (*see* para. 43 above), could be made quite adequate if brought up to date in the matter of the rate of interest guaranteed, and with certain alterations in the branch line rules suggested in detail in the Appendix attached.

Question No. 22.—I do not think any great change in the present methods of raising capital is needed, if existing rules and terms are brought up to date and railway funds entirely separated from the general revenues of the country, and left to the Railway Board to finance on the security of railway profits.

The Inchcape Committee and Mr. Robertson agree that guaranteed shares or debentures are indicated as the best means of raising funds for railway capital expenditure, and these would be issued by the Railway Board on such terms as may be necessary to attract investments.

Question No. 23.—I cannot suggest any other methods of raising capital except by sale of the Government-owned Railways already referred to, regarding which there is a great deal to be said on both sides.

Question No. 24.—Any amount needed could be raised on terms sufficiently attractive to investors.

Question No. 25.—Such borrowings might certainly affect the rate at which the State can raise its other loans, but no more than the ordinary raising of capital for other commercial purposes has that effect, of which the State has to take its chance and over which it has no control.

Question No. 26.—(*a*) I consider this mixing up of railway funds with the general revenues of the country, which means " programme and code control " with all the defects pointed out in paras. 15 to 19, has been most detrimental to railway progress and *its abolition is the first need of the situation.*

(*b*) It is I think beyond doubt that railway rates must be raised and as soon as possible to make the railways solvent and paying propositions, which is essential to proper working and future progress. Also I think it cannot be denied that the traffic can stand it, owing to the greater prosperity of traders and the public generally, which to my personal knowledge has advanced by leaps and bounds.

I cannot at present say what percentage of increase in rates and fares is needed, but it should not be difficult to work it out, from figures of receipts and working expenses, and I will try to do so before coming up to give evidence (if called upon to do so).

Question No. 27.—I consider the results shown for both State-managed and Company-managed lines most unsatisfactory to both the State and the public and as proving that the revision of rates and other measures for improving results have been too long delayed.

Question No. 28.—In paras. 7 to 19, I have given conclusive reason, I believe against the present " Budget system," as entirely disastrous and intolerable from the business point of view, causing an enormous waste of time and money. Mr. Robertson took exactly the same view and condemned it utterly.

As to the principle quoted at foot of page laid down by the Inchcape Committee, I have referred to it in paras. 18 and 60 as the root error which stultifies nearly all the conclusions come to by that learned and wise but wholly unpractical Committee.

Question No. 29.—I have no experience in this matter.

Question No. 30.—From my recent experience I believe they do.

Question No. 31.—I am unable to give any definite opinion on this point from personal experience.

Question No. 32.—I am unable to give any definite opinion on this point from personal experience.

Question No. 33.—I am unable to give any definite opinion on this point from personal experience.

Question No. 34.—The carrying capacity of all the railways I have ordinarily to do with, could not be more unsatisfactory. Passenger trains are few and overcrowded, goods have to wait weeks for trucks, and enormous losses are incurred in transit. A great deal of this is due to rolling stock shortage caused by the war, and unavoidable to a great extent, but it is urgent that remedial measures should be undertaken with the least possible delay.

Question No. 35.—I have in paras. 61 to 73 discussed several points " germane to the enquiry " which I think need especial attention and treatment, if railway progress and conditions are to be improved as called for in the public interests.

STATEMENT No. 14.

AGENT, BENGAL-NAGPUR RAILWAY COMPANY.—REPLIES TO THE QUESTIONNAIRE.

(5) Experience on the Bengal-Nagpur Railway does not confirm either of these suggestions. No delay takes place in referring to the Board in London, and in cases of urgency the cable is used. For several years it has been the practice for the Managing Director or a Director to visit India, and by this means the Home Board is kept in touch with actual conditions in India. In fact, it is found that there is little difference in obtaining approval or sanction to schemes, as regards time, from the Home Board or Railway Board. It is not uncommon to refer a case in advance to the Railway Board, conditional on the Board of Directors' sanction being received by cable. Moreover, advice from the Board of Directors on important schemes or proposals has been found of the greatest assistance, as it embodies matured experience. Briefly, it is not found that the English Board of Directors are either out of touch with Indian conditions or requirements or are they the means of causing undue delay in settling references.

See oral evidence, paragraphs 4037/4070.

(6). I am unable to suggest how a Board of Directors in India could be constituted, because Railways are not local to one Province but extend over several Provinces. To represent properly the interests of each of these Provinces, the Board would have to be constituted by gentlemen selected from each Province, and under such conditions it would be extremely difficult to collect them together and deal with the Companies' work in a continuous manner. The alternative is to form a local Board at the Headquarters of the Railway, an arrangement which would not meet the situation as it would leave the control of the Railway in the hands of representatives of one Province only and the interests of the other Provinces might be prejudiced. In the case of the B.-N. Railway the line runs through four Provinces, Bengal, Bihar and Orissa, the Central Provinces and Madras.

(7). *See* answer to question 6.

(8). Yes; *see* answer to question 6.

(10). I consider that control by some form of Board is essential.

(11). I consider that the main point is that the Board should be placed in such a position as to be able to give decisions on their own responsibility without any delay.

I have no recommendations to make as regards the Board's subordinate officers. It might be advantageous, however, to the general system if these officers were recruited from Company's Railways as well as from State Railways.

(13). As a general reply I would say that the Railway Board possess adequate powers of control over Railway Administrations to enable them to deal with matters in the interests of

the public and of trade. But a case arose early in 1920 owing to the shortage of coal throughout India for industrial purposes in which it would have been an advantage to the country if the Railway Board had had full powers to order a distribution of wagons in favour of the coal traffic.

A special meeting was held in Calcutta on the 21st February, 1920, at which, in view of the serious situation brought about by the inadequate supply of wagons for coal traffic, certain resolutions were passed investing the Coal Transportation Officer with powers of calling upon railways to reduce balances at junctions in order that more wagons might be made available for coal traffic.

Certain Railways which were not directly interested in the coal traffic objected to the proposed resolutions and the Railway Board stated in an official letter to the East Indian and Bengal-Nagpur Railways that they had not powers to compel Company's Railways to carry out the procedure proposed in the resolution.

In my opinion, in a case of urgency of this kind, it would have been to the best interests of the country in general had the Railway Board possessed sufficient powers to enable them to enforce the procedure laid down in the resolutions.

(14). Yes.

(15). Not so far as I know.

(16). The present status cannot be considered satisfactory seeing that the Railway Board are not in a position to carry out their own policy, their hands are tied by the fact that proposals from the Railway Board must be referred to the Government of India through the Member of Commerce who also represents other interests. In other words, the Railway Board have not had direct access to the Executive Council in the full meaning of the word. It is essential that the Railway Board, or Railway Ministry, whatever name may be attached to it, should be an independent department of the Government of India with direct access through its head to the Governor-General in Council, and I would carry this even further to the extent of giving them very much wider financial powers.

(17). As a general statement the grants made yearly are below demands. It has happened on occasions that subsequent grants have been made during the course of a year but the uncertainty of receiving sufficient money to work to programmes from year to year makes it almost impossible at times to spend up to the full extent of grants made. As an instance, on the Bengal-Nagpur Railway a grant of Rs. 7 lakhs was given for the construction of a portion of new line This grant was intimated to the Railway on 5th August, 1920. Construction staff were appointed to commence work at the earliest practicable date after the Monsoon, and when about to start work, the Railway Board intimated that there would be no money available to pursue this construction next year. In the time given it would have been impossible to spend Rs. 7 lakhs, and in absence of funds for continuing the work in the following year, it was decided not to commence work at all.

In the case of another extension known as the Bermo Sawang, about 6 miles running into a new coalfield, a grant was made of Rs. 10 lakhs in October, 1920, to be spent during the current year As this sum was practically the total cost of the line, it was impossible to spend it in the 5 months remaining after receipt of the grant.

The supply of funds for maintenance has not always been in accordance with the Railway's demands, and there have been cases where "relaying" of track, or replacement of locomotive boilers, has had to be deferred in order to reduce expenditure within the limits of a grant. On another occasion orders were received to reduce our Workshop staff engaged on repairs to locomotive and rolling stock, towards the end of the financial year, owing to shortage of funds, at a time when arrears of repairs had to be made up owing to previous heavy traffic.

(18). Yes.

(19). This is a question which cannot be answered for all the Railways but for the Bengal-Nagpur I estimate roughly that not less than Rs. 400,00,000 annually for the next 10 years will suffice.

(26). It is obvious that the money provided by the Government of India for Railways has been insufficient for many years. Therefore, the linking of the Railway Programme with the general Budget of the country must be admittedly unsatisfactory. My answer to question (*a*) is therefore that the past system has been detrimental to railway improvement and development.

With regard to question (*b*), I consider that Railway rates should be raised generally and that the traffic handled by the Railways could stand a substantial enhancement of rates. I am not sufficiently conversant with traffic conditions all over India to give a figure which would be applicable to all Indian Railways, but for the Bengal-Nagpur Railway I estimate that a general all-round increase of from 15 to 20 per cent. on goods traffic, omitting coal traffic, would place the B. N. Railway in a position to maintain its previous figure of return on capital, *i.e.*, about 7 per cent. I have excepted coal traffic because the rates on coal will be raised from the 1st April next by approximately 20 per cent. It has always been the practice to give the coal trade ample notice of any enhancement of rates, and for that reason the date for the new rates has been fixed from the 1st April, 1921.

In order to meet to some extent the increase in working costs, our rates have been under constant revision during the past three years. Therefore the figure, which I have named, 15 to 20 per cent., refers to the increase which I would impose on existing rates.

(27). The financial policy hitherto followed, as indicated by the results, is not satisfactory, because the financial statement shows that in the case of company-managed railways the State might with advantage have borrowed much more heavily without risking an adequate return on capital, and the public must feel that the railway financial policy of India for several years has shown timidity and weakness in not providing more funds for the development of railways, seeing that the railways are not only profitable on actual working, but are the means of securing much gain to Government through the development of the country and its trade. It is impossible to give any additional figure as an estimate of the indirect advantages to Government, but it is evident the growing trade of India depends on railway transportation, and it is at present undoubtedly being hampered by lack of railway facilities and new lines.

(28). The note to this question explains that "lapses" are taken into account in re-allotting funds for the subsequent year, but this does not make the position any better for an individual railway. Supposing the Bengal-Nagpur Railway incurs a large lapse owing to labour troubles at Home or unforeseen delays by manufacturers, it wants to be assured that it can meet its liabilities in the following year when the goods are delivered without having to effect a corresponding reduction on its programme for works either in England or India.

(29). If money was made available from year to year to meet the urgent requirements of railways and in such a way as to avoid the withdrawal of lapses, the existing arrangements for regulating expenditure in England would be satisfactory.

(30). Yes.

(32). So far as I am aware a Railway Commission has never been brought into existence in India, but the provisions made in the Indian Railways Act appear to be ample.

(34). The carrying capacity of railways is undoubtedly below the requirements and needs of the various industries in India at the present time. The causes of the failure are:—

(*a*) Failure to provide adequate funds before the war to keep railways abreast of their traffic.
(*b*) The long duration of the war.

With regard to (*a*), it is entirely a question of finance. So far as I am aware, all railways were anxious to improve their carrying capacity but were restricted year by year through shortage of funds, and the conservative policy of the Government of India in financing railways kept the railway systems somewhat behind instead of in advance of trade requirements.

With regard to (*b*), the effect of the war upon railways is evident in all countries, and India cannot expect to find itself in a more favourable position than others; but the point which must be kept in view now is that arrears must be made up by means of some liberal form of finance, so that railways may be able to invite and cater for traffic rather than be forced to seek ways and means for diverting traffic from the railways to the sea.

STATEMENT NO. 15.

Sir T. R. WYNNE, K.C.S.I., K.C.I.E., Managing Director, Bengal-Nagpur Railway Company.

Question No. 1.—I consider that the present arrangement is the best, under which certain of the State-owned lines are worked by the State and the remainder by companies on a profit sharing basis. My recollection is that the same conclusion was arrived at by a Parliamentary enquiry in England held some years ago. My opinion is based on the following experience. I was thirteen years on State railways. From 1887 to 1905 I was Agent and Chief Engineer of a company's railway, namely, the Bengal-Nagpur Railway. From 1905 to 1914 I was for three years a member of the Railway Board which was constituted in 1905 and for six years I was President. Since 1914 I was for one year the Government Director of Indian Railway Companies at the India Office; and then I became Managing Director of the Bengal-Nagpur Railway. The administration of the State-worked railway and the Company-worked railway is the same, both being on the same principles. The State-worked railways, however, are subject to conditions which are different to those of the Company-worked lines. To begin with, the administrative staff are not identified with any particular State-worked line, they are all on one list and liable to be transferred from one railway to another, from the Agent downwards. This I think prevents the staff from taking a personal interest in the railway on which they are working. On the other hand, the staff of a Company-worked railway is identified with a particular railway to which they belong and on which they serve throughout the whole of their career in India. This I think creates an *esprit de corps* which is of very material advantage in the working of the railway as each individual does his best for the railway he belongs to and appreciates that his future prospects depend on the reputation he may establish for his work on that railway. Again, a State-worked line is more susceptible to political and local influences than a Company-worked line. Local Governments and individuals are able to bring strong pressure to bear on the Government of India and the Railway Board for an object which, although beneficial to them, may be antagonistic to the working of the railway as a commercial proposition.

See oral evidence, paragraps 4071/4122.

On a Company's railway the same pressure is also brought; but the Company is able to press the commercial side of the proposal, and the Government of India is often glad to be able to resist the pressure by pointing out that the matter in question is one the Company's line can deal with finally. Another point is, that the duties of the Railway Board are so multifarious that they are not able to give much time to supervise the working of the State lines; whereas the working of a Company's railway occupies the closest attention of the Board in London composed of men of Indian experience both of business and railway working. Other reasons could be advanced, but perhaps what has been said may be sufficient.

Question No. 2.—I advocate the continuance of the existing system of the Indian railways being worked partly by the State and partly by Company management.

Question No. 3.—In the interests of the trade and commerce of the country and the Government of India, who are so largely interested in the financial working of Indian railways, I most strongly recommend that the Board of the Indian Railway Companies should be domiciled in the United Kingdom and not in India. The working of a very large railway system is extremely complicated. Firstly, there is the technical working of the railway, secondly, and what is most important, it has to be worked commercially, thirdly, it has to work under special conditions arising out of the system under which the Government of India is administered and the close financial relation it has with Indian railways. The Agent of a railway, however competent he may be, cannot take the widest views on the many questions that arise which require wide and varied experience to enable sound decisions to be arrived at. The present Boards of Indian Railway Companies do not hamper or delay the Agent in carrying out his executive duties and they are composed of gentlemen of long Indian experience, both commercial and railway, and in several cases assisted by a representative of London Finance.

An Agent when putting forward large proposals and dealing with matters of policy is glad to have a Board to whom he can submit them before they are sent on to the Government of

India, as he feels confident that his proposals will be scrutinised and examined and he will have advice given to him which would be of great use. In making the statement I give the result of my own experience as Agent of the Bengal-Nagpur Railway for 18 years, during which time I often felt the advantage of being able to turn to my Board to help in a decision on important matters.

The work done by the London Board could not, I think, be done by any Board in India. India is not a country where Boards of Companies do the work, practically all Companies in India are administered by Managing Agents and there is certainly no board at present existing in India which is administering direct, even a small branch line, as practically all the branch line companies in India are constructed and worked by the main line systems for the branch line companies; the work of Managing Agent being confined to providing the capital and distributing the dividend. I do not think that in India it would be possible to obtain the directors of a railway company domiciled in India, who would be in a position to deal with the affairs of the railway in the way the London Board are able to do. The heads of the business community in India are far too busy to devote their time to railway work, and it would be impossible to recruit for such Boards men of long Indian railway experience, as the fees of a Director would not be sufficient to induce them to remain any longer in India after they had retired from Indian railway service, letting alone the question as to whether their health would allow them to remain in the plains of India after long service in this country. One great difficulty also would be this. The main lines of India run through many provinces and a local Board selected from the residents of one province would certainly not be acceptable to other provinces through which the railway ran, as the Local Governments would certainly think that the province in which the Board resided would be apt to devote its energies and its influence more in the direction of favouring railway development in their own province in preference to the other provinces through which the railway ran, and which in all probability they had never visited and knew nothing about. To create a Board by representatives of each of the provinces, all residing away from each other and obliged at all times of the year to make a long railway journey to the place of meeting of the board, would end in creating a board which very seldom met and of which the members would be entirely out of touch with each other. A further point is this, that with the boards domiciled in India it would be impossible to raise capital in London for Indian railways; and any change in the present system would, I think, give all holders of Indian securities, whether shareholders or debenture holders, the right to claim for an immediate re-payment of their investments as they would hold that there had been a complete change in the condition under which they had been invited to invest their money. I am further inclined to think that subscribers to Indian Government loans in London, in sterling, who had been informed that the loans were required largely for Indian railway development would also be entitled to demand repayment of their money. The sums involved would be very large. Generally, I think the effect of changing the domicile of the boards of Indian railway companies to India would have a very serious effect on the London money market in respect to Indian investments generally, as it would be felt that the Indian Government were embarking on the policy which might be applied later on to other kinds of investments of English money in India.

The first thing to realise is, that the Board of Directors of an Indian railway company has to work under conditions different from those of railways in other countries.

The terms of the contracts entered into between the Secretary of State and the Indian railway companies are based essentially on considerations of finance and control, and a transfer of Boards from London to India would in this respect leave unchanged the conditions under which the Boards would have to work. Unless the existing system of Government control is to be abandoned, Boards in India would be subject to precisely the same limitations and disabilities as Boards in England.

The main conditions laid down in the Companies' Contracts with the Secretary of State, which would have to be observed as much by Indian Boards as by London Boards, are:—

(1) That no Indian railway company may raise independently any of the capital that is required for developing its undertaking and providing additional public facilities.

(2) That such capital as the company raises from time to time under the direction of the Secretary of State for India, is not hypothecated for use at its own discretion, but after having been paid in to the Secretary of State, is incorporated into the " Ways and Means " of the Government of India, for financing the annual railway programme of capital expenditure on all railways, State and company-worked alike, and as the provision in that programme is necessarily limited by the amount of the " Ways and Means," it never happens that the capital requirements of each and every railway are fully or even adequately met.

(3) That, except within small limits, no Indian railway company may incur expenditure on account of capital, without the previous sanction of the Government of India to detailed estimates for the proposed work.

(4) That the Government of India exercises complete control over working expenses, sanctioning detailed " working estimates " for each year, which may not be exceeded without further sanction. All funds required to meet working expenses have to be drawn from the Government Treasuries into which are paid all station earnings and miscellaneous receipts as soon as possible after collection.

(5) That an Indian railway company is limited in the same way as a State-worked line, in regard to the maxima and minima rates which it may charge to the public. The sanction of Government must be obtained to any reductions in rates below the official minima before such reduced rates can be charged to the public.

These broad restrictions limit the scope of the development of a railway by the enterprise of its board of directors, whether the latter is located in London or in India.

Every Indian railway company always has, ready prepared, a larger number of schemes of improvement and development than the funds placed at its disposal annually by the Government of India enables it to finance, and all that can be done each year is to take up as much work as the

funds allotted by the Government of India permit, precedence being given to such works and extensions as are considered to be most beneficial to the public or most necessary for the effectual working of the line.

To ensure a proper consideration of each project, great attention is given by the board of the company to the careful weighing of the object of each scheme put forward and of its cost, and also of the precise time when it would be possible to arrange for the work to be commenced out of the yearly capital grant given in the programme. This careful consideration of all capital expenditure is a principal concern of the boards of Indian railways, and to their care and judgment in the past is largely due the present sound position of the Indian railway companies. The same care and practical judgment would require to be exercised by the board of an Indian railway company located in India, and this could be efficiently done only if the experience of the Indian directorate was in all respects equal to that of the directors in London.

The work next in importance which is undertaken by the London boards is the control of revenue expenditure, as on this largely depends the successful financial working of the railway, in which the Government of India (and, incidentally, the taxpayers of India) is very largely interested financially. The shareholders' interest and the taxpayers' interest in the revenue account are identical, as an increased return earned by an Indian railway on its capital means a corresponding increase in the revenues of India, and consequently a similar decrease in the amount required to be raised by taxation. The benefit accruing to the Government of India after deduction of interest on capital, certain annuity and sinking fund payments and other miscellaneous charges, amounted in 1917-18 to nearly £10,000,000.

To control revenue expenditure the boards have carefully to consider the detailed estimates of such expenditure for each year as submitted by their agent. The consideration of these estimates opens up very large problems of railway policy which frequently have been maturing for some time previously, and in which a complement of capital expenditure is also involved. For instance, after careful consideration the conclusion may have been come to that the growing volume of traffic justified the introduction of heavier locomotives and larger wagons in order to obtain an increase in the carrying capacity of the line. The scheme for putting this conclusion into effect would involve not merely the provision of the heavier rolling stock, but also the strengthening of permanent way and bridges, the extension of platforms, and possibly also the remodelling of certain stations, all of which matters demand the most careful consideration at the hands of the board, not only from the point of view of policy and technique, but also from that of finance. The cost of carrying out the scheme is required, under the terms of the companies' contracts, to be borne partly by capital and partly by revenue, and consequently it has to be limited by the ability of revenue to bear its share of the actual cost and also to earn the annual interest accruing on the capital share. Again, modifications have frequently to be made in the number and pay and other conditions of service of the staff, and the boards have to be satisfied that these modifications are necessary and justified before provisions can be made for them in the annual revenue working estimates.

Further, as the revenue estimates do not come into operation until they are brought into agreement as to their totals with the figures for earnings and expenses accepted by the Government of India in the Budget, it is incumbent on the boards to ensure that the estimates are framed in India, and subsequently submitted to Government, provide for all increases in gross earnings which can reasonably be expected to accrue during the year, and that the provision for working expenses is such as the Government of India will accept in order to secure the net earnings as estimated by them for Budget purposes. As the provision in the Budget for working expenses is usually assessed by Government at a percentage of the gross earnings, it follows that financial limitations are thus automatically placed on the carrying out of improvements in working which the boards may be desirous of carrying out, but which in this manner may have to be restricted.

After the revenue estimates have been sanctioned and put into operation, a careful watch has constantly to be maintained by the boards on the progress of both earnings and working expenses, in order that they may take such action through their agents as may be necessary to ensure a proportionate reduction in the rate of working expenses if the estimate of gross earnings is not being realised.

Another very important matter which the boards have to consider is that of the policy of the railway. Each railway must frame a policy of its own to further the large trade interests which have already been developed by its system and to encourage new industries. The large policy governing the construction of branches and extensions to serve the area through which the railway passes requires prolonged and careful thought. The board of every railway has on hand a large number of schemes for branches and extensions, many of which it would be advantageous to the trade of the country to put into operation. Its enterprise, however, is limited by the capital which the Government of India is able to provide, and one of the most important questions which the boards have to consider is the relative advantage of each scheme so that each may take its proper place of precedence in the construction programme. In such matters London boards have been able to do most useful work for India by pressing on the Secretary of State the necessity for a larger provision of funds to accelerate the construction of such extensions which otherwise might have been considerably delayed.

Other questions of policy are: The steps that should be taken by the administration in India to improve the conditions of passenger traffic within the financial restrictions which have to be observed; the welfare of the staff of the railway; the general attitude of the staff towards the public; and the help to be given in the development of a new industry. These and cognate matters are constantly engaging the attention of the boards, whose advice and direction are required by their agents, as questions often arise in which an agent, while recognising that from the public point of view a course of action would be very desirable, appreciates that this would involve financial liabilities and might possibly create difficulties in other directions.

Having, with a thorough knowledge of the needs and conditions of the situation, decided on the line of action best adapted to increase the utility of the railways which they direct, and laid their plans accordingly, the boards have to create and regulate an organisation for putting it into effect. The personnel in every department must be selected with care and handled with tact and

judgment, so that the united action of all departments in forwarding the interests of the railway and of the public which it serves may be assured. In each department questions continually arise calling for the guidance of experience and often of high technical skill, and the agents, of whom, necessarily, very few have been trained in the work of more than one department, are confident in the knowledge that this guidance will always be forthcoming from their boards; and further, that, in addition to the technical ability and varied railway experience provided by their directors, there are always obtainable the support and assistance in all important technical questions of eminent London consulting engineers, with whom the directors are in close and personal communication. Reference to London consulting engineers will always be necessary wherever the boards are located, and full advantage can be secured only by close and personal communication.

Amongst others of the numerous matters which boards have to deal with are general questions referred to them by the Government of India for an expression of their opinion, and on which the varied experience of the directors of Home boards enables them to give very useful advice. Further, there is a great deal of business which can only be handled satisfactorily in London in connection with the ordering, inspection and shipping of stores, and in addition to the work to which detailed reference has been made above, there is a diversity of matters which fall to the boards to deal with, and of which the following are mentioned as examples:—

Increases in establishments in different departments.
Sanction to estimates.
Staff Questions, Pay and Allowances, Provident Fund, Leave Rules, Medical Supervision, etc.
Proposals for Surveys.
Design of Rolling-stock.
Improvement of Rolling-stock.
Stores, including Contracts for Freight and Insurance.
New proposals for Housing of Staff.
Acquisition of Railway Collieries.
Introductions of new Systems for Traffic Working.
Facilities for large undertakings (*e.g.*, the Tata Steel Company).
Questions of Supply of Capital.
Development of Railway Schools, technical and otherwise, both for Indian and European children.
Additional Traffic facilities.
Distribution of Interest to Stock and Shareholders.
Supervision of all Transfers of Stock and Shares.
Settlement with Government of Subsidiary Contracts for New Lines and of alterations and revisions of existing Contracts.
Preparation of Accounts and Reports for the Shareholders' General Meeting.

Question No. 4.—The existing system of giving working companies a share of the net earnings is a suitable and sufficient method of giving them an interest in the undertaking. It must be clearly appreciated that the interest of the shareholders is also the interest of the Government of India, who are so largely concerned in every Indian railway company. It is undoubtedly a great incentive to economical and efficient working to have shareholders in the working company, as the directors are open to very serious criticism by their shareholders if their railway is badly managed.

Question No. 5.—I do not think that the Directors are out of touch with Indian conditions. Take for instance the Bengal-Nagpur Railway of which I am Managing Director. I retired from the Railway Board in 1914 and since that date I have made three visits to India and kept myself well advised of changing conditions. Other railways have done the same. Furthermore, all the Boards of all the Indian railway companies meet regularly in Conference in London every month and discuss all matters on which a common action is desirable, and consider all new developments that are occurring in India. Agents of the companies, Traffic Managers and other heads of Departments who may be on leave in England also attend these meetings and acquaint the Boards with the existing conditions in India at the time they came home on leave.

I do not think the location of the Board in London causes any delay, and I say this from my experience as an Agent of a railway company in India, as Government Director at the India Office, and as Managing Director of the Bengal-Nagpur Railway. References from the Agent if by letter are dealt with at the Board meeting next after the receipt of the letter, and references by cable are dealt with by return cable, either on the authority of the Managing Director or, if the matter is very important, by an informal meeting of the Directors. The real cause of delay in settling railway matters of importance in India is due to two reasons; the first is, want of funds to deal with the proposition; the second is, the system under which the Government of India work, namely, that before coming to any decision, it refers the question to every Government, person or commercial body who, it may think, may have any interest in the decision. This system is a most fruitful source of delay. Local Governments very often complain of delays unreasonably.

The fact is that the system of the administration of the Government of India, which obliges reference to be made to every department and official and to any association or person interested, however slightly, in the matter, afflicts Local Governments in the same way as it does the Boards of Indian Railways, both having to work not only to a rigid system of administration, but also to strict limitations of their powers to deal finally with questions before them.

Emphasis is again laid on the axiomatic fact that the mere transference of the Boards of Indian Railway Companies to India could not, in any way, remove the conditions under which the management of Indian Railways must continue to work, as before these conditions could be changed, a complete revolution would have to be made in the system of control of finance and responsibility which is exercised by the Government of India in railway affairs. Indian Railway Companies suffer from the great disadvantage that Local Governments frequently act as if under the impression that the Boards of Indian Railway Companies have an absolutely free hand to spend as much as they like, to do as they like, and are in no way responsible to the Government of India for limiting their policy within any financial restrictions. They are frequently referred to as rich railway companies, actuated solely by a desire to do only such things as may lead to their own profit, without comprehension of the fact that the Government of India are immensely

interested in the results of the working of every company line in India. It is doubtful whether Local Governments study the terms and conditions of a contract between the Secretary of State and an Indian Railway Company, and, if they do, whether they appreciate the power of control which that contract exercises over expenditure and the limits placed on companies which prevent them from carrying out every desire that a Local Government may express.

While on this subject it may be pointed out that the expression of a wish by a Local Government does not in the least mean that action can be taken by the railway at once, even though the latter may warmly support the wish. A Local Government very often has generous views as to what a railway should do, when this does not throw any financial burden on itself, and is unmindful of the fact that the burden falls principally on the Imperial Government, whose financial interests in the Company's working are so large. This is where the trouble comes in as, before a railway can act, it has not merely to convince itself, but also to persuade the Government of India that the proposition is a sound one financially. When this is not possible, the Local Government, for want of a correct appreciation of the conditions under which a railway has to work, unjustly comes to the conclusion that the policy of the railway is conservative and that its method of business is slow. It is submitted that the Boards of Indian Railways are no more open to this charge than are the Boards of other Indian undertakings which are successfully managed in this country. What is really at fault, if there be a fault, is the system under which the Indian Railway Companies are compelled to work. The remedy lies in some modification of the system and not in the transfer of the direction to India, which would not touch the real cause of the difficulty.

Question No. 6.—I regret I cannot make any suggestion how the Board of a Railway Company domiciled in India could be constituted in a manner to ensure the creation of a useful body of Directors which would be acceptable to the many varied and often antagonistic interests they would have to deal with.

Question No. 7.—I think there would be a lack of continuity in a Board domiciled in India. I do not think that continuity would be secured by a permanent Chairman nominated by Government; skilled in Railway work. Such a gentleman to be capable of performing the functions of a capable Board would have to be a man of very large Railway experience of India. By that time he would probably have had enough of the Indian climate and he certainly could not be expected to be able to handle the work with much vigour. Moreover there would seem to be no room for both such a Chairman and the Agent of the Company and he also would not have at his command the varied experience which can now be found on the London Board.

Question No. 8.—I feel obliged to say that I am afraid that Directors of all nationality, interested in business connected with the railway of which they were Directors would unconsciously be biassed in their considerations of Railway policy by their own interests.

Question No. 9.—I take it that this question refers to the proposal made in India Office letter dated 17th November, 1920, No. Public Works 4951/20.

In connection with this question as it might be of interest I attach a copy of a note on this proposal made by one of our Directors, Mr. George Anderson, which I received last mail from London.

"The aim of these suggestions is presumably to supplement the inadequate 'Railway Programme' by securing Indian capital for the better development of the railway system of the country. The somewhat clumsy machinery of 'Indian Companies' which is suggested would not seem to assist in this aim, and it is open to some grave objections

"The special function of the affiliated Indian Companies of Indian domicile is—

(*a*) To examine new projects for the extensions and improvement of the main line system.
(*b*) To devise means for financing these new projects and improvements.

"The agent of a company is in close touch with the needs and conditions of the districts served by his railway system. Through his traffic officers, and the constant contact they and he himself maintain with traders and the public, he is in a unique position of analysing the variety of representations which reach him for extensions and improved facilities, and for reducing them to practical proposals which shall best serve the common interests of the public and the railway company. If his freedom of judgment and discrimination were to be curtailed by the claims of a local Board to representation, the resulting proposals would be likely to take the direction of the wishes of the more influential, or the more insistent members of the Board. The London Board would no longer have confidence that the proposals put before them were not for sectional rather than the general advantage. The essential attitude for a company's agent is one of absolute aloofness from local influences; if he has to abandon that position and become the chairman (or even a member) of a local Board, his allegiance is divided; his usefulness as an independent unprejudiced arbiter in a field of conflicting interests and possible rivalries is destroyed.

"If in spite of these drawbacks, a local Board (or Indian Company) were to give promise of attracting considerable capital for the development of the railway system it would be worth while to persevere with the suggestion, and endeavour so to modify the functions of the local Board as to reduce the disadvantages to a minimum, but such a Board would seem to offer little or no assistance in the direction of finance; the attraction of Indian capital to railway development is dependent upon factors entirely beyond any influence that such a Board could exert. Legislation as regards Income-tax, and the improvement of terms for the construction and working of branch lines are the essential factors preliminary to any arrangement in detail. If by legislation, Indian investors are exempted from English Income-tax, and if at the same time the branch line terms are made equally attractive with the best managed industrials, offering reliable security, the attraction of such Indian capital as may be available will follow automatically without assistance from 'Indian Companies' or local Boards.

"But supposing these essential factors to have been satisfactorily composed, even then too much must not be expected. Indian capital may be forthcoming for some new projects, but not for more than a small proportion of the whole requirements of the country. Investors will naturally prefer the more promising projects, and in many instances it might be more profitable for the main line to make these as integral parts of its system. The projects required for opening up the country are those of the first importance, and are necessarily such as, for the most part, must take time to mature into dividend-earning propositions, and the terms necessary for attracting private enterprise to such projects would have to be so liberal, possibly to the extent of some subordination of the interests of the main line that it would seem preferable that Government should as a rule undertake such branches.

"As for attracting Indian capital for improvements to main line systems, this would seem to be unlikely owing to the lack of possiblities for main line dividends rising to the standard of the best industrials." (G.A.A.)

Question No. 10.—The Railway Board, since it was first constituted, has worked under three different conditions. From 1905 to 1908 it was subordinate to the Commerce and Industry Department. This arrangement proved very unsatisfactory, limiting as it did the powers of the Railway Board and leaving the final decision on important railway matters in the hands of the Department which had no knowledge of them. This was recognised. In 1908 the Railway Board was freed from the control of the Secretariat of the Commerce and Industry Department; the President

of the Railway Board dealing direct with the Honourable Member of the Department who represented them on the Viceroy's Council. From 1908 to 1914 the President of the Railway Board had the power of final decision on all questions when the Member of the Board had different views. This enabled the Railway Board to deal with railway matters expeditiously. In 1914, when I retired, the President's powers were curtailed and he was not allowed to have a final decision; but had to carry his colleagues with him or submit his proposals to Government, with each member of the Board expressing their own opinion. This change was brought about by the Finance Department, mainly I think because the Railway Board with the President having power to submit the opinion of the Railway Board in a note without dissent placed them in a stronger position to deal with the Finance Department than if, as is the case at present, a proposal came up from the Railway Board with three different views on it. The Railway work of the Government of India is always developing and increasing, in fact, compared with the other Departments of the Government of India it is the one Department in which the work is always growing and new developments occurring. A system of control of railways in India is essential; but as at present constituted and working, the functions, status, and constitution of the Railway Board require a complete reform.

Question No. 11.—It is absolutely essential that the Government of India should have a Department to deal with its railway business. So far, no such Department exists, the Railway Board is nominally responsible for the whole of the railway policy of the Government of India, but actually it has not a free hand. Its recommendations are liable to modification by the Member for Commerce and Industry and by the Finance Department, and it has no means of direct representation on the Viceroy's Council, the ultimate Court of Appeal when Departments differ. To enable the railway work of the Government of India to be properly done it should be constituted a Department of the Government of India freed from any control over its work by any other Department of the Government of India including the Finance Department. At its head should be a Minister, a Member of the Viceroy's Council. Under this Minister there should be a Board dealing primarily with all the railway business of Government and working under the direction of the Minister, whose decision in all cases should be final. The Minister would be directly responsible to the Governor-General in Council for the proper and efficient working of his Department. The great obstacle to a progressive railway policy in India is the Finance Department, as, from its constitution and traditions, it approaches all questions referred to it from the point of view of objecting to all expenditure, and does not take a wide view of the commercial possibilities of railways both as direct earners of income, as well as producers of a large revenue to Government by the indirect services the construction of railways does for the country. For these reasons the Railway Department should be given complete control over railway finance both as regards raising capital and expending it, as well as revenue expenditure receipts, and should be held responsible to the Governor-General in Council for the financial results of their policy. This proposition is antagonistic to the whole of the principles which govern the system under which the Government of India administers. But it is the only policy to adopt when, as is the case, the Government of India embark on the highly commercial business of being the great shareholders in the railway systems of India. The proposition, I venture to think, is a reasonable one. I am not aware of any particular qualifications held by the Finance Department which would justify the claim that that Department was the only one in India capable of dealing with commercial questions. It would undoubtedly claim that in its present relationship to railway expenditure it is able to prevent waste and to ensure economical working. I venture to think that this view could not be substantiated. It has no knowledge of railway working, it can only deal with railway facts and figures placed before it, and has no practical knowledge or experience which would be any guide in dealing with railway matters from the financial side. On the other hand, a competent Minister for Railways entirely answerable for the working of his Department, could be held responsible for its results; a liability, by the way, the Finance Department are entirely free from, although their action in connection with railway work may very much prejudice successful working. The Finance Department cannot treat railway matters from a business point of view. It has no practical knowledge of commercial business and the actual working of railways, and no experience of the many methods of finance under which capital can be raised for business purposes. As long as railway finance and the rest of the finance of the Government of India are all dealt with in one Budget, the railway demand can only be looked upon by the Finance Department as one of the many claims such as are made by the remaining Departments of Government, practically the whole of which are non-revenue producers, but whose demands have to be satisfied.

Working directly under the Minister would be the Railway Board responsible for the control of the railways of India in every matter except those which had been delegated to the railway administrations to finally deal with. This Board should consist of three or probably four members, two of which should be railway men, one a commercial man and, recognising that Indians should be represented, I think the fourth member should be an Indian, and I think his presence on the Board would be very valuable as would enable the Indian side of all questions to be considered. The Board, as its staff, would require competent heads to deal with the different classes of work which will come before the Board; their duties being to carry out such investigations and make such independent reports and enquiries as the Board might require to enable them to give their decision. I also think that it would be advisable to create what I may term a Parliamentary Railway Committee from the Members of the Imperial Legislative Assembly, the Committee to be representative of the different provinces of India, and of Industry and Commerce. This Committee would act as an Advisory Committee to the Railway Minister. One of their particular duties would be to advise on railway extensions and place projects in order of precedence as funds became available.

Question No. 12.—Working under the disadvantage of a Board, each member of which has the right to express an opinion on any question, I am doubtful if the Board as now constituted has exercised its functions satisfactorily. With a President unable to overrule his colleagues, decisions have been very much delayed, and when arrived at are the result of a compromise and not a well directed policy. I think the powers delegated to railway administration might be very much enlarged, and that many matters have now to be referred to the Railway Board the dealing with

which could be left to the railway administration. A typical case is a railway earning a great deal more than was budgeted for and requiring additional staff. Before it can engage them the sanction of the Railway Board is required, who in turn must get this sanctioned from the Finance Department. There are also very low limits of salary beyond which a railway administration may not engage an employee without the sanction of the Railway Board.

Question No. 13.—I think the Railway Board have very great powers of control over railway administrations under their contracts, if it chooses to exercise these powers. Moreover, I feel confident that nowadays the Railway Board can order a railway company to carry out any order they wish to enforce and the railway company will carry out their order.

Question No. 14.—I think the powers of control might in some cases have been more freely exercised.

Question No. 15.—I have replied to this question when dealing with question No. 11

Question No. 16.—I have replied to this question when dealing with question No. 11

Question No. 17.—The supply of funds for railway purposes has hitherto been quite inadequate —(*a*) for new construction and (*c*) the improvement of existing railways. For (*b*) maintenance, I think the supply has been sufficient.

Question No. 18.—The policy referred to was, I think, forced on the Railway Board owing to the great development of the trade of India during the last 10 years. With goods demanding to be carried and with passenger traffic heavily increasing, the first claim on the funds available was obviously for the purpose of enabling the existing railways to carry the traffic offering and which they were unable to do. The application of funds to railway extension would have created more traffic for the railways to carry and would undoubtedly have increased the congestion on the lines.

Question No. 19.—For the next few years there is no limit to the amount which could be spent on railways to every advantage. The amount, therefore, that could be provided annually should be the amount of capital that can be raised, and it certainly should not be less than 25 millions a year.

Question No. 20.—Capital should be raised both in India and the United Kingdom.

Question No. 21.—The existing arrangements for supplementing, by means of the branch line terms, the Government of India's resources for railway construction are inadequate. The present branch line terms are of no practical use and the rate of guarantee interest and rebate must be largely increased before there is any hope of raising further branch line capital.

Question No. 22.—Every means for raising capital should be adopted, and if capital is to be raised all financial precedents of the past must be abandoned and such return to the investor must be assured as will induce him to subscribe capital for Indian railways. At the present time Indian railway shares are out of favour both in England and in India. In England I think this is due to the political unrest in India which will steady down in time, when the shares of Indian railway companies will return again to their former value and to the high reputation which they formerly held. In India all the branch line companies were formed on terms which at the present time are very largely below the rates of interest which now have to be paid for money. The result is that practically the whole of the branch line railway shares are standing at a considerable discount. The outlook for raising a large amount of capital for Indian railways at the present time is not very favourable. Undoubtedly capital could be raised, by the issue of preference shares and debentures in England, but the rate of interest would have to be very high and a high commission would have to be paid for underwriting.

I do not think that much money would be raised by a Government railway loan. In England, certainly, at the present time Government loans are not popular, all the War loans are standing at a considerable discount and they are so large as to leave not much room for any further loans. In India I am very doubtful also about being able to raise capital for a railway loan. The Indian public find the old 3½ per cent. Government loan standing to-day at about half the value it was before the War, and I doubt if Government loans are any more popular in India than they are in England. The present abnormal condition will, of course, no doubt disappear in time; but how long that will be it is impossible to say, and may very likely last some years. There are therefore two cases to be considered, namely, how to secure capital during the next five or six years or so, and how to secure it when after that time money market conditions have improved. The latter case might, I think, be left to be dealt with when the time comes. For immediate requirements, I think capital could be raised in London on short term bonds which can always be renewed when they fall due on terms then suitable to the market, provided a rate of interest is given which satisfies the market of the time of issue, and if a sufficient underwriting commission is paid to financial houses who will undertake the issue. With regard to India, I think capital could be raised provided it offered the possibility of a big return, which is essential to attract the Indian investor. The type of issue which I think would draw a very large amount of capital in India would be premium bonds. The issue of premium bonds should not be made by the Government but by the individual railways. The conditions, of course, of each issue being subject to the approval of the Railway Minister. I think the public served by an individual railway would be ready to invest in the premium bonds of the railway with which they were familiar. Every station-master could be made an agent for the sale of these bonds, and the results of the drawings could be advertised by the same agency to every one living in the vicinity of a railway. I feel sure that what I would term the old orthodox methods of raising capital for Indian railways in the past, are totally inadequate to the present, and that all precedents of the past must be set aside and methods adopted to meet new conditions. Faced as India is with industry and trade growing and railways unable to transport even existing traffic, money to increase the carrying capacity of railways must either be raised by methods somewhat as I have suggested, or a public announcement should be made that there were no funds available to improve railway carrying capacity and to make extensions for a certain number of years and then traders would know where they were, and would be enabled to curtail their operations within the capacity of railways to deal with them. It will be very unfortunate for the country if this policy had to be adopted.

Question No. 23.—There is one method of supplementing the provision of funds to railway purposes. In my answer to question No. 11, I advocated that the Railway Department under its own Minister should be responsible for raising and spending all the capital required for Indian Railways as well as regulating revenue expenditure. Under this arrangement I would advocate that the railway surpluses which now form part of the receipts of the Imperial Budget should be handed over to the Railway Minister to deal with. If this were done, a very considerable sum would be available every year for the improvement of and extensions of Indian railways. This proposition has been advocated many times before in the past, but the opponents to it, the late Sir L. Abrahams and the Finance Department of the Government of India, have always been able to block it. It is quite a reasonable proposition, the Finance Department of India not only obtains a large contribution in cash from the railways to help its budget; but at the same time its receipts are largely increased by the indirect results of constructing railways in India. For instance, the construction of a new railway increases the sale of salt which brings in revenue to the Imperial Budget. It increases imports on which the Customs revenue benefit, it increases the land revenue. As an instance of this, when the Bengal-Nagpur Railway began constructing its system from Nagpur to Asansol the land settlement in the Sambalpur district was being revised by Sir Bampfylde Fuller. Up to the time before the construction of the railway was taken in hand, Sambalpur was a land locked area, and rice and other grain could be had for the asking as there was no means of export. Knowing the railway was being made, Sir Bampfylde Fuller told me that he felt justified in raising the land assessment very considerably which he did to the extent in some cases of 300 per cent. The position is therefore this, while everyone except the Finance Department is struggling and using their best endeavours to find capital for the construction of railways in India and improving the existing lines to carry more traffic, from which the Finance Department both directly and indirectly benefit, the Department which secures most benefit gives no assistance. Of the two Departments, the Railway and the Finance, the latter is in a far better position to raise money than the former. The Finance Department can order people to pay taxes, the Railway Department I propose, would have to induce the investor to part with his money on such terms as he can be persuaded to accept. Both Departments, it seems to me, must share in the burden of providing more capital for railways, and these can be done by the railways being put in possession of all the surplus profits earned, which would be a useful addition to such capital as they might persuade the public to subscribe for. The Finance Department would then have to bring their methods of taxation up to date, so as to replace the amount the Imperial Budget would lose from the railway contribution. With postage in India at ½ an anna against 2*d.* in England, tobacco half the price and whisky about the same, it would seem as if the Finance Department should be able to open out fresh sources of taxation without much difficulty.

Question No. 25.—It seems quite clear that if a large sum of money be raised in India for railway work it must effect the success of the ordinary Government borrowing.

Question No. 26.—The answer to (*a*) is "yes." The answer to (*b*) is that railway rates will certainly have to be raised. It would be better I think to have a percentage rise instead of increasing the maximum of each class. I estimate at least 25 per cent. rise is necessary.

Question No. 27.—The results are I think satisfactory to the State and the Public. I estimate the indirect advantage to Government attributable to railways to be at least equal to and probably very much more than the actual clear profit they get from railway working.

Question No. 28.—The whole Railway Budget system with its annual lapses is most expensive. It is no use giving a railway a large sum one year and cutting it down very much in the following year, especially, as is always the case, there are many works which require two or three years or more to complete. With a large allotment in one year but the uncertainty of what will be the allotment in the following year, an engineer has to be very careful as to the scale on which he should base his operations for the year in which he knows he has ample funds. If he were assured that ample funds would be available for him to carry the work through without delay from start to finish, he could make his plans accordingly. If he speculates on getting ample funds in the following year and is disappointed he will very likely get into trouble with his contractors. As a rule, he plays a cautious game with the result that there are lapses at the end of the year, and the work takes a longer time to complete and capital is delayed in giving a return on its expenditure.

Question No. 29.—It is difficult to answer this question. When a contract has been let in England for rolling-stock, plant, stores, etc., the money has to be paid whether there is a Budget allotment or not, as the contractor has a legal right to get his money.

Question No. 30.—The answer is "yes." It would be impossible for Government to attempt to deal with the question of rates and fares. This principle was laid down by the Government of India in the very early days of railway and has been consistently adhered to.

Question No. 31.—I consider that, on the whole, railway administration have dealt fairly with the public in the matter of rates and fares. When I was on the Railway Board the references from the public on this point were extremely seldom and such as were made were sent to the railway concerned to deal with.

Question No. 32.—I have never heard of any desire in the case of a dispute between railway administration and traders to take advantage of Indian Railways Act, Chapter V. Railway administration in India are more accessible than in England and traders have no difficulty in bringing their difficulties before the heads.

Question No. 33.—The carrying capacity of Indian Railways is not adequate to the requirements and needs of the various industries served by them. The blame for this cannot be placed on the railway administrations. Every railway administration, both State and Company-worked, is ready to spend money both on improving their capacity and in making extensions. The whole question is one of finance over which the railway administrations have no control whatever. All that is required is money to carry out the improvements every railway knows it ought to make and the remedy is more capital. It has not been forthcoming in the past, because the Finance Department has never risen to a bold railway policy or appreciated the necessity for it.

STATEMENT No. 16.

C. D. M. HINDLEY, Esq., Agent, East Indian Railway Company.—REPLIES TO THE QUESTIONNAIRE

Question No. 1.—I am of opinion that railways owned by the State should be managed by companies on a profit-sharing basis, although it may be advantageous for certain reasons to retain in the hands of Government the direct management of a few of the railway systems.

See oral evidence, paragraphs 4123/4167, 4183/4197, 4297/4342.

My experience of railway working has been entirely on the East Indian Railway, which I joined as a probationary assistant engineer in 1897. I served in the Engineering Department until the end of the year 1914, with the exception of about a year and a half in 1906-1907, when I filled a secretarial post in the Agent's office. Since 1914 I have been closely connected with the management as Secretary, and later as Deputy Agent. I was appointed Agent in January, 1920.

During my service I have had much opportunity of observing the working of other railways, both State-managed and Company-managed, because the East Indian Railway has junctions with systems of both varieties. The experience I have had since coming to headquarters and the broader outlook which it is now possible to take of railway problems, confirms me in the view that, both in efficient and economical working and in the quality of service rendered to the public, a Company-managed railway can generally show a better record than a State-managed railway.

Speaking broadly, a Government department cannot efficiently manage a commercial business such as a railway should be. The truth of this statement does not need fresh demonstration in view of the results obtained in almost every case during the late war, when Government was forced to assume the direction of commercial business. A financial stake in the prosperity and success of a railway is the best possible stimulus to efficient management, and provides a guarantee that the policy followed will be in the best interests of the future development of the property.

And here I would lay stress on the fact that the appeal to the commercial instincts of the working agency which is made by a share in the earnings is more likely to tend in the direction of *development* as opposed to *exploitation* when that share is sufficient to give adequate remuneration, and when the contract is arranged to cover a period of time sufficiently long to allow the effects of any policy adopted to be seen and felt. Continuity in management is one of the essentials to success of the contract, both as it affects the owner and the lessee.

In other words, you must give your working agency an adequate financial stake in the concern and let them work the concern long enough for the effects of their policy to show themselves, so that the company may not only reap the fruit of their successes, but have to pay for their mistakes. The latter condition is perhaps the best deterrent to the adoption of unsound policy, and in the long run the best protection for the users of the railway as well as the owner.

To turn to details of working, the incentive to work the railway as a paying concern and to secure the best possible value for the money which is spent on working and maintenance is undoubtedly an important factor in the work of the agent and the senior officers, and is in a large measure communicated throughout the whole of the controlling staff to the workers themselves. Continuity of management and the fact that both officers and men put in the whole of their service on one railway produces traditional loyalty to the organisation as a whole, and a species of *esprit de corps* is thus established which is a valuable accompaniment to the efforts of the controlling officers to secure efficiency and economy in working. On a State railway, although the incentive may be present in the case of the agent and senior officers who have a clear idea of their duty to Government, it has not the same force, and in my experience does not extend very far down in the service, where work is largely regulated by codes, regulations and safeguards to such an extent that the district officers and their subordinates carry out their work in a mechanical way without any great interest and a very strong desire to avoid infringement of rules.

The fact that the Agent himself in a State-managed railway is but one of the many cogs in the machine, and can shift responsibility either upwards to the Railway Board or downwards to his heads of departments so long as he keeps within his " powers " as defined by the code, to my mind, has its effect throughout the administration from the top to the bottom. On the other hand, the agent of a company-managed railway is given a larger measure of personal responsibility for the successful, economical and efficient management of the whole railway, and the weight of this responsibility tends to make his administration vigorous and resourceful.

One of the strongest arguments against any large extension of State-management in India is to be found in the fact that in practically every democratic country where Government has taken charge of the railways it has been found that it is impossible to keep free from political interference in the details of railway management. With the spread of democratic institutions in India which is now assured in the early future, it is desirable that this aspect of the matter should not be lost sight of.

Question No. 2.—Any modification in the present contractual relations between the companies and the Government should be in the direction of giving the companies larger and fuller powers to increase their capital, the money raised being used for the development of the railway worked by the company, raising the capital, and the share in the earnings being proportionate to the additional capital raised. The tenure of the contract should in all cases be sufficient to ensure continuity of policy.

Question No. 8.—If the management is to be entrusted to a company having a definite financial stake in the prosperity of the railway, there are many advantages in having the board located in London. In the first place, men with the necessary qualifications, Indian experience, whether railway or commercial, and sufficient leisure can be more easily found in London than in India. Secondly, a Board in London is more likely to inspire the confidence of the investing public than a board in India, and for many years to come it will be of great importance to retain the means of borrowing in London which such a board would afford. The advantage to the management in India of having access to the experience and accumulated knowledge of previous railway administrators and men of business who have passed many years in India dealing with somewhat similar problems to those which have now to be handled, is very great, and such assistance cannot be derived from a board appointed in India owing to the fact that climatic conditions prevent retirement in India.

The close connection which can be kept through the board of directors in London with modern developments in railway working and policy in Great Britain and elsewhere is also of considerable value.

Question No. 4.—The present system as applied to many of the contracts at present in force is, I believe, suitable, and provides the necessary interest in the undertaking. In future contracts I consider that an improvement could be effected by giving an increasing share of the earnings proportionate to the increased capital raised by the company.

If the question is directed to the present East Indian railway contract, I have no hesitation in saying that in two important respects the bargain is a bad one on both sides. In the first place, as I have already pointed out, the period of five years is insufficient to give the company any opportunity of framing or carrying out a definite line of policy which would effect the prosperity of the railway as a whole. Secondly, the share of the profits is so small as to cease to have its effect as an incentive to economy and efficiency. When it is realised, that to afford the deferred annuitants an extra shilling per cent. per annum I must either effect economies or increase earnings by 40 lakhs in the year it will be understood that the connection between the interests of the company and satisfactory working are somewhat obscured. From the point of view of the Government, as the owner of the concern, it would seem that the fact that a loss of net earnings of Rs. 40 lakhs in a year through bad management would only affect the remuneration of the company by a reduction of one shilling per cent. in their dividends should be of some significance.

I may add that in the accounts just closed for the first half-year of the new contract the company's share of the surplus profits, after paying Indian income tax, amounted to a trifle over Rs. 3½ lakhs for the half-year, which sum has to be added to the guaranteed return of 4 per cent. The gross earnings in the same period were Rs. 729 lakhs and the working expenses, which may be taken as a measure of the work done and responsibility carried by the management amounted to Rs. 382 lakhs or say £6,370,000 per annum.

Question No. 5.—The board of directors is generally more closely in touch with the details of the work of management and with the lines on which development has to take place than the railway board. This is the result of my experience both as an executive and administrative officer, and is also the opinion of my predecessors. There have been notable instances where proposals of importance originating from the agent have been dealt with much more expeditiously by the board of directors than by the railway board.

The reasons for this are briefly—(1) The personnel of the board is continuous and generally contains one or more members who have served for years in India on the railway. (2) There is, therefore, fairly complete knowledge of any proposal before it comes up in a concrete form and a decision can be readily and expeditiously taken. (3) The constant demi-official correspondence between the agent and the chairman enables proposals of importance to be explained in advance and generally keeps the board in touch with changing conditions. (4) On the other hand the members of the Railway Board have little personal knowledge of the particular problems of the railway (5) Owing to the wide area of railway activities over which they exercise their functions, they cannot keep in touch with the details of any one railway. (6) The board of directors is not confined in its methods of business to the somewhat rigid procedure which hampers the railway board as a Government department

Whether I have ascribed the correct reasons for this phenomenon or not, I can only say that I and my predecessors have felt that there is always likely to be more difficulty in getting proposals accepted by the railway board than by the board of directors. In saying this I do not wish to suggest that the railway board have anything but the keenest desire to assist the management in its difficulties by every means in their power. Their organisation and procedure are against them.

In regard to matters of detail I have found that my board of directors have always given me a wide discretion and the fact of their being at a distance has not hampered me in dealing either with matters of public convenience or administration of the staff.

Question No 6.—I regard it of fundamental importance that the directors should include representatives of those who have subscribed the capital forming the basis of the profit division, so that the principle of financial responsibility for results may be preserved. A board composed of representatives of the various interests among the users of the railway only, such as would suggest itself by analogy with the Port Commissioners could not safely be entrusted with the management of a railway. It is also extremely desirable to avoid direct political influence being brought to bear on the administration such as would result from directors being elected by political or semi-political bodies.

The continuance of the present system of audit by a Government officer, together with the presence of Government directors on the board would provide sufficient safeguard for the paramount interests of Government. Unless, however, the principle of management on commercial principles is to be abandoned, I regard it as extremely difficult to obtain the services of suitable directors in India with the time available for the work and with the experience of affairs which is necessary for the proper control of such an undertaking.

To form an efficient board for a railway, presumably, it is necessary to associate together railway experts, commercial men, financiers, and men with administrative experience. For the railway experts you must have men who know what railway work in India is and what the difficulties of the staff are. They must also understand railway finance and be in touch both with the public and the Government. It would be no use bringing out an English railway man of experience and expecting him to be an efficient member of the board of directors. He would spend several years in learning the ins and outs of the business and probably have to leave the country before he became of any use. The salary required to attract a really good man would be prohibitive. and the results of the experiment in this direction which was tried by the Railway Board are not likely to conduce to a repetition. The only possible candidates would, therefore, be men who have gained their experience in India and of sufficient seniority to be able to control the agent and heads of departments, many of whom have put in 30 years' service and are of ripe experience. In

fact, the present agents of the railways and the members of the Railway Board are the only people available, and they would consequently continue to perform their present functions under a new title with the assistance of a miscellaneous collection of commercial and financial men of standing. These directors would naturally be the most experienced men in their particular line of business, and it is well known that the heads of large business concerns in India have little time to spare for outside duties. They might attend a board meeting occasionally in the same way as many senior partners at present are public-spirited enough to attend meetings of the Port Commissioners or the Corporation, but they could take no active part in the details of administration, and their functions would be purely advisory. In fact, a board of directors located in India would resolve itself into the agent and a body of commercial and financial advisers.

Question No. 7.—The constant changes which must necessarily take place in any body composed of senior men in India, owing to the fact that leave to England is imperative at frequent intervals, make it impossible to secure the continuity required in administration. One has only to refer to the Calcutta Port Commissioners, a body formed of the class of men who would probably form the board of directors of a railway in India. Of the members who sat on this body in 1918, at present, I believe, only three out of 18 remain unchanged. Of these, one is the vice-chairman, one a Government official, and the third an Indian gentleman. The probability is that continuity on the board of directors would be primarily with the chairman (presumably a railway expert) and the Indian members. It is doubtful if the principle of continuity of policy would be sufficiently preserved by the appointment by Government of a chairman skilled in railway work unless it be conceded that the chairman is to shape the policy. It would not be necessary for all the members of the board to be skilled in railway work; in fact, the cost of such a board would be prohibitive.

Question No. 8.—I consider that one of the principal difficulties in selecting suitable boards of directors in India would be the fact that men otherwise suitable would be undesirable because of their direct connection with particular industries or areas. In my experience there have been cases where the railway administration would have been subjected to severe and improper pressure in regard to contracts if the head of the firm interested in the contract had been a director of the railway, as he might very well have been from his position. Apart from these cases, which are perhaps exceptional, it is not reasonable to exclude the possibility of undue influence being exerted by directors interested in particular industries or trades, however honest and upright the directors may be personally.

In regard to directors who may be interested in particular areas, it is difficult to see how a board sitting in Calcutta, and composed largely of men in business there, could be expected to safeguard the interests of an area such as that of Cawnpore, for example, in a case where the interests of the two areas conflicted. The East Indian Railway runs through five different provinces, and it is sometimes very difficult to reconcile the requirements of the different commercial, industrial and agricultural areas. The present management is able to hold the balance even by reason of its being detached from any particular area, but I am doubtful whether a board of Calcutta men, even with a few representatives from other areas, would be able to act with the same impartiality.

Question No. 9.—I cannot visualise any such a combination as would ensure efficient and satisfactory management. A railway is an enterprise where there must be strong central control capable of taking prompt and definite decisions and of carrying out a consistent policy. To relegate the affairs of such an undertaking to the conflicting ideas of two boards of control in place of the present board in London would be to provide an effective stop on all progress and add enormously to the difficulties of the administrative and executive officers. The ultimate control must be with one or other of the boards, and whichever is predominant the other must become advisory.

I am inclined to think that the natural desire for more direct connection with the management of Indian railways on the part of Indians generally can best be met by an extension of the principle of the consulting committee. It would be possible to make the composition somewhat more representative than at present and to enlarge the scope of their work. To enable other important centres of trade, industry or commerce to keep in closer touch with the management, it would be possible to have similar committees in other centres which could meet regularly under the chairmanship of the agent. These bodies might either be sub-committees of the main body or local members of that body who could periodically attend the meetings in Calcutta. I believe a satisfactory scheme could be worked out which would provide the necessary connection between the administration and the local interests in different areas.

Questions Nos. 10 *and* 11.—I am of opinion that the present system is unsatisfactory, owing to the centralisation which has gradually taken place in the general administration and to the burden of the multiplicity of functions which has fallen on the Railway Board.

The Railway Board at present exercises several distinct functions:—

(*a*) it is the board of management for three State-managed railways, the aggregate mileage of which is 11,270.

(*b*) it exercises the powers of the Governor General in Council under the Railway Act IX of 1890 in respect of all railways, in regard to matters of public safety and other legal obligations of railway administrations, including the regulation of rates and fares.

(*c*) it is the representative of Government in India as the owner of railways worked by companies under contract with the Secretary of State.

(*d*) it is the advisory body to the Government of India in regard to railway policy generally.

In my opinion these separate functions cannot be effectively and suitably exercised by a board constituted on the lines of the present Railway Board.

Although it was intended that the Board should have control of the whole of the railway business of Government and should be able to act as a semi-independent authority, in actual practice it has become almost purely a secretariat. The valuable experience and expert knowledge possessed by the members are not made the best use of, because they have to spend most of their time dealing with paper and the result has been practically to put the functions of a secretary to Government into commission. They are perforce entangled in a network of references to other departments on a very large variety of subjects and their previous experience as practical railwaymen is not such as to fit them for successful contest with those who have spent all their service in secretariat work.

I have had no actual experience of work in the Railway Board's office, and I can only speak from outside observation, but the combination of the functions of management of three large railway systems with the other functions referred to must result in an almost intolerable burden of work being thrown on the members of the Board, while the fact that they have to act jointly and that their decisions must be unanimous cannot but give rise to delays in dealing with business, the nature of which does not admit of delays.

I consider that the various functions referred to above should have separate branches of the Government railway Department to attend to them.

(*a*) The management of State-worked railways should be delegated to local boards of management at the headquarters of the three systems, which should be either controlling bodies or advisory bodies according as they are responsible for raising capital or not.

(*b*) The functions of Government under the Railway Act in regard to public safety, etc., should continue to be exercised by the Government inspectors under the Secretary to Government in the Railway Department.

Government control in regard to rates and fares should be entrusted to a statutory body representative of commercial and other interests in the different provinces, with Government nominees somewhat on the lines of the Interstate Commission in the United States.

(*c*) The relations of Government as owner with the management of Company-managed lines are already provided for by the Government Directors on the London Boards and by the Government Examiners of Accounts in India. The same system should be continued in the event of management being entrusted to a company domiciled in India, while there should also be Government representation on the managing boards recommended in the case of the three State Railways and on the advisory boards or consulting committees of Company-managed lines.

(*d*) The present functions of the Railway Board as advisers to Government on general railway policy should be entrusted to an advisory body or committee representing various interests which would assemble at Government Headquarters periodically to deal with programmes of work—the railway budget, new extensions and the work of railway development generally.

As the railway budget will be dealt with finally by the legislature, *i.e.*, the Legislative Assembly and the Council of State, it is possible that the body referred to could be satisfactorily constituted by making it a joint Select Committee of the two chambers for railway affairs.

The reconstructed railway department would then consist of a railway member of council, with secretaries for various branches of work and an advisory body for general policy and development. It would be desirable to assist the member by giving him expert advisers, somewhat similar in status and qualifications to the former director of construction and director of traffic. These officers should be expert railway men and should be of higher status than the secretaries to Government.

Question No. 12.—I do not consider that the exercise of the functions entrusted to the Railway Board in actual practice extends to unnecessary detail and would deprecate any extension of control over railway administrations in the detail of their work. The powers of sanction in regard to staff which are at present deputed to Agents by Government might with advantage be extended but under the present system, this would need greater delegation of power to the railway department by the finance department.

Speaking generally, I am not hampered in my work practically by the necessity for reference on certain matters to the Railway Board, but the exercise through them of the restrictions on the individuality of a railway adminstration imposed by the exigencies of imperial finance tend to weaken initiative and constructive effort.

Question No. 13.—I do not consider it desirable that Government should exercise any greater control than at present over matters relating to the requirements of the travelling public and of trade. A railway administration is in much closer touch through its own officers with the public who use the railway than Government is likely to be and the fact that its prosperity depends on the extent to which the requirements of the travelling public and of trade are met is the best guarantee that the service rendered will be efficient and give satisfaction.

Government in dealing with questions of this nature is at a disadvantage in that the Railway Board can have no direct knowledge of the particular circumstances and some delay in forming a decision is therefore inevitable, but delays in rectifying any grievance on the part of the public would probably be increased if the public were encouraged to refer such matters to the Railway Board instead of to the Agents or the local officials.

A company administration which has a financial stake in the property which it manages is interested in obtaining and keeping the goodwill of the public and is unlikely to give the public cause for complaint. Such complaints as exist at present are in many cases outside the power of the companies to remedy, as they are due to inadequate allotment of funds for improvement.

Question No. 14.—I consider that the powers of control possessed by Governments in matters relating to the requirements of the travelling public and of trade have generally been exercised in the public interests. They have not taken, however, a sufficiently long view of the requirements of the country as a whole and of the need for development of railways to meet the growth of demand for transportation and the companies have consequently been hampered in their efforts to develop to meet public needs.

Question No. 15.—In regard to the problem of common user of rolling stock, it has been suggested that Government should have power to compel railway administrations to make their rolling stock available for use on any system when required in the interests of the country at large. I would deprecate any greater power being given in this direction, except in a national emergency. The system of wagon pooling which is to come into force shortly is the result of agreement between the principal broad gauge railways, and such agreements which are effected through the agency of the Indian Railway Conference Association are preferable to action on the part of Government as they preserve the principle of delegation to the Managing Companies.

I consider, however, that Government should exercise greater control over companies in the matter of standardisation so as to secure the interchangeability of wagon parts, the extension of the use of vacuum brake and the use of safety appliances, including interlocking and block instruments.

Question No. 16.—As already indicated, I consider that the railway department should be in the hands of a Member of the Executive Council. Whether this department should be held in conjunction with any other department is a matter more of convenience than of policy, but it would tend to greater attention being given to railway matters if the department were held as a separate charge. I do not consider it necessary that the member should necessarily be an expert railway man though if a suitable man were available with railway experience this would not be any disadvantage.

Question No. 17.—I do not consider that the supply of funds for railway purposes has been adequate.

(a) *New construction.*—Taking India as a whole, the mileage of railways in proportion to the population is far below that of other progressive countries. Experience shows that any new line creates or attracts sufficient traffic in a few years to fill its capacity.

In 1908 the Mackay Commission gave it as their considered opinion that " for some years to come the effective limit of the amount to be spent in any year will be the amount that has been provided." There is no doubt that this limit has operated for many years past and railway expansion has always been behind the demand, while new railways constructed have always been followed by an increase in the demand for new lines. The slowness with which the mineral resources of India have been developed are mainly traceable to lack of railway extensions. The main routes directly supply the needs of a very narrow strip of country and the railway map of India is a sufficient indication of the extent to which large areas are entirely unserved by railway communications.

In the case of the East Indian Railway, since the completion of the Grand Chord in 1906, we have built a few unimportant branches, totalling 280 miles, the Bandel-Barharwa Loop opened in 1913 measuring 166 miles and the Burdwan-Howrah Chord opened in 1917 measuring 46 miles. The latter work formed part of a scheme for a new connection across the river Hooghly to deal with the traffic to the docks which is still uncompleted. The other projects which we have in prospect are the Sainthia-Berhampore-Bairamara line, which will give direct access from the coalfields to Eastern Bengal and the lines in the area bounded by the Grand Chord and Jubbulpore lines which are now being reconnoitred. The construction of the Mokameh bridge across the Ganges is a public convenience which we have advocated without success for a long time. For some years the fact that insufficient capital money has been forthcoming for the necessary improvements of the open line has been so prominently before the administration of the East Indian Railway that the question of new extensions has seemed outside the range of practical things and we have almost desisted from making proposals for new lines.

(b) *Maintenance.*—Dividing this into the two well recognised heads of (1) ordinary maintenance and (2) renewals, it may be safely said that so far as the East Indian Railway is concerned, funds available for ordinary maintenance have been sufficient. For many years the traffic earnings have shown a steady increase and it has generally been recognised by Government that this necessitates proportionate increase in maintenance and working expenses. In some years there has been temporary difficulty in meeting the expenditure during the latter months of the year owing to estimates being exceeded. Where the excess can be shown to be directly due to increase in traffic or to increased cost of staff already sanctioned by Government, we have in practice had little difficulty in getting the necessary funds allotted. In such cases the Railway Board's sanction is generally deferred until the latest possible date, presumably because they have to get the position from all railways before getting the agreement of the Finance Department. It may, however, be stated generally, that there has been little restriction imposed by Government on ordinary revenue expenditure proposed by this railway. On the whole the line and its equipment have been kept in good order and such difficulties as we have encountered recently in maintaining wagon stock in a proper condition have been not directly due to want of funds for ordinary maintenance

The percentage of working expenses (maintenance and renewals) was approximately 38 per cent. before the war During the war the effect of increased prices was largely set off by the inadequate supply of materials for renewals, so that there was no great variation in the percentage. The percentage in the various years was as follows:—

1913-14	39·12 per cent.	1917-18	33·92 per cent.
1914-15	38·43 ,,	1918-19	34·10 ,,
1915-16	38·01 ,,	1919-20	43·87 ,,
1916-17	35·84 ,,		

Since the Armistice, the supply of materials has been better and prices have been higher. There has also been a considerable increase in the pay bill. For these reasons the expenditure in the current year will be approximately 51·99 per cent. of earnings. The original budget was for Rs. 648 lakhs and the revised estimate is Rs. 750 lakhs. We are now waiting for the Railway Board's sanction to this increase, although they have tacitly admitted the necessity for the increased expenditure by placing us in funds.

During the war, the regular renewal programme fell into arrears owing to the impossibility of obtaining new rails, engines and rolling stock. The position is indicated by the following figures:—

——	Normal Programme.	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.	1918–19.	1919–20.
Relaying	100 miles	85·32	87·29	66·49	30·91	1·16	9·16	16·70
Engines	25	26	5	23	—	—	—	—
Covered wagons	600	421	—	—	100	—	—	398
Open wagons		67	-	150	—	25	220	350
Brake vans, &c.		2	5	10	21	5	—	—
Coaching bogie	27	5	28	32	—	—	—	—
,, 4-wheeled ...	6	45	—	1	1	—	23	22

The annual programme for relaying was 100 miles per annum before the war, but having regard to the increased mileage and the heavier traffic it is now considered that not less than 150 miles should be done annually. Neither during the present nor the coming year has it been possible to budget for this figure. The revenue portion of expenditure on 100 miles relaying prior to the war was roughly Rs. 10·80 lakhs. At present prices this would be Rs. 47·08 lakhs, and 150 miles would cost Rs. 70·62 lakhs. The latter figure would represent 4·71 per cent. of the gross earnings, whereas the former programme represented 1·02 per cent.

As regards engines, the renewal programme is based, generally speaking, on the necessity for introducing improved types. The life of an engine is indeterminable, because, in the course of ordinary maintenance, parts gradually get replaced. The programme, however, is arrived at by working within certain fundamental considerations, amongst which are the necessity for introducing improved types, the capacity of the workshops for construction and erection, and the amount available without unduly swelling the costs.

The programme of wagon renewals is governed by the number which have to be condemned yearly either owing to the heavy repairs needed or because the type is out of date.

The annual programme of 600 wagons, the revenue cost of which was Rs. 12·30 lakhs before the war, would cost now Rs. 30·70 lakhs (revenue charge).

The following will show the comparison between what the full annual renewal programme would cost now and the pre-war figure:—

——	Pre-war.	Present.	Budget 1921–22.
	Rs. Lakhs.	Rs. Lakhs	Rs. Lakhs.
Relaying	10·80	70·62	47·08
Engines...	7·50	19·46	11·68
Wagons	12·30	30·70	23·14
Coaches...	3·80	9·02	9·02
Other expenditure	16·00	43·00	39·52
Total	50·40	172·80	130·44
Gross earnings...	1,062·00	1,500·00	1,500·00
Percentage of renewals to gross earnings	4·75	11·52	8·70

(3) *Improvements.*—It is in regard to improvements that the want of funds has been mostly felt. It is necessary to explain that the programme of works to be carried out is prepared early in each year for the following financial year, and embodied in a statement called the "July Forecast." This forecast normally contains the programme for three financial years. For some years past it has been the custom for the Railway Board to intimate, prior to the preparation of the programme, that funds in the following year are likely to be restricted, and that the forecast must only therefore contain such works as are absolutely essential for important traffic. This warning has a varying effect. In some years, recognising the uselessness of preparing schemes with their estimates, there has been a definite setting aside of all proposals for improvements, and the demand made has been not for what is really required, but for what it is expected will be permitted.

The following statement shows the amount asked for in each of the last ten financial years compared with the amounts allotted and the amounts spent:—

——	1910–11.	1911–12.	1912–13.	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.	1918–19.	1919–20
	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.
July Forecast ...	193·00	175·00	175·00	175·00	440·00	475·00	250·00	93·32	336·98	225·91
Budget orders ...	179·00	156·57	135·06	174·80	331·53	127·93	82·45	61·13	67·47	323·44
Actually spent ...	82·20	109·38	148·15	268·78	382·51	97·42	60·87	4·89	53·49	452·18

In preparing the forecast this year for the ensuing three years I included the works which I consider are essentially necessary in order to bring the capacity of the line up to present requirements. If these works had been carried out already the line would, in my opinion, approximately be able to carry the traffic offering. With a normal increase of traffic it may reasonably be expected, therefore, that even if all these works are carried out there will still be some want of capacity in three years' time.

The programme involved the spending of—

Rs. 531 lakhs in 1921-22.
Rs. 709 „ in 1922-23.
Rs. 649 „ in 1923-24.

Without going too much into details, it may be said that this programme included the following large works:—

(1) Doubling the Grand Chord.
(2) Second track on the Sone bridge.
(3) Doubling between Allahabad and Tundla.
(4) Moghalserai New Yard.
(5) 9,500 wagons.
(6) 120 engines.
(7) 470 bogie coaches.
(8) 278 brake vans.

In addition, there was la large sum required each year for improvements and additions to marshalling yards, strengthening of girder bridges, etc. Funds were also allocated to somewhat extensive housing schemes for the staff in the larger centres, and for improving and increasing the house

accommodation throughout the line. It was proposed to add 1,900 wagons to the stock in 1921-22, 3,800 in 1922-23, and 3,800 in 1923-24. The figure of 1,900 has been our accepted annual addition for some years, but it is now considered that this should be doubled, at any rate until the arrears caused by the war have been made good. A corresponding increase was proposed in locomotive stock, and additional coaching stock was provided for.

There were other works the necessity for which could be clearly foreseen, but the possibility of getting funds allotted was so remote that inclusion in the programme appeared to be unreasonable. Consequently, the Rs. 531 lakhs asked for for 1921-22 only represented the bare minimum of requirements. It may be roughly assumed that the work to be done under this programme would not have cost more than Rs. 300 lakhs before the war. In view of the practical cessation of improvements for some years and the increasing volume of traffic, the programme is, I think, a moderate one, and probably errs on the low side.

In August last I interviewed the Railway Board with this programme and went through it with them in detail. They intimated that the programme for next year would have to be reduced owing to financial reasons, and while I do not think they questioned the necessity for any of the works recommended, they removed from the programme the following:—

	Rs. lakhs.
(1) Doubling between Allahabad and Tundla	55
(2) Second track on the Sone Bridge	35
(3) 1,000 wagons	89

which with the elimination of certain smaller works reduced the programme to Rs. 336 lakhs.

More recently I have been given the figure of Rs. 186 lakhs within which to prepare the budget for next year with the intimation that the grant will certainly not be more than this and may be less.

Recasting the programme will necessitate the elimination or reduction of the following from the list:—

	Rs. lakhs.
(1) Grand Chord Doubling	16½
(2) Replacement of Bhagalpur-Buasi Railway	4
(3) New Goods Yard at Gya	3
(4) Remodelling Gya Station	3
(5) 144 Bogie coaches	54
(6) 500 Wagons	44½
(7) 126 Brake vans	12

It is impossible to estimate the loss to trade and the public which will be brought about by the delay in providing these essential facilities and the persistent failure to keep the capacity of the line up to the demand for transportation.

It must be admitted in fairness to the Railway Board that a great deal of the present want of capacity is due to the suspension of the improvement programme during the war owing to the impossibility of allotting funds. For instance, a large scheme of improvements in the Jherriah Coalfields in the neighbourhood of Dhanbad and Katrasgarh was not only seriously delayed, but pruned to an extent which has caused and is causing great difficulties in working. The history of this particular scheme is given in the letter No. 1438, dated 13th November, 1917, a copy of which is attached, written to the Railway Board in response to their request for information on which to obtain the Secretary of State's sanction and an explanation of the work having been taken in hand without proper sanction. Sanction to the reduced scheme was eventually received on 28th March, 1918, the amount agreed to being Rs. 28 lakhs as compared with Rs. 39 lakhs, the estimate for the original scheme. Enclosure A.

While proposals for works which are considered urgently necessary to meet existing demands have to be ruthlessly cut down to fit the financial dole, proposals for improving and adding to the accommodation for passengers and the staff and providing them with more of the amenities of life seem to be receding further into the background and attempts to eliminate from the relations between employers and employed some of the causes for discontent which have their root cause in conditions of everyday life are frustrated by the knowledge that money will not be forthcoming.

As an instance of a work which, while covering both the question of train services and the comfort of the staff, has only recently been refused sanction by the Railway Board I would mention that at a certain important station there has been a deficiency of water supply for years past. The supply which was formerly sufficient for locomotive requirements and a reasonable consumption by the staff, including gardening, &c., is now almost inadequate for locomotive requirements, and gardens have almost gone out of existence, while the staff have to do with a very moderate supply. Proposals were put forward with the sanction of my Board of Directors for electric pumping from the river to give an ample supply of water for domestic, locomotive and other purposes and the scheme included electric light and fans for the station and staff. In 1915 sanction was refused owing to want of funds and year by year the proposals have had to be cut out of the programme for the same reason.

I recently again asked for sanction and have just been told that owing to serious shortage of funds new works must be restricted to those required—

(1) for providing increased traffic facilities,
(2) for providing additional quarters and accommodation.

The Railway Board do not consider the proposals come within these categories, they do not consider them either pressingly urgent or essential. They add that there is not much use in sanctioning a work which is not likely to be taken in hand within a reasonable period and that as the proposal in question has not been pressed for the last five years, they cannot sanction it.

It is perhaps unnecessary to multiply instances of this kind, but from such questions as the establishment of District Carriage and Wagon Repair Shops, estimated to cost Rs. 45 lakhs to proposals for house accommodation at Howrah and Lilloah costing Rs. 50 lakhs, in every depart-

ment and in every region of activity to which the business of a railway administration extends, development is paralysed and the efforts in constructive imagination of the administrative officers and their assistants are stultified by the want of money both present and prospective.

Question No. 18.—I consider that this policy is correct. There is no object in constructing further extensions when the main lines are incapable of carrying the existing traffic offering, and, until the capacity of the present lines have been brought up to requirements, I deprecate spending any money on further extensions which would only bring in additional traffic and hamper the already overloaded main line routes.

There is, however, some want of elasticity in the definition of " new lines " and " improvements." Under the accounts definition of " new lines " there are occasionally classified works which more properly should be considered as improvements to existing routes. As instances of this I might mention the Burdwan-Howrah Chord with the projected extension across the river to form a connection with the Docks and Mokameh bridge which is required to form a proper connection between the East Indian and the Bengal and North Western Railways, at present served by a ferry.

Question No. 19.—I have given figures for the expenditure required on the East Indian Railway during the three coming years in my answer to question No. 17. To properly develop this railway so that there would be some chance of keeping abreast of traffic developments, I consider that not less than 6 crores of rupees will be required yearly for some years to come.

I am not acquainted with the requirements of other railways, except to the extent that in some cases the routes beyond junctions with this railway are not equal in capacity to the routes leading to the junctions. I am also aware that some railways have altogether inadequate rolling stock. I consider that a sum of approximately Rs. 30 crores per annum could be usefully spent on the railways of India for improvements in equipment and traffic facilities generally.

At a time when the total capital budget of Indian railways was 10 to 12 crores, the East Indian Railway's share was about 2 crores; on the sme proportion the requirements of all lines would be now well over 30 crores, but it is possible that the East Indian Railway share of the total budget should have been fixed at a higher proportion. The figure I have mentioned, however, is based on what I consider to be necessary in the case of East Indian Railway to meet traffic now offering or such as we can clearly foresee in the near future. I believe that even more could be spent profitably and with great advantage to the country at large, but it must be remembered that profitable expenditure of capital depends on an adequate organization of engineers and other staff, and such an organisation has to be built up gradually. I doubt, therefore, whether it would be safe to place the requirements of railways generally at higher than Rs. 30 crores per annum for some years to come.

Question No. 20.—No possible source of raising money should be neglected.

If financial opinion indicates that insufficient funds can be raised in both India and in the United Kingdom, there should be no hesitation in raising loans in other countries, particularly in other parts of the Empire.

Question No. 21.—Speaking generally, the Branch Line Terms are designed on a reasonable basis, but the rates for guarantee, etc. must be raised if they are to be effective. There are, however, certain objections to raising money by this means, notably the fact that it generally happens that the firm of managing agents who undertake to float the company are naturally more interested in their profits derived from the actual flotation and the construction of the line than in its future success. The fact that the services of a branch line company or managing agents have to be employed for raising capital and have therefore to be properly remunerated means that the money is more expensive in the long run than if raised by Government loan or by existing main line companies. There is the further objection that capital raised in this manner must tend to reduce the available amount of capital which could be raised for the necessary improvements to existing main lines, and as explained in my answer to question No. 18, it is unwise to add to the traffic of the main lines by building further branches until money has been provided to improve the capacity of the main lines.

Enclosure B. *Question No.* 22.—These suggestions are such as can be better dealt with by financial experts. I enclose a note showing how the capital spent on the East Indian Railway has hitherto been raised. It will be seen that in present circumstances there is no power to raise share capital on a profit sharing basis, although there is legal power to raise debentures either in the United Kingdom or in India. It is difficult for me to understand why there should be serious difficulty in raising capital on such a magnificent asset as is possessed by the Government of India in its railways. Not only do these railways form real property of very considerable value, but they have an assured net income which should be sufficient security for any amount which could reasonably be spent. Even grouping all the railways together, it would appear to be a simple matter to give such terms as would attract investors both in England and in India. It is true that owing to some lines being more prosperous than others, the total result does not show a very large return, but there is no reason to suppose that traffic will not increase proportionately to the money spent, and there is also a considerable margin between what is earned and what could be paid by certain classes of traffic. It is of course necessary that a concern which desires to raise money must show a good balance sheet and for this reason I have no doubt it will be found necessary to make some increase in rates and fares.

If, however, it were possible to deal with one or the other railway systems separately as a means of raising capital, say, for instance, the East Indian Railway, there would be no difficulty whatever in offering attractive terms. Capital invested in the East Indian Railway at present amounts to approximately Rs. 77 crores, and the net earnings in the year ended 31st March, 1919, were Rs. 9 crores. In the year ended 31st March, 1920, they were Rs. 7¼ crores, and in the current year they are estimated at Rs. 6½ crores. There is thus a return of approximately 10 per cent. on the existing capital available, and that capital has been raised at about 4 per cent. To put it shortly, not a rupee has been spent on the East Indian Railway which is not earning 10 per cent. With such results, even at the high rate of interest which has now to be paid for money, it is difficult for one like myself, who is not an experienced financier, to see why a large amount of capital

could not be raised for future expenditure. The present net income, after paying all interests and other charges on existing capital, is sufficient to pay interest at 6½ per cent. on Rs. 46 crores. If a somewhat lower interest were offered, coupled with a fair share in the surplus profits, it is reasonable to suppose that the necessary capital would be forthcoming either in India or in England.

Question No. 23.—A method which has not been suggested is payment for plant and stores purchased by means of bonds. It is possible that manufacturers of rolling stock, engines and rails would be prepared to take payment in special railway bonds secured either on the particular railway to which they were supplying or on the general revenue of Government of India. To the objection that such a method would be more expensive than other methods of directly raising capital, I would answer that it would be better to obtain sufficient rolling stock, engines and rails, even though they were slightly more expensive than to go without

Questions Nos. 24 *and* 25.—I prefer to leave these matters to financial experts.

Question No. 26.—(*a*) I consider that the dependence of the railway budget on the power of the Government of India to provide finance annually is the main cause of the backward condition of railways generally. This point was clearly brought out by the MacKay Commission in 1908, and it is sufficient comment for me to say that since that report was written the amount mentioned by the Commission as the amount which the Government of India should endeavour to allot for railway purposes annually, viz., £12½ millions, has only been reached in two years.

(*b*) This is a question which must be dealt with by each individual railway system in accordance with its special conditions. No all-round figure of percentage by which rates and fares should or could be raised can be laid down. Speaking generally, unless railway rates are sufficient to prevent railways being a burden on the general taxpayers, the incidence of cost of transportation is not being properly applied, but the extent to which railway rates on particular commodities can be raised must depend on the ability to pay.

So far as the East Indian Railway is concerned, we have been gradually raising rates during the current year where it has been found that a higher rate can be levied without detriment to the traffic. The question is one which requires the utmost care, and each individual case has to be examined and dealt with on its merits. Any attempt to make an all-round increase by adding a percentage to the existing rate would have serious results on individual kinds of traffic.

Question No. 27.—The figures quoted show broadly a condition of affairs eminently satisfactory to the State. It appears that after paying interest and all other charges on existing capital on both State-managed and Company-managed lines, there is a substantial margin of net profit available as security for future borrowing. I do not think that any special inference can be drawn from the fact that in the case of the Company-managed lines this margin is larger than in the case of the State-managed lines, except that, generally speaking, the Company-managed lines produce better net earnings on their capital than those managed by the State. It is, however, of importance to note that in the figures shown under " interest and other charges " are included the annuity payments which represent repayment of capital. The total interest and other charges against net earnings amounted in 1918-19 to Rs. 2,111·75 lakhs, made up as follows:—

	Rs. lakhs.
(1) For State-owned and managed lines	596·82
(2) State-owned but Company-managed lines	1,514·93
Total	2,111·75

From the figures given against the head " 38—State Railways " in statement B. (page 240) of the Government of India Budget, March, 1920, printed in the Gazette of India, subsidiary, dated 22nd March, 1920, it appears that the above figure is made up as follows:—

	£	(at 1*s.* 4*d.*) Rs.
Interest on debt	8,200,717	12,30,10,755
Annuities in purchase of railways	3,357,595	5,03,63,925
Sinking funds	242,886	36,43,290
Interest chargeable against companies on advance	100,486	15,07,290
Interest on capital deposited by companies ...	2,176,675	3,26,50,125
	14,078,359	21,11,75,385

It will be observed that one-fourth of the charges represent annuities in purchase of railways.

A statement is given below showing figures for the East Indian Railway similar to the figures for all railways embodied in this question:—

Year.	Net Earnings.	Percentages of Net* Earnings on Capital.	Companies Share of Surplus Profits.	Other charge (for Interest, etc.)	Clear Profits to Government.	Percentage of clear Profits on Capital.*
	Rs. Lakhs.		Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	
1916-17	700·06	9 71	28·07	379·09	292·90	4·06
1917-18	767·41	10·63	32·52	379·59	355·30	4·92
1918-19	875·95	12·05	39·67	380·95	455·33	6·26
1919-20	717·15	9·29	24·67	375·06	317·42	4·11

* The Capital figures have been taken from Appendix 4 of the Administration Report (Vol. II).

It will be observed that the East Indian Railway percentages of net earnings on capital and of net profits on capital are substantially higher than the percentages both for State-owned and

managed railways and for State-owned but Company-managed railways, notwithstanding the fact that in the case of the East Indian Railway the charges include the annuities whereby the purchase of the line by Government will be completed by 1953.

Though these results must be considered satisfactory to the Government of India as owner of the railway, they cannot be regarded as altogether satisfactory to the public, because it is perfectly clear that with such an amount being received yearly by Government, more should have been done in developing and improving the railway. Even if it be granted that a large portion of the clear profits to Government have been re-invested in railways by allotment in the general railway budget for capital purposes, better use could have been found for this steady annual income if it had been used as service for a loan or additional share capital.

On 1st January, 1880, when the railway was purchased by Government, the capital cost of the whole undertaking was Rs. 33 crores. From that time up till 31st March, 1920, the additional capital laid out was Rs. 44 crores, or, say, £29 millions (at 1*s.* 4*d.*), of which £18 millions has been raised by the company in debentures, the balance of £11 millions being found by Government. During this period the railway has earned for Government Rs. 57 crores in surplus profits, being the gross earnings less cost of working and of all the indirect charges for interest and annuity, and less also the company's share of the profits which it receives for working the undertaking. The annuity charge referred to is the annual charge through which Government is paying off the cost of the line when purchased in 1879. The purchase will be complete in 1953, when the total cost, Rs. 33 crores, will be wiped out. As 40 years of the 73 years of the annuity have now expired, it may be said in a general way that 40-73rds of the cost of the line in 1880 has been met up to the present, *i.e.*, Rs. 18 crores.

Adding this figure to the direct return to Government, it will be seen that under the present system of management Government has received a total of Rs. 75 crores since 1879 from the East Indian Railway. The similarity of this figure to the total capital cost of the railway up to date justifies the statement that the Government of India is now possessed of a property with a net revenue of some Rs. 7 crores per annum which has entirely paid for itself. If a block account had been kept, as in the case of an ordinary industrial undertaking, it would have been possible by now to write off the whole of it. Considering that out of the 44 crores spent in improvements, etc., since 1880, only £11 million have been raised by Government, while 57 crores have been handed back to them in surplus profits, it would appear that the best use has not hitherto been made of the financial potentialities of this property.

It is difficult to estimate the indirect advantage to Government attributable to railways through the development of areas served by them, but having regard to the fact that the local revenues of Government are a measure of the economic condition of the people, it is safe to say that whatever increase in this local revenue has taken place since the railways were first constructed in India is indirectly due to the effects of providing railway transport.

Question No. 28.—So long as the railway budget forms merely an appendage to the Imperial budget it is difficult to see how the inconveniences and difficulties arising out of the lapsing of grants at the close of the financial year can be avoided. It is obvious, however, without detailed demonstration, that when the railway budget is subject to violent fluctuations from year to year, owing to reasons not connected with railway policy, the railway administrations must be put to great difficulties in carrying through any continuous policy. It frequently happens that the actual amount to be spent during a year is not known until the beginning of April, and it is, therefore, impossible to be certain that any large work, such as the construction of a new bridge or a large marshalling yard, which may spread over two or three years of work, can be completed when it is once undertaken. Stoppage of such a work causes a great deal of unnecessary expenditure, while delay in obtaining the facilities required within the time expected often has a serious effect on the carrying capacity of the line. I need quote only one instance. It was intended to commence this cold weather the preliminary work for constructing the second track of the Upper Sone Bridge, which forms an important Section of the Grand Chord Doubling Scheme. For this purpose a sum of Rs. 10 lakhs was provided for in the current year's budget, and it was hoped that the girders might be ordered in England in time for erection during next year. No allotment is possible for this work next year and it is largely a matter of chance that the preliminary work had not been undertaken and that the girders had not been ordered.

If it is correct, as indicated in the footnote to this question, that lapses from one year are generally made use of for railway expenditure during the following year, the position is probably as satisfactory as it can be under present conditions, but there is no guarantee that lapses occurring on any one railway will be re-allotted in the following year to expenditure on that railway. In any case it means that the whole programme of work has to be re-considered annually, with considerable uncertainty as to the possibility of carrying out a continuous policy. At the time of such re-consideration it must be extremely difficult for the Railway Board to decide between the conflicting claims of each railway administration, and I doubt whether the machinery for arriving at the decision in this matter is adequate.

Question No. 29.—Under present procedure it sometimes happens that a lapse on the Indian grant has to be surrendered although additional funds are urgently required in England and *vice versa*. In my opinion it would be better if the procedure in vogue some years ago could be reverted to and one capital grant were granted—allotted for expenditure both in England and in India, the company being given permission to re-appropriate as between England and India as required.

Question 30.—In the case of the East Indian Railway and most other State-owned but Company-worked lines, the Government control is limited to prescribing:

(1) The maxima and minima rates and fares for different classes of passengers.
(2) The maxima and minima charges for carriage of horses, carriages, dogs, &c., &c.
(3) The scale of charges for carriage of luggage, parcels and treasure.
(4) The maxima and minima rates for different descriptions of goods.

In regard to (1), (2) and (4), the top and bottom limits are fixed for each class of passengers, &c., and each description of goods, while for luggage, parcels and treasure the schedule merely

provides for levy of the scale of charges prescribed by the Indian Railway Conference Association. This is an important difference, as while in respect to passengers and goods, Railway Administrations have a wide margin for varying fares and rates between the prescribed limits, there is no such margin in respect of luggage, parcels and treasure.

In respect of goods traffic, the procedure is to sanction the maxima and minima for the six main classes, these limits being applied to individual commodities by classification in one or other of these six main groups. On the classification, therefore, the maxima and minima for each commodity depend.

The actual machinery employed in maintaining this control is simple. In regard to coaching traffic the maxima and minima cannot be varied without the sanction of the Railway Board. All changes in charges are duly notified and the circulars embodying such changes are checked in the office of the Government Examiner attached to each railway, the object being to see that the charge notified is within the particular limits prescribed for the class of passengers of the kind of traffic. The procedure in respect to goods traffic is the same for commodities already classified. If a new commodity (*i.e.* one not classified) is tendered, the Railway Administration must make an application to the Traffic Committee of the Indian Railway Conference Association for its classification. The Traffic Committee decide the class in which it is to be placed and submit the same to the Railway Board for sanction. Alterations in classification follow the same procedure, but Railway Administrations are not bound to accept such a change whether it means an increase or decrease.

The extent of the administrative control exercised by the Government is therefore limited to the fixing of maxima charges in order to protect the public against exorbitant rates and fares and prescribing minima to safeguard itself against loss through excessive competition by rate cutting.

So far as Railway Administrations are affected, the adequacy or otherwise of this system depends on the following main considerations:—

(1) Whether it is sufficiently elastic to enable Railway Administrations to quote such rates and fares as they may consider the special conditions of the traffic warrant.

(2) Whether it admits of changes being decided and new rates fixed with the necessary promptitude to suit commercial business conditions.

(3) Whether it involves vexatious interference on the part of Government with the action of Railway Administrations.

Although the liberty to vary charges is limited by the maxima rates and fares prescribed, the margin between the top and bottom limits is ordinarily sufficient to admit of such charges being fixed as will secure the traffic. Without, therefore, admitting the necessity in present circumstances for the fixing of minima charges, or accepting that such limitation actually serves the purpose intended, it may be agreed that, speaking broadly, the requirements of Railway Administrations are met. Occasional difficulties have arisen when sanction to a change in classification has been withheld or as a result of the delay in effecting a necessary change, but such cases are rare.

From the point of view of the public, however, the position is entirely different, and while they participate in the benefits resulting from the freedom accorded to railways to vary charges to suit varying conditions, it may be contended that the system—

(1) does not adequately safeguard the public against the imposition of unduly high charges, and

(2) does not ensure free use on equal terms.

In regard to (1), the objections are that—

(*a*) the public have no voice in fixing the maxima fares and rates,

(*b*) in respect to goods newly classified the Railway Administration to all intents and purposes decides the classification and therefore the maxima rates, etc.,

(*c*) the maxima rates are the rates actually charged unless railways voluntarily agree to charge a lower scale,

(*d*) the maxima being uniform rates per maund per mile cannot be equally suitable for the large number of commodities of varying value and tendered under different conditions, included in each of the six groups,

(*e*) uniform scales per maund per mile cannot be equally suitable for all distances even for the same commodity and finally that

(*f*) Railway Administrations have unrestrained discretion in applying the maxima and the public have no remedy, either administrative or legal, to prevent unduly high charges being levied.

These objections are incontrovertible, but the fact that more than 80 per cent of the traffic of the East Indian Railway is carried at rates lower than the maxima prescribed clearly indicates that the arbitrary powers have not been improperly used, but that the tariff has been framed with due consideration for public requirements.

The objection regarding the application of uniform scales is met by pointing out that in addition to a larger number of lump sum station to station rates, which are fixed between pairs of stations, certain telescopic scales, *i.e.*, scales allowing for lower rates per maund per mile for longer distances, are quoted for the more important items of traffic.

While these points meet any general charge of unreasonableness, they cannot be applied to individual cases, and it is in respect of these that protection is required. In the United Kingdom, railways are, in the matter of charges, subject to strict control. As in India, maxima rates are prescribed for each class into which commodities are grouped and the distribution amongst the various classes is subject to the approval of the Board of Trade. Section 31 of the Railway and Canal Traffic Act (1888) confers the right on any person or firm aggrieved to complain to the Board of Trade that he is being charged an excessive or unreasonable rate. On receipt of such complaint, if a *prima facie* case has been made out, the Board of Trade may call upon the railway for an explanation and endeavour to secure an amicable settlement. For this purpose, the Board of

Trade may appoint one of its own officers or any other qualified person to enquire into the matter and arrange a settlement, failing which the aggrieved person may take the case to the Railway Commissioners.

The second part of the complaint (2) that the present system does not ensure use on equal terms is more difficult to deal with. Few complaints are received that particular charges are absolutely high, but the grievance generally is that they are relatively high—that is in comparison with rates—

(1) for other traffic, or
(2) for the same traffic moving between different points or carried for different traders, or
(3) that the charge for shorter distances is the same or greater than the longer.

There is no administrative control over the East Indian Railway in respect to any of these points, the only restriction being Section 42 of the Indian Railways Act IX of 1890.

This Section, however, provides only against *undue* or unreasonable discriminations being made implying of course that reasonable discriminations are authorised. The difficulty, however, arises in determining whether particular differences in charge are due and reasonable or not. As a matter of general principle, it is ordinarily accepted that differences based on relative value or relative cost of conveyance are justified, but there are no means of defining the exact difference in charge which differences in value or cost justify. There are numerous other factors, such as competition between routes, markets, ports, volume and regularity of traffic, etc., which tend to modify rates and result in discriminations.

While the law prohibits undue preference, no adequate remedy is provided to ensure compliance with the law as the machinery provided in Chapter V of the Railway Act is unsuitable (see reply to Question 32).

Another objection which is sometimes made for prohibiting a higher charge for a shorter haul as in the case in English and American Railway Law.

The reply to this is that Indian railways have a general rule—known as the Differential Rule —designed to meet such cases. As embodied in the Indian Railways General Classification of Goods, the rule provided that—

> "*Provided it be specially notified that the Differential Rule as to distance applies*, when goods of the same description and booked in the same direction are charged at different rates according to the distance, the charge for the lesser distance shall not exceed the charge for the greater."

The serious defect of this rule is the negative method of applying it—the rule does not operate generally, but only when it is notified as applicable. The East Indian Railway have not accepted this definition, but apply the following—

(1) In local booking over the East Indian Railway, *except where otherwise specially provided*, when goods of the same description booked in the same direction are charged at different rates according to the distance to be carried, the charge for the lesser distance should never exceed the charge for the greater, the lesser being included in the greater.
(2) The rate for the greater distance can only be applied when the shorter distance is entirely contained in the greater.

There are several important differences, but the main point is that on the East Indian Railway the rule applies unless its application is specifically suspended in particular cases.

It may be noted that Section 42 of the Railway Act does not deal with the absolute reasonableness of particular rates. In this respect, there is no legal control and the administrative control is, as already explained, limited to the imposition of maxima rates and fares, and the public have no legal remedy in respect to complaints of excessive or unreasonable charges. In this matter I agree with the views expressed in the following extract from an article which appeared in the Railway Gazette of 8th December, 1916:—

> "The best way to regulate freight rates is to let an expert freight manager fix them subject always to his being liable to be brought before a competent tribunal and required to satisfy them that in fixing any rate he has given to the study of the question the best brains he possesses and that he has been actuated by no motives which cannot be publicly avowed and justified."

The system advocated is not a reference to the Courts but merely the right of demanding a justification of the rate before a competent tribunal.

If absolute power to fix particular rates is retained by the Government, the result is bound to be constant and vexatious interference, with the result that railways will hesitate to make any reductions until forced to do so, as each concession is likely to be the basis for a reduction in other directions. The ultimate effects will be—

(i) Absence of elasticity,
(ii) A higher average level of charge, and
(iii) Delay in settlement of the basis of charge and in quoting the rates required.

It has to be considered also that arbitrary changes of rates forced on one system will mean a general dislocation of the tariffs of other systems.

Question No. 31.—This is a matter on which presumably the Committee will receive evidence from the users of the railway, but so far as the East Indian Railway is concerned, I think we can claim to have maintained a uniformly liberal policy in regard to both passenger fares and goods rates. Until 1916 passenger fares had been considerably less than the maxima authorised by Government. It became necessary during the War to curtail train services, and fares were raised to the maxima except for suburban traffic. In spite of this the volume of passenger traffic has been well maintained, indicating that the scale now charged is well within the capacity to pay of persons desiring to travel.

In regard to goods traffic, coal, which represents about 66 per cent. of the total weight moved, has always been carried at a very low rate. All other goods were until quite recently carried below the rates authorised, although recently certain special rates have been cancelled, bringing the

charges up to the maximum in certain classes. It may be stated generally that; excluding coal, 87 per cent. of our goods traffic is carried at rates below the maximum authorised.

Considerable concessions have been given during recent years to encourage new industries. It is possible that there are cases where lower rates than those already provided for in our tariff have been declined or where the reductions made have not entirely satisfied the traders, but our general policy has been in the direction of charging the lowest possible rate in order to encourage a greater volume of traffic.

Question No. 32.—The fact that this machinery has never been put into operation may be used as an argument that there has been no necessity for it, or as an argument that it is unsuitable. Personally, I believe that the difficulty and expense of getting a Commission constituted has probably been the cause of this Section of the Act never having been taken advantage of. It is only reasonable that the public should have some means of referring cases of disputes with railway administrations to an independent tribunal, and it is desirable that some machinery should be permanently available which will enable traders and others to secure such relief as they can establish that they are entitled to. It is important, however, that it should be recognised that questions of railway rates are essentially questions of economics and not of law, and that a court of law is not suitable for economic discussions. I have already suggested in my answer to question No. 10 that a permanent statutory body should be constituted somewhat on the lines of the Inter-State Commission in the United States.

Question No. 33.—No.

Question No. 34.—It is difficult, without going into very great detail, to show clearly the various sections of the railway, the capacity of which is inadequate to the requirements and needs of the various industries concerned. In particular, it is notorious that the carrying capacity of the East Indian and the Bengal-Nagpur Railways is not equal to the requirements of the coal trade. At times, when demands for coal reach their maximum, the available capacity of the line for carrying ordinary goods is very considerably less than what is required, and hardly a year passes but large quantities of merchandise offered for transportation have to be refused. The reason for this condition of affairs is insufficient allotment of funds for improvements to the existing railways.

Question No. 35.—I have nothing to add.

ENCLOSURE A.

Letter No. 1438, *dated* 13*th November*, 1917, *from Agent, East Indian Railway, to the Secretary. Government of India, Railway Department and (Railway Board), Simla.*

GRAND CHORD LINE—FACILITIES FOR DEALING WITH COAL TRAFFIC BETWEEN DHANBAD AND KATRASGARH AND BEYOND.

With reference to the Railway Board's letter No. 661-W-15, dated 8th October, 1917, I beg to point out that one of the results of the Coal Traffic Conference of 1912 was the recommendation that the line between Dhanbad and Katrasgarh should be doubled to cope with the increased coal traffic, *vide* para. 20 (16), page 9, of the Report of the Conference. The proposal involved extensive alterations to the station yards at Dhanbad, Kusunda, Bansjora and Sijua (the remodelling of Katrasgarh being under separate consideration at that time), and the necessity for careful consideration of the requirements of the different departments under the different method of working the traffic, as well as the preparation of other important projects which were at that time considered of equal if not of greater importance, caused considerable time to elapse before the final project was completed. The estimates were sent to my board of directors in June, 1914, and received their sanction in July of that year.

Para. 6 of Agent's No. 56 of 18th June, 1914. Para. 5 of Board's No. 103 of 24th July, 1914, received 10th August 1914.

2. In the altered circumstances brought about by the outbreak of war, the Railway Board, however, while recognising the necessity for doubling this section, considered it very doubtful whether funds would be forthcoming to complete the whole scheme in the early future, and enquired what portion of the scheme was recommended to be proceeded with in the event of funds for a portion of the work becoming available.

3. In the meantime, owing to the development of the new railway colliery at Bokaro and the necessity for affording further relief at Katrasgarh by reason of the increasing output of coal on the Kusunda-Katrasgarh section, it had been thought advisable to modify the scheme by providing a direct link between Katrasgarh and the main line near Gomoh and to postpone the doubling of the section Dhanbad to Kusunda.

Revised estimates were accordingly put in hand, the project now comprising:—

1. Link from Katrasgarh to mile 177 Grand Chord.
2. Doubling Grand Chord from mile 177 to Gomoh
3. Doubling Dhanbad to Kusunda.
4. Doubling Kusunda to Katrasgarh.
5. Additional sidings at Gomoh.
6. Alterations at Dhanbad, Kusunda, Katrasgarh, Bansjora, Sijua and Matari.

4. In the course of the year 1915 the effect of the war on shipping had caused not only an almost complete cessation of the export of coal, but also the transference of the whole of the coal consumed in Western India from the sea route to the railway route, thus reversing the direction of despatch of a very large proportion of the coal from the particular area of the coalfields served by the section of the line under consideration. This change introduced new and complicated problems and involved a complete recasting of the project in many of its details, at the same time accentuating the difficulties felt in dealing expeditiously with the output with transportation facilities which had already grown inadequate.

5. The estimates and plans, prepared after very careful consideration of a difficult and intricate problem, were finally sent to my Board of Directors in March, 1906, and received their sanction in April of that year, the amount involved being Rs. 39,37,227 in all, of which Rs. 37,23,662 was chargeable to capital.

Para. (2) of Board's No. 41 of 13th April, 1916.

Railway Board's letter No. 661-W-16 of 25th Aug., 1916.

6. The Railway Board, before dealing with the project, deputed Mr. Couchman to visit the area and discuss the proposals in detail on the spot. This discussion took place in July, 1916, and the Railway Board, while agreeing that in all probability the whole of the proposals would ultimately have to be carried out, indicated certain modifications which it was agreed at the discussion should be made in the scheme.

Briefly, these modifications were as follows:—

1. Reduction in the sidings and staff quarters proposed at Gomoh.
2. Reduction in the alterations proposed at Matari.
3. Dismantling the existing Tetulmari-Kusunda connection.
4. Reduction in the marshalling yard and staff quarters proposed for Katrasgarh.
5. Postponement of doubling between Kusunda and Katrasgarh, and provision of additional sidings in lieu at Sijua and Bansjora.
6. Reduction in proposed additions at Kusunda.

At the same time, they apparently accepted the necessity for the remaining portions of the scheme, and in particular mentioned their acceptance of the immediate necessity for doubling the Grand Chord line between Gomoh and the point of junction with the new link from Katrasgarh.

7. The whole project was accordingly again carefully examined, and at my discussion with the Railway Board in October, 1916, I explained the modifications which it had been found possible to make without altogether impairing the utility of the new facilities. I also handed the Railway Board a statement showing the approximate cost of the scheme as modified, amounting to approximately Rs. 26 lakhs, and giving a comparison with the scheme previously submitted. This statement is printed with resolution 52 of Official Meeting No. 3 of 1917-18. At the same time, I urged the extreme importance of carrying out these works at the earliest possible date, in view of the critical situation in regard to coal traffic to Western India.

8. With each cold-weather season since the outbreak of war the difficulties in affording adequate transportation for coal have increased, and, as the Railway Board are aware, while a great advance has been made in improving the routes for coal to Bombay and elsewhere, the problem has centred itself more and more round the difficulties of getting the coal away from the coal mines on to these routes. The focus of all these difficulties has been recognised to be the particular area between Kusunda and Katrasgarh, where the output has increased beyond the capacity of the line and the junction stations. The Railway Board, I believe, accepted this view of our difficulties, and agreed to the modified scheme placed before them.

9. In view of the time which must inevitably elapse before the additional facilities could be completed so far as to be made use of, I made a special representation to the Railway Board for the allotment of funds to enable the essential portions of the work to be proceeded with in the cold weather of 1916-17, and the Railway Board were able to place Rs. 2 lakhs at our disposal for this purpose in that year, accompanying their intimation to me of this grant with orders to proceed with the work immediately, *vide* their telegram of 27th November, 1916.

At the same time they accepted provisionally the programme of works for 1917-18, in which a provision amounting to Rs. 10 lakhs for expenditure on these works was included.

10. While the recasting of the plans and estimates in their final form was in progress, in order to take advantage of the funds which had been allotted, the Engineering Department were authorised to proceed with the—

(1) acquisition of the land and the collection of materials, and
(2) to commence the earthwork and bridgework for the doubling of the Grand Chord between Gomoh and the point of junction with the new link;
(3) the additional sidings on the up-yard at Gomoh;
(4) the additional lines, ashpits, etc., in the engine shed at Katrasgarh; and
(5) such earthwork and rock-cutting as could be carried out at Katrasgarh before possession of the additional land was received.

Agent's letter No. 556 W., dated 8th May, 1917.

11. The final revised estimates and plans were ready early in 1917, and were submitted to my Board of Directors on 8th May, 1917, for sanction, a copy being sent at the same time to the Railway Board with information as to the portions of the work which had already been taken in hand and with the intimation that the chief engineer had been authorised to complete these portions of the work and to take in hand the remainder of the project in anticipation of regular sanction.

12. The total amount of the estimate, viz., Rs. 28,33,340, being substantially less than that already sanctioned by my Board, this authority was in accordance with their expressed desire, and as the Railway Board had already been fully satisfied as to the necessity of all the works and had been put in possession of and had accepted the outline of the estimated cost, I understood that this action was in accordance with what they wished to be done in view of the continued difficulties in regard to coal traffic and their grave apprehensions as to the capacity of the railways to carry the whole of the coal necessary in the coming cold weather.

13. Sanction to the revised estimate was accorded by my Board of Directors in para. 2 of their letter No. 66, dated 21st June, 1917, received here on 18th July, 1917, and the concurrence of the Railway Board was asked in my letter No. 979, dated 24th July, 1917. I note that it is necessary to obtain the sanction of the Secretary of State, and I trust that, with the information now given, it will be possible to obtain this sanction without delay, as the importance of pushing on the work to completion can hardly be exaggerated.

ENCLOSURE B.

Note showing how the capital spent on the East Indian Railway has hitherto been raised.

The East Indian Railway Company, after two years of preliminary investigation and survey, was formed in 1847 for the purpose of "making, acquiring and working railways in India," with a capital of £4,000,000 and power to increase the capital to £20,000,000. An Act of

Incorporation was passed in 1849 which gave the company the right to make and maintain such railway or railways in the East Indies as might be agreed upon between the company and the Honourable East India Company, and authorized contracts between the two parties for such purposes. Under the first contract, entered into on 17th August, 1849, the company were authorized to " construct and open an experimental line to commence at or near Calcutta, in a direction to be determined by the East India Company, at an estimated cost of £1,000,000 sterling or thereabouts." This contract provided for guaranteed interest at 5 per cent. and the right of Government purchase after a term of 99 years.

In 1853 an amending act was passed authorizing a further contract for the " extension of the experimental line to Delhi or Lahore or elsewhere," and this contract was entered into on 15th February, 1854. The company thus obtained the right to extend the line to Delhi at a cost of nine millions sterling or thereabouts, with guaranteed interest on capital expended and a lease of the railway for 99 years, *i.e.*, until 14th February, 1953, while the East India Company " on account of the Government of India " had the right to purchase the whole Undertaking after the first 25 years of the lease, the purchase price to be " the full amount of the value of all the shares or capital stock of the company—calculated according to the mean market value in London of such shares or stock respectively during the three years immediately preceding the expiration of the said period of 25 years, *i.e.*, 15th February, 1879." If this option were not exercised it could be taken advantage of after the expiration of 50 years of the lease and in either case it was agreed that the purchase price could be paid in the form of an annuity to continue during the remainder of the 99 years' lease.

The Jubbulpore branch of the line was constructed under an Act passed in 1856 and a contract dated 21st April 1858 containing similar provisions, in this case the lease of 99 years running on till April, 1957.

By Acts passed in 1864 and 1868 further extensions and auxiliary lines were authorized and the company was empowered to increase its capital, and to borrow money by the issue of debentures, the interest on which was guaranteed by the Secretary of State out of the Revenues of India.

The Railway as it existed in 1879 consisted of 1,548 miles of open line built and equipped at a cost of £30,650,000, of which £26,200,000 represented share capital and £4,450,000 debentures. The Government of India, which had by this time taken the place of the East India Company, exercised its right of purchase, and by agreement this purchase was also made to include the Jubbulpore extension although 2 years of the first term of 25 years in respect of that line had still to run.

The whole railway, including rolling stock and plant, thus became Government property, vested in the Secretary of State, on 1st January, 1880. The price agreed on was £32,750,000 representing the existing share capital with a premium of 25 per cent., but instead of the shareholders receiving their capital in a lump sum they were paid by means of an annuity of the amount of £1,473,750 having a currency of 73 years, the balance of the 99 years' lease referred to.

The future working of the railway was entrusted to a portion of the Annuitants holding annuities representing a capital of £6,550,000 (one-fifth of the purchase price) under a contract which would run for 50 years, *i.e.*, until 1929, unless terminated by either party with two years' notice at the end of the 20th year 1899 or any subsequent fifth year, *i.e.*, 1904, 1909, 1914, &c.

Under this contract, the revenues of the railway, after deducting the working expenses, were to be applied to paying the annuities and interest on debentures and subsequent capital raised, and the balance or surplus profits were to be divided in the proportion of four-fifths to Government and one-fifth to the Company.

The annuitants who were given control of the company and who were called deferred annuitants were to receive, in place of their annuity for the period of the contract, guaranteed interest at 4 per cent. and the company's share of the surplus profits, a sum every year depending on the prosperity and economical working of the railway. They thus had a definite financial stake in the property and a direct interest in working it on sound business principles. New capital required for extensions and improvements was to be advanced by the Secretary of State at varying rates of interest which has been as low as 3½ per cent. and which is now 6½ per cent. and by the end of the first twenty years of the contract the additional capital invested in the railway was in the neighbourhood of 5½ millions sterling, while the mileage had increased from 1,548 miles to 1,974 miles. During this period the Government had received as its share of surplus profits approximately 9½ million pounds sterling while nearly 9 millions had been paid out of revenue in extinguishing the original purchase price by means of the annuities. The return to the deferred annuitants had during the same time fluctuated considerably, the actual dividend being dependent on an unstable exchange, but while it was as low as 5 per cent. in 1884 it reached 6½ per cent. in 1898 and 7 per cent. in 1899, the last year of the contract.

The Government used the opportunity of terminating the contract in 1899 to considerably reduce the proportion of surplus profits paid to the deferred annuitants. Sir Richard Strachey was at that time chairman of the company and largely by his personal influence was able to restrain the Government from enforcing such terms as would render it unlikely that any company would undertake the working of the railway. It was eventually decided that the contract should be continued on much the same lines but that in future instead of one-fifth of the surplus profits being paid to the company, the proportion for each half-year should be one-fifth in respect of a sum of 25 lakhs of rupees and one-fifteenth of the balance, the Government taking the remainder, namely 20 lakhs of rupees and fourteen-fifteenth of the balance. It was at the same time agreed that the contract would not be terminated before 31st December, 1919, the company thus being given an opportunity of improving its position which a short term contract would not have permitted.

The Government share of surplus profits which was approximately 120 lakhs in the last year of the old contract jumped at once to 153 lakhs in 1900 and has steadily increased until in the last year of the contract, 1919-20, it reached 317 lakhs. The return to the deferred annuitants naturally showed a considerable drop in the first few years of the new contract, but a

gradual improvement took place and the former level of dividends was ultimately reached, the average yearly dividend in the 20 years which have elapsed being about 6¼ per cent.

The present contract which commenced on 1st January, 1920, and will terminate on 31st December, 1924, provides for a division of the surplus profits much less favourable to the company. The company's share is calculated half-yearly by taking one-fifth of the first Rs. 14¼ lakhs and adding thereto one-hundredth of the balance. The amount thus arrived at is transmitted to England at the fixed rate of exchange of 1s. 8d. to the rupee and paid by the Secretary of State direct to the company in London.

The East Indian Railway Company's Act 1895 gave powers to the company, with the sanction of the Secretary of State, to borrow or raise money for the general purposes of the undertaking by the creation and issue of debentures with the guarantee of the Secretary of State for such amount and bearing such rate of interest and subject to such terms and conditions as might be approved of by the Secretary of State. Subsequently in the indenture made on the 26th of February, 1896, the terms on which these debentures were to be raised were agreed upon.

In accordance with this arrangement a sum of £150,000 was raised in 1895 by the Board by the issue of short term debentures (7 years) *vide* Board's letter No. 124 of 1895 (para. 8) and in 1896 and 1897 further sums of £300,000 and £500,000 were raised by the issue of debenture (8 years), *vide* Board's letters Nos. 92 of 1896 (para. 3) and 47 of 1897 (para. 9).

In 1898 the Board raised £600,000 by issue of debentures running for 3 years only, *vide* Board's letter No. 46 of 1898 (para. 17).

These short term debentures were eventually redeemed on maturity by the issue of long term debenture stock referred to below.

The indenture made on 4th April, 1899, provided for the creation of 3 per cent. debenture stock, the indenture of 10th July, 1907, for the creation of 3½ per cent. debenture stock, and the indenture of 3rd May, 1915, for the creation of 4½ per cent. debenture stock.

By these arrangements the East Indian Railway Company has from time to time raised money by the issue of long term debenture stock tabulated below, none of which have yet matured:—

			£
3 per cent.	debenture stock	1899	1,000,000
	Ditto	1900	1,000,000
	Ditto	1901	1,500,000
	Ditto	1902	1,500,000
	Ditto	1904	1,500,000
	Ditto	1905	1,500,000
3½	Ditto	1907	2,000,000
	Ditto	1908	2,450,000
	Ditto	1909	2,550,000
4½	Ditto	1915	3,500,000

It will be seen that so far debenture stock has only been raised in sterling in London and there has been no issue of debentures or debenture stock in India.

Prior to the Purchase Act of 1879 the Company had powers and for some years maintained an office for registration, &c., in India. This, however, dealt only with sterling capital raised in London but which might happen to be held in India. The Purchase Act of 1879 had the effect of taking away from the Company any power of raising capital of any sort. The Company's Act of 1895, however, restored this power in respect to the issue of debenture stock or debentures subject to the approval, and carrying the guarantee of, the Secretary of State.

The Company's solicitors see no reason why the Act of 1895, which does not expressly limit the Company's borrowing to borrowing effected in this country, should not cover the issue, with the sanction of the Secretary of State, of debentures or debenture stocks, the principal and interest whereof would be payable in rupee currency in India. They consider also that the East Indian Unclaimed Stock Act of 1885 confirms this view.

Under Section 1 of the Company's Act of 1855 the Directors of the Company were authorized to establish in India offices for the issue, registration and transfer of securities of the Company, and although these powers cease to be exercised and the Registry of Stock was finally closed when the powers to raise capital were practically taken away by the Purchase Act of 1879 and have not since been restored, the solicitors are of opinion that they might, with the concurrence of the Secretary of State, be exercised without any serious exception being taken thereto in regard to the debenture stock or debentures, authorized by the Act of 1895 if that was considered desirable.

The position appears to be, therefore, that as the Company stands at present, with the Secretary of State's sanction, Rupee debentures or debenture stock might be issued in India and entirely dealt with there, but as regards capital shares or stock it has at present no such powers.

STATEMENT No. 16 (A).

(*N.B.—Maps are not reproduced.*)

SUPPLEMENTARY MEMORANDUM OF EVIDENCE BY MR. C. D. M. HINDLEY, AGENT, EAST INDIAN RAILWAY.

I.—The capacity of various sections of the East Indian Railway and the density of traffic, etc., including a note on the necessity of doubling the line between Allahabad and Tundla.

1. Viewing the position broadly, it may be taken that within the limits imposed by the capacity of the line the average daily traffic throughout the system in terms of wagons, for which transport facilities have to be provided at the present time is—

	Wagons.
Coal	2,300
Goods	1,600

Of the coal traffic, the standard division arrived at by experience and laid down by the Coal Transportation Officer is—

For Upwards	1,050
For Downwards	1,250

This is taken as the minimum allotment necessary to meet, to a reasonable extent and not fully, the requirements of the railways and other industries dependent on coal.

Both goods and coal traffic are, of course, subject to fluctuation as a result of economic factors beyond our control and variations occur both in the total traffic available as well as in the direction of movement. As the movement of coal is essential in the general interests, that traffic is given preferential treatment under the orders of Government, and when the available wagon supply is insufficient to meet all demands the requirements of the Coal Districts must first be met, to the full extent prevailing conditions permit, before stock can be provided for merchandise. When, therefore, stock is short or its movement retarded by inadequate facilities, the immediate effect is partial or total suspension of the booking of merchandise.

2. During the half-year ending the 31st March, 1920, when the position was most acute the loading of general merchandise was totally or partially suspended on 149 days, as under:—

	Days.
October, 1919	16
November, 1919	12
December, 1919	30
January, 1920	31
February, 1920	29
March, 1920	31

It will be noted from the details given that during the four months December to March inclusive, booking of merchandise was continuously restricted—a position it would obviously be impolitic to allow to recur. A prolonged restriction of this kind must inevitably result in general dislocation of normal business conditions, and have far-reaching effects in hampering existing and discouraging the establishment of new industries. During subsequent months, the position has certainly improved, partly due to the more liberal return, under pressure, of wagons by other railways and partly to a change in the direction of movement of the coal traffic which is now more pronounced downwards, but merchandise traffic continues to be restricted from time to time when we are unable to meet all the demands made on us. For instance during January this year it has been necessary to limit the loading of merchandise on eighteen days and it is only too likely that within the next few months periodical restrictions will be a characteristic feature of traffic working on this system

3. The main causes of this unsatisfactory state of affairs are—

I. Inadequate facilities and accommodation on the East Indian Railway.

II. Inadequate capacity of adjoining railways.

III. Insufficient wagon stock regularly available on the home line. These three causes will now be considered in detail.

I.

4. So far as the East Indian Railway is concerned, improvements are necessary practically on every district, but our programmes have necessarily been limited to the provision of immediate essential requirements, and even with respect to these funds have not been available, with the result that the traffic is progressively exceeding our transport capacity, and our difficulties are becoming increasingly acute.

It will be perhaps sufficient for the purposes of this note to deal with the upwards traffic.

The maximum upwards loading capacity of the Coal Districts is 1,250 wagons a day equivalent to 25 trains, and in addition a fairly heavy upwards merchandise traffic has to be accommodated.

5. The following statement shews the capacity of the various sections of the line above the coalfields and the extent to which it is occupied by coal and merchandise traffic respectively—

—	Capacity in Terms of Trains.	No. of Coal Trains.	No. of Merchandise Trains.	Percentage of Capacity Utilized by Coal.
Asansol-Jhajha	18	17	1	94 per cent.
Grand Chord	11	10	1	91 "
Jhajha-Dinapore...	21	17	4	81 "
Dinapore-Moghalserai	21	17	4	81 "
Moghalserai-Allahabad	14	11	3	79 "
Moghalserai-Jubbulpore	10	9	1	90 "
Allahabad-Cawnpore	14	11	3	79 "
Cawnpore-Tundla	14	11	3	79 "
Tundla-Delhi	11	8	3	73 "

6. Fortunately for traffic originating below Burdwan including Howrah and Calcutta stations, the Loop line route *via* Khana Junction, Sahebgunge and Mokameh is available and made use of, but this involves an additional haulage of 64 miles as compared with the main line route or 116 miles as compared with the Grand Chord route for traffic to Moghalserai and *via* and beyond. Roughly, four merchandise trains are despatched from Calcutta daily and are run *via* the Loop line. Of these, two terminate below Moghalserai, and two are for beyond. The former involves 128 avoidable train miles and the latter 232 train miles each way daily, the aggregate waste of transportation in both directions being 239,440 train miles per annum. The average cost of working on the East Indian being Rs. 3.35 per train mile, the total avoidable expenditure this system of diversion entails is therefore about Rs. 800,000 per annum.

7. For such traffic as must pass through the Coal Districts and for traffic originating on sections above, the statement clearly shows the small capacity available for merchandise when coal loading is up to or even near the limit. A permanent effect of this position is that work trains and van goods trains, which are used for clearing traffic in wagon loads and small lots respectively from intermediate stations can only be run occasionally, *i.e.*, twice or three times a week. This practically means a permanent restriction on the booking of merchandise from these stations. Moreover, a large number of the smaller stations were closed for goods traffic during the war and it has not been possible to re-open many of these owing to the impossibility of clearing such traffic as may offer.

As new coal areas are being opened up and important new industries established in the coal fields, the position must obviously become worse unless the capacity of these sections is substantially increased.

It has been estimated that the demand for transport of coal will double itself within the next 10 years which means that facilities must be provided for handling 4,600 wagons a day on the coal districts and carrying them over the various sections of the line.

8. The present difficulties in regard to upwards traffic are most acutely felt on the single line sections of the main line above Allahabad and on the Jubbulpore branch, where expansion is limited by the capacity of the Great Indian Peninsula Railway beyond Jubbulpore.

9. The following statement will give a general indication of the increase in density of traffic over the single line sections above Allahabad:—

	1910. Tons.	1919-20. Tons.
Naini-Jubbulpore	709,547	2,315,907
Allahabad-Cawnpore	1,729,784	3,076,896
Cawnpore-Tundla	1,531,800	2,764,154
Tundla-Ghaziabad	1,300,450	2,897,041
Ghaziabad-Delhi	1,158,906	2,082,342
Delhi-Ambala	635,738	925,489
Ambala-Kalka	149,251	148,161

It will be noted that on the Naini-Jubbulpore Section there has been an increase of roughly one and three-fifth million tons, on the Allahabad-Cawnpore one and one-third million tons and on Cawnpore-Tundla one and a quarter million tons.

It must be remembered that since 1910 the capacity of these single line sections has been largely increased by the provision of additional stations and passing sidings interlocking and train control, but the limits of the single line have now been reached and in regard to the length between Allahabad and Tundla there is no remedy but doubling.

10. A chart is attached which compares the density during the three years 1910, 1914-15 and 1919-20 and a statement (Appendix A) giving the figures in detail. In the statement and chart passenger traffic is included, the basis of conversion being 10 passengers to 1 ton, and it must be borne in mind that this traffic has been discouraged by curtailment of facilities and withdrawal of all return ticket concessions, etc.

11. The following is a brief account of works which we require to do to improve our capacity generally and in particular reference to the requirements of the coal traffic.

12. In the Jherriah field (Dhanbad District) we have to complete the scheme which was prepared after the Coal Traffic Conference of 1912, the estimates for which were seriously cut down by the Railway Board in 1916-17. The works remaining to be done under this scheme are:

(1) Doubling between Dhanbad and Katrasgarh.
(2) Additional lines at Katrasgarh and Dhanbad.
(3) Remodelling Sijua and Bansjorah and providing additional accommodation at Kusunda.

We propose to send up estimates for these works shortly.

We have at present in hand the doubling between Katrasgarh and Phularitand, and this will necessitate the provision of a better station at Phularitand, which will ultimately be developed into a depôt station. We expect to complete the doubling between Katrasgarh and Phularitand sometime during next financial year.

We also have in hand the Jinagorah-Goluckdih Branch and the traffic derived from this when completed will require some additional lines at Pathardih and possibly a passing station at Rakitpur on the Pathardih-Pradhankhunta Link.

Certain improvements and additions are also required at Jherriah, but their provision is somewhat difficult owing to the nature of the ground and this is being looked into now.

Stabling sidings for wagons are required at Gomoh, and an estimate was prepared for this, but the work has been in abeyance for some time.

13. In the Raneegunge field (Asansol District) we have to provide:—

(1) Additional sidings at Asansol and Sitarampur.
(2) 2nd up line between Asansol and Sitarampur.
(3) 2nd down line between Kulti and Asansol.
(4) Avoiding line between Sitarampur and Rupnarainpur.
(5) Stabling sidings at Ondal.
(6) Additions and alterations at Madhupur to deal with the upwards coal traffic and coal from Giridih.

On this District we have recently nearly completed the remodelling of Ondal, but the up marshalling yard and the new locomotive yard will not be completed for some months.

We have also to complete the Toposi-Baraboni Chord and provide a large number of assisted sidings of varying lengths, of which many are awaiting the provision of funds and permanent way.

14. Outside the coalfields, in the upwards direction the most important works are:—

(1) Completion of the doubling of the Grand Chord.
The formation is practically complete from Dhanbad to Bandhua and we expect to lay 30 miles track this financial year.

The works at Gya which form an important part of the doubling of the Grand Chord, have recently been estimated for and sanction is awaited.

Doubling the Grand Chord between Gya and Moghalserai which includes a second track at the Upper Sone Bridge has not yet been agreed to.

(2) New down yard at Moghalserai. The plan for this has now been settled and estimate is in hand. Sanction will be applied for very shortly.

(3) Doubling from Allahabad to Tundla.—This still awaits the sanction of the Railway Board.

(4) Remodelling of Allahabad station.

(5) Improvements to marshalling yards at Cawnpore and to the goods yard at Cawnpore Collectorgunge.

(6) Remodelling of Agra East Bank station.

(7) Conversion of Etawah into a rest station in order to shorten the present long engine runs.

(8) Strengthening of bridges on certain sections of the line to enable a wider use to be made of the new standard superheater engines.

15. Below the coalfields, the most important works in the future are:—

(1) Quadrupling between Burdwan and Gomoh.

(2) Provision of additional access to the Docks by means of a new bridge over the Hooghly at Bally.

In connection with wagon repairs, we are shortly putting forward proposals for the establishment of district carriage and wagon repair shops at Ondal, Dhanbad, Allahabad and Ghaziabad.

16. It will be understood that the above is only a rough outline of what we have in mind for our developments. We shall work steadily at the programme, and endeavour to carry out the most important works first as funds are provided. It is impossible to give an accurate estimate of the extent to which the capacity of the line for handling coal and other traffic will be increased as these new works are brought into use, but, as far as we can judge, if the commencement of the more important of these works is not unduly delayed, we should be able to overtake the expansion of traffic in the course of the next three or four years.

17. A separate note (Appendix B), dealing in detail with the Allahabad-Tundla section, may be taken as indicating the general position in respect to upwards traffic.

II.

18. As a large percentage of our freight traffic, particularly coal, is booked through to stations on other railways, it is obvious that capacity of adjoining systems must be concurrently improved. At present at several important junctions we are limited to a given number of wagons, and when traffic is in excess of this number diversion by longer routes has to be arranged or booking restricted. The more important standing limitations are:—

Jubbulpore	280 wagons a day.
Katni	50 „
Manikpur	50 „
Cawnpore	80 „
Agra East Bank	160 B.G. wagons. 120 M.G. „

Even these limits were further modified during 1920 as under:—

Via Jubbulpore on 7 occasions.
Via Manikpur on 12 „
Via Katni on 2 „
Via Cawnpore on 10 „

while the limits *via* Agra East Bank were frequently lowered throughout the year.

19. These limits should obviously be removed and additional facilities provided at once, as apart from the detrimental effect of such restrictions on expansion, diversion means unnecessary haulage, longer occupation of wagons, and, therefore, unnecessary cost.

In order to illustrate how the inadequacy of the capacity on other railways affects the traffic on this system, I give below particulars of restrictions imposed by other railways during 1920:—

	Partial restriction.	Total restriction.
G.I.P.	9 occasions	1 occasion.
B.B. and C.I.	18 „	1 „ (metre gauge.)
N.W.R.	8 „	2 occasions.
O. and R.		3 „

These restrictions lasted for varying periods, in some cases for weeks or even months.

The practical impossibility of regulating traffic originating at several hundred stations at varying distances from the junction is obvious, and these fixed restrictions inevitably result in traffic being held up as soon as the limits are exceeded, causing detention to stock and traffic and disorganising operations over long lengths of our system.

The imposition of sudden restrictions on booking traffic by particular routes naturally tends to increase our difficulties and causes enormous waste of capacity. For instance, a stoppage *via* Jubbulpore communicated by wire means generally the holding up *en route* or at the coalfields of three or four days' traffic already booked and on the road, resulting in serious detentions to stock, disorganisation of our general arrangements, and occupation of valuable siding accommodation, all of which lead to further reduction of our capacity.

III.

20. While improved facilities and additional accommodation are absolutely essential if existing traffic is to be handled efficiently and future expansion provided for, a simultaneous increase in our wagon stock is also necessary. In this connection it must be remembered that our present stock has deteriorated seriously, and the effect has been to hamper operation very considerably. It needs no argument to establish that frequent failure of stock on running trains and in yards causes a great deal of avoidable work, disorganises yard operations, and results in longer hours on

the road, and therefore further reduces our capacity. If we are to meet the increasing demands that are likely to be made on us we must obviously have more wagons and at the same time improve our existing stock to the normal standard.

Our general programme includes—

9,500 wagons,
278 brake vans,

but, as already stated, this has had to be materially curtailed, and we are apparently to continue working with our present stock, insufficient in number and unsatisfactory in condition.

It is emphasised, however, that a liberal increase in our wagon stock will only accentuate our difficulties unless the necessary additional accommodation is first provided. The necessity for an initial improvement in the way of facilities is clearly indicated by recent results, which show a tendency for the rate of movement of goods stock to decrease as the number of wagons increases.

21. The total number of goods vehicles on the East Indian Railway on the 31st March, 1920, was—

36,404.*

Allowing for loss by absence on foreign railways, the average number of goods vehicles in effective use during the last ten half-years is as under:—

		Total number of wagons available. No. of wagons.
1915-16	1st half	32,837
	2nd half	32,783
1916-17	1st half	34,890
	2nd half	34,819
1917-18	1st half	35,096
	2nd half	31,299
1918-19	1st half	30,694
	2nd half	33,155
1919-20	1st half	31,200
	2nd half	33,327

The work done per wagon in terms of "miles run" during these periods was:—

		Mileage for each vehicle.
1915-16	1st half	8,471
	2nd half	9,553
1916-17	1st half	10,171
	2nd half	10,677
1917-18	1st half	10,571
	2nd half	11,209
1918-19	1st half	12,550
	2nd half	11,114
1919-20	1st half	11,134
	2nd half	10,405

There are, of course, other factors which affect the average mileage per vehicle per annum, but these do not materially affect the general inference drawn from the above half-years' results.

The most important of these is the frequent restriction on booking traffic to other railways which causes congestion and detention to stock and therefore reduces the mileage run by vehicles.

22. The vehicle mileage during the same half-years was as under:—

——		Loaded.	Empty.	Total.
		Miles.	Miles.	Miles.
1915-16	1st half	170,550,321	99,425,258	269,975,579
	2nd half	186,658,303	117,774,977	304,433,280
1916-17	1st half	215,335,221	130,109,582	345,444,803
	2nd half	218,449,219	143,827,303	362,276,522
1917-18	1st half	215,144,885	146,225,216	361,370,101
	2nd half	202,056,531	139,436,844	341,493,375
1918-19	1st half	216,911,154	158,508,818	375,419,972
	2nd half	213,496,295	145,232,588	358,728,683
1919-20	1st half	199,439,345	138,656,050	338,095,395
	2nd half	199,013,482	138,440,667	337,454,149

The percentage of empty to total vehicle mileage was—

		Percentage of empty to total vehicle miles.
1915-16	1st half	36
	2nd half	38
1916-17	1st half	37
	2nd half	39
1917-18	1st half	40
	2nd half	41
1918-19	1st half	42
	2nd half	40
1919-20	1st half	41
	2nd half	41

* Including 90 borrowed from other Railways.

The comparatively high ratio of empty to total vehicle mileage is mainly attributable to the unequal distribution of the traffic, but the periodical shortages which occur tend to increase empty running, because urgent demands in the coal fields necessitate the complete or partial suspension of loading ordinary merchandise, and the running of wagons empty to the colliery districts even if loads are available.

23. The deficiency of stock in the coal fields is not necessarily always due to actual scarcity of wagons but is, on occasion, attributable to uneven distribution of such supplies as are available on the system and which cannot be adjusted owing to limitations of yard or sectional capacity. For instance, the capacity of the coal districts to receive empties from the direction of Burdwan is about 1,000 wagons and from Moghal Sarai 1,300 wagons a day.

If, owing to an accident or other cause, the number of empties which can be received from Burdwan is reduced, the deficiency cannot be made up by increasing the number coming downwards or *vice versa*.

Again it may be that while the loaded traffic is moving freely to the Great Indian Peninsula Railway, that line is unable to return empties, while the North-Western Railway is in position to help, it generally means waste of capacity on one section and severe congestion on another.

It is impossible, of course, to arrange a free and even distribution of the traffic in precise ratio to the capacity of the various sections, but this makes it all the more necessary that accommodation and facilities be improved generally so as to ensure free movement in the varying conditions of the traffic.

24. Such improvements should obviously, however, not be confined to the despatching systems, because if this were so, the capacity of forwarding railways would still be limited by the capacity of receiving lines and the result would be not only that the benefit of the improvements would be lost, but forwarding railways would be further prejudiced by loss of wagon capacity, as empties would not be returned as freely as required

II. Replies to the specific questions on rates by Mr. Purshotamdas Thakurdas.

In regard to block rates, it was pointed out that on page 724 of the East Indian Railway Goods Tariff, Part I, the rate for " Cotton, full pressed " from Dhulkot to *via* Delhi for traffic to Bombay and Karachi was 7a. 1p. per maund, while the Delhi-Umballa-Kalka Railway share up to Delhi of the rate from Dhulkot to Howrah, page 399, was 5a. 10p. per maund. It was suggested that the inference was that the higher rate was charged on traffic to Bombay and Karachi in order to " block " traffic to those ports in favour of Howrah.

It was stated in evidence that the East Indian Railway was under agreement to quote to Bombay the same proportion as allowed to the Delhi-Umballa-Kalka on the Howrah rate and that therefore the entry in the rate book was an error.

This is actually the case and examination of the circular attached will show that the mistake arose owing to the entry against *via* Kalka, *viz.*, 7a. 1p. being erroneously shown against Dhulkot which immediately followed.

The rate is correctly shown in the Bombay Baroda and Central India Railway Tariff, and as freight is ordinarily collected at the receiving end, Bombay in this case, no overcharges have been made. The error has since been corrected.

It was remarked that the rates for sugar from Arrah to Agra was 8a. per maund, while the charge from Behea, 16 miles nearer, was 8a. 10p. per maund, and it was stated that it had been alleged that the difference was due to preferential treatment to European firms.

In the evidence, the allegation was emphatically denied and this is borne out by the records which show that when the rates for sugar to Agra were revised in 1907, the intention was to quote a group rate of 8a. per maund, applicable to all stations, Patna City to Buxar inclusive. This rate was based on the rates levied from corresponding stations on the Bengal and North Western Railway across the river.

There was, however, no station closely corresponding to Behea, and in preparing the table of new rates, the name of this station was inadvertently omitted and the rate remained unrevised, *i.e.*, at 8a. 10p. per maund, previously in force; while the charge from the other stations in the group was reduced to 8a. per maund.

There are no European traders at Arrah dealing in sugar, and it is believed that there never have been any. The explanation clearly indicates that Arrah was not particularly favoured, as other stations further from Agra than Arrah, namely, Dinapore, Patna Junction, Patna City also got the benefit of the 8a. rate. That Behea did not get the concession was more accident than design and as no complaint has been made and the traffic is unimportant, the omission has been overlooked. As the difference is, however, contrary to our application of the Differential Rule, the charge from Behea is being reduced to 8a. per maund pending revision of the general group rate.

III. Explanation of three specific cases of alleged delays in providing coal sidings, quoted by the Indian Mining Association.

In the course of his evidence Mr. J. H. Pattinson, Chairman of the Indian Mining Association, explained that the coal mining industry had suffered severely in the past through delays in the provision of sidings and to substantiate his statement, quoted three recent cases:—

(1) The Kasta Branch.
(2) The Rana Siding.
(3) The Chapui and Chabalpur Siding.

The following gives the history of these cases—

1. *Kasta Branch.*—This is a branch line 17 miles in length to open up a new area in the north of the Raneegunge coalfields, hitherto separated from the sidings in connection with the East Indian Railway main line by the Adjai River. The application was made in April, 1918, and after preliminary enquiries and investigations, our Colliery Superintendent went over the ground in June and arrangements were made for the survey for which an Engineer was deputed in July, 1918.

A number of different colliery companies were interested in the area and for some years before this date, suggestions had been made that a branch should be put in to serve it. The reports of our own Colliery Superintendent had, however, not been sufficiently favourable to warrant the undertaking of the construction, in view of the many other requests for railway facilities in areas where the coal had been proved and development was in progress.

The further investigation made early in 1918 did not show any more attractive possibilities, and in fact our Colliery Superintendent was doubtful whether the line would ultimately justify itself.

Two alternative estimates were prepared, one of which necessitated heavy bridging over the Adjai and the other a connection off the Ondal-Sainthia Chord and these were submitted to the Railway Board for their opinion as to which project should be proceeded with. It was pointed out at the same time that the money involved could be more usefully spent in improvements elsewhere. After this point had been carefully considered the present alignment was decided on in April, 1919, as the most suitable for the various collieries to be served.

The complete project, estimate and plans, were sent to my Board for their sanction in April, 1919, and their approval was received in July, 1919. The Railway Board were then asked to obtain sanction and this was finally received from the Secretary of State in January, 1920.

The acquisition of the land was commenced at once, but owing to the late receipt of sanction the best part of the working season 1919-20 had been lost.

The preliminary works necessary for the construction of the line were, however, put in hand and the work is now well advanced.

I may add that there has been very considerable delay in getting the local Governments to agree to the proposals of our Engineers as to the waterways to be provided and a final agreement has only recently been arrived at with the Government of Bihar and Orissa while the approval of the Government of Bengal has not yet been received.

It is hoped to complete the branch in the course of the current year.

2. *Rana Colliery.*—This is a short siding taking off the proposed Toposi-Baraboni Chord. This Chord was sanctioned in 1913 and part has been completed and is in use. In March, 1915, work was stopped for want of funds at a time when all Capital works had to be restricted to bare necessities. Three and three-quarter miles of the Chord remain to be completed and on this portion the earthwork is practically finished, but it has not been found possible to provide the permanent way materials and funds have consequently been withheld as they are more urgently required elsewhere.

Rana is 1¼ miles from the nearest point on this railway and a separate estimate was prepared for this portion but it is not possible to provide the connection until the Chord is completed.

I may mention that materials for such sidings are usually provided from second-hand materials taken out of the main line in the course of relaying. As relaying is much in arrears as the result of the War, there are now not sufficient materials for the sidings already applied for and, in fact, somewhere about 100 miles of track is required for such purposes over and above what is likely to be recovered from relaying in the course of the next 12 months.

3. *Chapui and Chalbalpur Collieries.*—An estimate for a siding to serve the above collieries was asked for in March, 1919, and sent to the applicants in August, 1919, for acceptance on the usual terms.

In the letter forwarding the estimate it was pointed out that we could not say when it would be possible to proceed with the construction of the siding in consequence of the shortage of permanent way materials.

Nothing was heard from the applicants until June, 1920, when they wrote to say they had trouble in getting a certain land or coal owner to agree to the proposed alignment but had now obtained his consent.

On July 1st, 1920, the applicants were written to with a request to deposit their portion of the cost of the siding (*i.e.*, cost of land and subgrade) on receipt of which it was explained that steps would be taken to put the work in hand.

No reply has been received.

IV. Reply to the enquiry made by Sir Henry Ledgard regarding delays in transit of consignments to Cawnpore.

With reference to my examination by Sir Henry Ledgard on 7th January when he alleged that no action had been taken to remedy delays in the transport of goods to Cawnpore until the assistance of Government had been invoked and a visit had been paid to Cawnpore by Sir George Barnes, I should like to explain that Cawnpore is served by the East Indian, the Great Indian Peninsula, the Bombay, Baroda and Central India, Oudh and Rohilkhand, and the Bengal and North-Western Railways. The mill area, however, depends largely for its railway business on what is known as the mill siding, an extension of the East Indian Railway into the heart of the mill area. There are local difficulties connected with the working of this siding, of a nature which I need not particularise, but the fact that the siding is a single line only and runs through the most crowded portion of the city will indicate that its carrying capacity cannot be improved without very considerable expenditure.

Further, the junction arrangements at Cawnpore which deals with the traffic coming from this siding, have not grown with the growing need of the traffic. This is admitted. We have proposals for improving facilities, some of which are in progress of being carried out, while others are delayed by the inevitable want of funds.

Early last year I became acquainted with the fact that there were complaints regarding delays in the matter of despatches from Calcutta to Cawnpore. The matter was at once examined and after careful study of the difficulties, certain remedial measures were introduced. The complaints, however, culminated in a letter from the Upper India Chamber of Commerce, received by me in June last, in which a large number of specific cases of delays were referred to. These individual cases were examined and we did our best to introduce various measures to improve the time taken in transit. On 1st August we started a system known as the "Nominated loading" at Howrah which we owe to the initiative of Col. Sheridan. Under this system we advertise that on certain days consignments of certain stations will be accepted, loaded on the same day and despatched in complete wagon loads to destination without interference *en route*.

For some time it was difficult to get the traders to appreciate the benefits of this system, although all possible steps were taken to make them acquainted with it. At about the same time we arranged that small consignments from Howrah to Cawnpore should be loaded in through wagons daily and sent through by fast goods train. We also came to an arrangement with the Port Commissioners, whereby packages from the jetties were similarly dealt with once or twice a week when necessity arose. I may state that during this period the remodelling of the Cawnpore Junction yard was also in progress.

The Upper India Chamber of Commerce were made aware of these measures and were asked to endeavour to forward their consignments from one depôt in Calcutta instead of despatching them from several points such as the jetties, docks, Baliaghata, Sealdah and Howrah, etc. It may be said that the improved methods which we advertised for the special benefit of Cawnpore, were fully in force by the beginning of September. Early in November, the Upper India Chamber of Commerce brought to the notice of Sir Thomas Holland that consignments to Cawnpore were suffering great delays in transit. This communication resulted in Mr. E. A. S. Bell, Member of the Railway Board, visiting Cawnpore on the 12th November, and further in a visit being paid to Cawnpore on the 26th November by Sir George Barnes, Honorary Member for Commerce and Industry.

At this visit the General Traffic Manager attended and explained clearly what was being done and what improvements had been effected. I may say that the Chamber brought forward a very long list of delayed consignments for the whole period from January until end of August, and while endeavours were made to trace and explain the reasons for delays, in many of these cases it was, I believe, recognized that in view of the measures already taken, no good purpose would be served in going into detail into the whole list. To give an idea of the size of the matter, it may be stated that during the period covered by this complaint, we carried considerably over 100,000 packages between Calcutta and Cawnpore, while the number of consignments about which complaint was made is computed to have been 3,500, that is, rather less than 3½ per cent. of the total number of packages carried.

At the instance of Sir George Barnes, the Chamber undertook to provide us with a specimen list of consignments which had taken an inordinate time in transit during the period September and October and we undertook to examine these cases in detail.

The list promised has been received and it covered about 28 cases during the period from one mill, 12 of these cases call for no comment as they got through in good time. 9 of the remainder arrived at Cawnpore Junction in good time, but there were delays in effecting delivery owing to congestion in the Cawnpore Junction and Collectorgunge yards and sickness amongst the staff and in one case to the wagon labels being missing. 4 of the cases were delayed in transit by having been improperly loaded by the Port Commissioners at the jetties. Of the remaining 3, heavy delays took place in transit owing to congestion along the line due to the causes which I have already referred to.

From information which we receive in the ordinary course of our operations I am satisfied that on the whole the despatch of small consignments from Calcutta to Cawnpore is not subject to greater delays than can be attributed to our known want of carrying capacity.

V. Employment of Indians in the supervising grades of the various departments of the East Indian Railway.

The total number of employés on the East Indian Railway on 31st March, 1921, was 121,837, of whom 4,442 were classed as clerical staff. The total number of Europeans and East Indians included in this total was 3,600.

At present there are 198 sanctioned appointments in the supervising grade on the East Indian Railway, of which 27 are held by Indians. Since 1910 114 officers have been appointed, of whom 85 were Europeans and Anglo-Indians, and 29 were Indians. Of the former, 42 were appointed in London and 43 in India. Of the latter, 9 were appointed in England and 20 in India, *i.e.*, 51 were appointed in England and 63 in India in all. The method of recruitment has been as follows:—

Engineering Department—

(*a*) Appointed by the Board in London and possessing college training and practical experience.

(*b*) Promoted from the subordinate staff, *i.e.*, permanent way inspectors, or clerks of work in India.

It is to be noted that the East Indian Railway has always aimed at maintaining a high standard in its engineer staff and the normal recruitment is from those who have had college training and some practical railway experience. Owing to war conditions it has been necessary at times in the last few years to recruit from the subordinate staff, but it is not probable that this method of recruitment will be continued, except in very deserving cases and men of exceptional qualifications or experience.

Traffic Department—

(*a*) Appointed by the Board in London with general education and, if possible, some railway experience.

(*b*) Promoted from the subordinate staff from amongst those who have had many years of railway experience and possessing the necessary educational qualifications.

(*c*) Appointed as probationers from amongst University graduates or men of good family and promoted to the supervising grade after 3 years careful training in all branches of the Department.

Locomotive and Carriage and Wagon Departments—

(*a*) Appointed by the Board in London after full professional training as mechanical engineers and practical experience of English railway locomotive work.

(*b*) Appointed as probationers under the scheme for training mechanical engineers instituted by the East Indian Railway. This scheme provides for one year's training in the Work-

shops in India and 3 years practical training in the workshop in England and on an English railway. This scheme has only been recently introduced and the first probationer is now proceding to take up his training in England. Two more probationers have been recently appointed.

Audit Department—

(*a*) Appointed by the Board in London with qualifications as accountants and training of English railways.

(*b*) Promoted from the subordinate staff in the Audit Department.

VI. Reply to Mr. Hiley's questions on 5th January regarding comparative cost of permanent way and of wagons at pre-war and present rates.

The following is an estimate of cost of one mile of permanent way at pre-war and at present rate.

Cost of one mile of permanent way 88½ lbs.

Item No.	Description.	Permanent way 88½ lbs. with D. O. sleepers at pre-war rate.			Permanent way 88½ lbs. with D. O. sleepers at present rate.			Permanent way 88½ lbs. with wooden sleepers at pre-war rate.			Permanent way 88½ lbs. with wooden sleepers at present rate.		
		Quantity.	Rate.	Amount.	Quantity.	Rate.	Amount.	Quantity.	Rate.	Amount.	Quantity.	Rate.	Amount.
			Rs. As. P.	Rs.		Rs. As. P.	Rs.		Rs. As. P.	Rs.		Rs. As. P.	Rs.
1	Rails	10,560 ft.	1 7 6 ℔ ft.	15,510	10,560 ft.	2 0 0 ℔ ft.	21,120	10,560 ft.	1 7 6 ℔ ft.	15,510	10,560 ft.	2 0 0 ℔ ft.	21,120
2	Fish Plates	588 Nos.	1 7 3 each.	854	588 Nos.	1 13 6 each	1,084	588 Nos.	1 7 3 each	854	588 Nos.	1 13 6 each	1,084
3	Fish bolts and nuts	1,176 „	23 0 0 ℔ 100	269	1,176 „	25 9 0 ℔ 100	300	1,176 „	23 0 0 ℔ 100	269	1,176 „	25 9 0 ℔ 100	300
4	D. O. sleepers complete ...	2,053 „	7·39 0 0 each	15,172	2,053 „	13 4 0 each	27,202	—	—	—	—	—	—
5	Wooden sleepers with chairs and fittings complete ...	—	—	—	—	—	—	2,053 Nos.	9·06 0 0 each	18,600	2,053 Nos.	11 4 0 each	23,096
6	Laying	—	—	1,320	—	—	1,320	—	—	1.320	—	—	1,320
	Total	—	—	33,125	—	—	51,026	—	—	36,553	—	—	46,920

The estimate below compares the cost of relaying 100 miles of permanent way at present and pre-war rates.

Abstract of estimated cost of relaying 100 *miles with* 88½ *lbs. rails at pre-war rate.*

No. of item.	Description.	Quantity.	Rates. @	Rates. ₹	Cost. Cash.	Cost. Stores. To be purchased.	Cost. Stores. In stock.	Total.	Amount allocated to Capital.	Amount allocated to Revenue.
			Rs. As. P.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Rails	1,056,000 ft. ...	1 7 6	per ft....	—	15,51,000	—	15,51,000	2,36,593	13,14,407
2	Fish plates	60,200 Nos.	1 7 3	each ...	—	87,478	—	87,478	—	87,478
3	Fish bolts and nuts...	123,600 „	23 0 0	per 100	—	28,428	—	28,428	—	28,428
4	D.O.sleepers complete	205,300 „	7·39	each ...	—	15,17,167	—	15,17,167	3,89,112	11,28,055
5	Additional ballast ...	600,000 C. ft.	50 0 0	per 1,000	30,000	—	—	30,000	30,000	—
6	Wages for extra gangs for relaying ...	100 miles	600 0 0	per mile	60,000	—	—	60,000	—	60,000
			Rs. ...	...	90,000	31,84,073	—	32,74,073	6,55,705	26,18,368
7	Contingencies at 2½ per cent	—	—		2,250	79,602	—	81,852	16,393	65,459
	Total Rs. ...	—	—		92,250	32,63,675	—	33,55,925	6,72,098	26,83,827
	CREDIT.									
1	Rails, 75 lbs.... ...	1,056,000 ft. ...	0 10 0	per ft....	—	—	—	*6,60,000*	—	—
2	Fish plates	70,400 Nos.	0 12 0	each ...	—	—	—	*52,800*	—	—
3	Fish bolts and nuts ...	140,800 „	12 1 6	per 100	—	—	—	*17,028*	—	—
4	Wooden sleepers with chairs and fittings complete	205,300 „	2 8 0	each ...	—	—	—	*5,13,250*	—	—
	Total Rs. ...	—	—		—	—	—	*12,43,078*	—	*12,43,078*
	Net Rs. ...	—	—		—	—	—	21,12,847	6,72,098	14,40,749

Freight not included.

Abstract of estimated cost of relaying 100 *miles with* 88½ *lbs. rails at present rate.*

No. of item.	Description.	Quantity.	Rates. @	Rates. ₹	Cost. Cash.	Cost. Stores. To be purchased.	Cost. Stores. In stock.	Total.	Amount allocated to Capital.	Amount allocated to Revenue.
			Rs. As. P.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Rails	1.056,000 ft. ...	2 0 0	per ft.	—	21,12,000	—	21,12,000	3,22,170	17,89,830
2	Fish plates... ...	60,200 Nos.	1 13 6	each ...	—	1,10,994	—	1,10,994	—	1,10,994
3	Fish bolts and nuts	123,600 „	25 9 0	per 100	—	31,595	—	31,595	—	31,595
4	D. O. sleepers complete	205,300 „	13 4 0	each ...	—	27,20,225	—	27,20,225	4,10,600	23,09,625
5	Additional ballast...	600,000 C. ft.	70 0 0	per 100	42,000	—	—	42,000	42,000	—
6	Wages for extra gangs for relaying	100 miles	1,000 0 0	per mile	1,00,000	—	—	1,00,000	—	1,00,000
			Rs. ...	...	1,42,000	49,74,814	—	51,16,814	7,74,770	43,42,044
7	Contingencies at 2½ per cent.... ...	—	—		3,550	1,24,370	—	1,27,920	19,369	1,08,551
	Total Rs. ...	—	—		1,45,550	50,99,184	—	52,44,734	7,94,139	44,50,595
	CREDIT.									
1	Rails, 75 lbs. ...	1,056,000 ft. ...	0 10 0	per ft.	—	—	—	*6,60,000*	—	—
2	Fish plates... ...	70,400 Nos.	0 12 0	each ...	—	—	—	*52,800*	—	—
3	Fish bolts and nuts	140,800 „	12 1 6	per 100	—	—	—	*17,028*	—	—
4	Wooden sleepers with chairs and fittings complete	205,300 „	2·5	each	—	—	—	*5,13,250*	—	—
	Total Rs. ...	—	—		—	—	—	*12,43,078*	—	*12,43,078*
	Net Rs. ...	—	—		—	—	—	40,01,656	7,94,139	32,07,517

Freight not included.

The cost of covered and open wagons at pre-war and present rates is as follows:—

Covered Wagons.

Particulars of estimate.	Pre-war rates for 1 W. G. V. type covered wagon.			Present rates for 1 standard type covered wagon.				
	Contract amount.	Rate @ Rs. 15 per £.	Indian amount.	Contract amount.	Rate @ Rs. 12 per £.	Indian amount.	Rate @ Rs. 10 per £.	Indian amount.
ENGLISH EXPENDITURE.	£		Rs.	£		Rs.		Rs.
1. Underframes with fittings, body, and body fittings complete ...	179	@ Rs. 15 ...	2,685	436	@ Rs. 12 ...	5,232	@ Rs. 10 ...	4,360
2. Axle boxes and bearings				30	@ Rs. 12 ...	360	@ Rs. 10 ...	300
3. Bearing springs ...				30	@ Rs. 12 ...	360	@ Rs. 10 ...	300
4. Vacuum brake fittings				77	@ Rs. 12 ...	924	@ Rs. 10 ...	770
5. Wheels and axles ...	43	@ Rs. 15 ...	645	164	@ Rs. 12 ...	1,968	@ Rs. 10 ...	1,640
	222	@ Rs. 15 ...	3,330	737	@ Rs. 12 ...	8,844	@ Rs. 10 ...	7,370
6. Freight	—	@ 5 per cent.	166	—	@ 10 per cent.	884	@ 10 per cent.	737
Total English expenditure	—	—	3,496	—	—	9,728	—	8,107
INDIAN EXPENDITURE.								
7. Timber	—	—	3	—	—	—	—	—
8. Paint and oil	—	—	16	—	—	16	—	16
9. Labour and charges for wear and tear of tools	—	—	100	—	—	125	—	125
Total Indian expenditure	—	—	119	—	—	141	—	141
		Rs. ...	3,615	—	—	9,869	—	8,248
10. Contingencies at 5 per cent.	—	—	180	—	—	493	—	412
Grand total ...	—	—	3,795	—	—	10,362	—	8,660

Open Wagons.

Particulars of estimate.	Pre-war rates for 1 Sheffield-Twinbarrow type open wagon.			Present rates for 1 standard type open wagon				
	Contract amount.	Rate @ Rs. 15 per £.	Indian amount.	Contract amount.	Rate @ Rs. 12 per £.	Indian amount.	Rate @ Rs. 10 per £.	Indian amount.
ENGLISH EXPENDITURE.	£		Rs.	£		Rs.		Rs.
1. Underframes with fittings, body, and body fittings complete ...	170	@ Rs. 15 ...	2,550	426	@ Rs. 12 ...	5,112	@ Rs. 10 ...	4,260
2. Axle boxes and bearings				30	@ Rs. 12 ...	360	@ Rs. 10 ...	300
3. Bearing springs ...				30	@ Rs. 12 ...	360	@ Rs. 10 ...	300
4. Vacuum brake fittings				77	@ Rs. 12 ...	924	@ Rs. 10 ...	770
5. Wheels and axles ...	43	@ Rs. 15 ...	645	164	@ Rs. 12 ...	1,968	@ Rs. 10 ...	1,640
	213	@ Rs. 15 ...	3,195	727	@ Rs. 12 ...	8,724	@ Rs. 10 ...	7,270
6. Freight	—	@ 5 per cent.	160	—	@ 10 per cent.	872	@ 10 per cent.	727
Total English expenditure	—	—	3,355	—	—	9,596	—	7,997
INDIAN EXPENDITURE.								
7. Timber	—	—	3	—	—	—	—	—
8. Paint and oil	—	—	16	—	—	16	—	16
9. Labour and charges for wear and tear of tools	—	—	84	—	—	105	—	105
Total Indian expenditure	—	—	103	—	—	121	—	121
		Rs. ...	3,458	—	—	9,717	—	8,118
10. Contingencies at 5 per per cent.	—	—	172	—	—	486	—	406
Grand total ...	—	—	3,630	—	—	10,203	—	8,524

VII. Details of the proposed increase in the rates for the carriage of coal from 1st April, 1921.

The following is a comparison of the present with the proposed scale of rates for the carriage of coal for the public which will have effect from 1st April, 1921:—

Present.	Per maund per mile.	Proposed.	Per maund per mile.
For all distances up to 100 miles	0·15 pie	For all distances up to 200 miles ...	0·15 pie
Plus for any distance in excess of 100 miles and up to 200 miles inclusive ...	0·125 „	Plus for any distance in excess of 200 miles and up to 300 miles inclusive ...	0·13 „
Plus for any distance in excess of 200 miles and up to 700 miles inclusive ...	0·06 „	Plus for any distance in excess of 300 miles and up to 700 miles inclusive ...	0·07 „
Plus for any distance in excess of 700 miles	0·05 „	Plus for any distance in excess of 700 miles	0·06 „

A comparison of the two scales as calculated up to 1,500 miles is as follows:—

Miles.	Present scale per ton. Rs. As. P.	Proposed scale per ton. Rs. As. P.
100	2 2 0	2 2 0
200	4 0 0	4 4 0
300	4 13 0	6 2 0
400	5 11 0	7 1 0
500	6 8 0	8 1 0
600	7 6 0	9 1 0
700	8 4 0	10 1 0
800	8 15 0	10 15 0
900	9 10 0	11 12 0
1,000	10 6 0	12 10 0
1,100	11 1 0	13 8 0
1,200	11 12 0	14 5 0
1,300	12 8 0	15 3 0
1,400	13 3 0	16 0 0
1,500	13 14 0	16 14 0

CLEMENT D. M. HINDLEY,

5th March, 1921. *Agent*

APPENDIX A.

Statement shewing density of traffic during 1910, 1914–15 *and* 1919–20.

Names of Sections.		1910.			1914–15.			1919–20.		
		Up.	Down.	Total.	Up.	Down.	Total.	Up.	Down.	Total.
Naini-Jubbulpore	Passing ...	Tons. 401,888	Tons. 135,835	Tons. —	Tons. 917,573	Tons. 114,498	Tons. —	Tons. 1,970,282	Tons. 164,060	Tons. —
	Sectional ...	93,884	77,940	—	76,693	73,032	—	124,266	57,299	—
	Total	495,772	213,775	709,547	994,266	187,530	1,181,796	2,094,548	221,359	2,315,907
Allahabad-Cawnpore	Passing ...	1,238,540	286,363	—	2,108,424	299,165	—	2,644,602	280,974	—
	Sectional ...	80,056	124,825	—	67,894	106,579	—	76,420	74,900	—
	Total	1,318,596	411,188	1,729,784	2,176,318	405,744	2,582,062	2,721,022	355,874	3,076,896
Cawnpore-Tundla	Passing ...	1,069,565	226,466	—	1,885,273	242,289	—	2,353,692	236,992	—
	Sectional ...	107,120	128,649	—	80,244	96,683	—	95,878	77,592	—
	Total	1,176,685	355,115	1,531,800	1,965,517	338,972	2,304,489	2,449,570	314,584	2,764,154
Tundla-Ghaziabad	Passing ...	858,648	175,110	—	1,386,863	294,528	—	2,313,526	324,439	—
	Sectional ...	115,995	150,697	—	120,763	87,093	—	114,168	144,908	—
	Total	974,643	325,807	1,300,450	1,507,626	381,621	1,889,247	2,427,694	469,347	2,897,041
Ghaziabad-Delhi	Passing ...	764,740	114,183	—	1,295,873	212,734	—	1,673,449	129,665	—
	Sectional ...	145,070	134,913	—	150,724	120,273	—	174,280	104,948	—
	Total	909,810	249,096	1,158,906	1,446,597	333,007	1,779,604	1,847,729	234,613	2,082,342
Delhi-Ambala	Passing ...	378,200	33,270	—	498,597	35,310	—	605,027	42,446	—
	Sectional ...	104,784	119,484	—	116,290	131,396	—	144,238	133,778	—
	Total	482,984	152,754	635,738	614,887	166,706	781,593	749,265	176,224	925,489
Ambala-Kalka	Passing ...	25,159	14,929	—	24,592	18,758	—	32,137	27,873	—
	Sectional ...	39,312	69,851	—	34,546	41,694	—	38,233	49,918	—
	Total	64,471	84,780	149,251	59,138	60,452	119,590	70,370	77,791	148,161

APPENDIX B.

NOTE BY THE GENERAL TRAFFIC MANAGER.—DOUBLING OF LINE BETWEEN ALLAHABAD AND TUNDLA.

Agent's Letter No. W. 14303/362-08 P.A. 1 of 8th May, 1920.

1. Before going into the subject, I would like to draw attention to the material change which has occurred in the traffic conditions affecting this question.

2. In 1915-16, when the proposal for doubling the section above Allahabad was pressed, the position was that we were being called on to handle a volume of war traffic which was greatly in excess of our capacity above Allahabad. The movement of this traffic was absolutely essential, and it was necessary to adopt immediate measures for accommodating it. Some of these were in the nature of temporary expedients, while others involved permanent improvements.

3. Among the former, the following may be mentioned:—

(i) Reduction in passenger services.
(ii) Suspension of booking non-essential merchandise.
(iii) Closing of small stations.
(iv) Discontinuance of running work and van goods trains.
(v) Diversion of excess by other routes.

4. The permanent improvements actually provided included:—

(i) Installation of train control.
(ii) Reduction of block lengths by opening block huts, etc.
(iii) Provision of direct entrance sidings.
(iv) Construction of additional passing sidings.
(v) Improvements of the yards at the changing stations—viz., Allahabad, Cawnpore, Tundla and Ghaziabad.

5. It is important to remember that when the proposal for doubling the Allahabad-Cawnpore section was dealt with in 1915-16, the decision was necessarily affected by the special conditions then obtaining and which necessitated the immediate accommodation of a large volume of additional special traffic. As laying the double line was a question of time, this measure was deferred as not affording the immediate relief required.

6. The conditions have now changed, and it is unnecessary to revive the discussion on the same lines as followed previously. In the present circumstances, I propose to establish that the volume of traffic now available, and making reasonable allowance for expansion within the next few years, justifies the permanent increase in capacity which can only be obtained by doubling the Allahabad-Tundla section.

7. An essential preliminary to a proper examination of the proposition is to determine whether the capacity of the line is to be considered in relation to the operating conditions now obtaining as a result of the temporary expedients which we are still resorting to, or under normal traffic conditions. The present position is that—

(i) Our passenger train services have not been restored to their pre-war level and are admittedly inadequate, tending to retard development of traffic.
(ii) Running of work and van goods trains is suspended when necessary to limit the traffic to within the present capacity of the sections.
(iii) Bookings of merchandise traffic in the upwards direction is restricted even when stock is available in order to leave room for coal traffic.
(iv) Movement of pilgrims and other special traffic is discouraged, necessarily restricting traffic which might otherwise have offered.
(v) Small stations in the vicinity of the larger centres are still closed in order to obtain relief by forcing short lead traffic to the road.

That is, instead of fulfilling our obligations by providing facilities for an increasing business, we have been forced to discourage traffic, owing to our inability to accommodate any more than we have been doing under the present restrictive conditions. We cannot obviously maintain this position permanently, and in considering our claim, therefore, the adverse effect of these measures on our traffic and of their removal as hastening development, must be taken into account.

8. There is one more aspect of the question, to which prominent attention must be drawn as it has exercised an important influence on our operating results, *viz.*, the deterioration of the wagon stock on Indian railways. The result of this has been to reduce the transport capacity particularly on the busy single line sections. These can only be worked to their full capacity when the running of trains can be systematically arranged. Any interruption in the regularity of the service disorganises the whole arrangements, trains are longer on the road, and the terminals are inevitably congested, with the result that fewer trains can be run. As I will show later on, this has actually occurred, neutralising the various measures, both permanent and temporary, that have been taken to increase capacity.

9. From practical experience and working under favourable conditions, that is, with restricted passenger services, and excluding work trains, the maximum capacity of the sections above Allahabad are:—

	In each Direction.		In both Directions.	
	Passenger.*	Goods.	Passenger.*	Goods.
	No.	No.	No.	No.
Allahabad-Cawnpore	5	14	10	28
Cawnpore-Tundla	5	14	10	28

*Including Parcels Express.

10 It is, of course, impossible to work up to these limits regularly and consistently as so many unforeseen contingencies arise from day to day, as a consequence of which the number of trains which can be run is reduced. These contingencies include accidents on this as well as foreign railways, insufficiency of empties in the coal fields, restrictions imposed by foreign railways and congestion at junctions, terminals and changing stations. If more than one work train is run in each direction the capacity is reduced to 12 trains each way, owing to the longer occupation of the road by these slow trains, the blocking of the sections while shunting is in progress and the delays in arranging crossings without undue detention to work trains.

11 The average results (expressed in trains) actually obtained during the last 3 years are as under. These results represent the maximum transport capacity of the sections under actual working conditions and as affected by contingencies of all kinds. The figures for 1919 are not up to those of the two preceding years, as the train capacity of the sections was adversely affected by the restrictions necessitated by the relaying operations on the Cawnpore-Tundla length, the remodelling of the Cawnpore yard and the habitual delays due to hot axles, etc., on the deteriorated rolling stock. These causes also reached on the section below Cawnpore—

	Allahabad-Cawnpore.			Cawnpore-Tundla.		
	Passenger.*	Goods.	Total.	Passenger.*	Goods.	Total.
	No.	No.	No.	No.	No.	No.
1917	10	27	37	10	22	32
1918	10	26	36	10	24	34
1919	10	23	33	10	21	31

12. In considering these figures it must be remembered that—

(*a*) they are merely averages, the actual number varying and frequently being up to maximum capacity.

(*b*) they are affected by the extent of traffic moving upwards from below Allahabad, which in the past has been largely dependent on the number of wagons available in the coal fields, and this is in turn governed by the action of foreign railways in returning empties or not.

(*c*) they are affected by the position on contiguous railways and the limitations imposed by them at junctions.

(*d*) they vary with the average number of hours on the road, which for various reasons has gone up

The main point is, and it can be confidently asserted, that having regard to the varying conditions obtaining from time to time, these figures represent the maximum working capacity, in terms of trains, of the sections from day to day.

13. If we deal with traffic capacity as expressed by number of passengers and tons of goods. the position is illustrated by the following statements showing the approximate weight of goods and number of passengers carried over the following sections during the years 1919-20 and 1918-19, the " Passing " and " Sectional " traffic being distinguished.

Sections.	1919–20.							
	Goods.				Passengers.			
	Passing.		Sectional.		Passing.		Sectional.	
	Up.	Down.	Up.	Down.	Up.	Down.	Up.	Down.
	Tons..	Tons.	Tons.	Tons.	No.	No.	No.	No.
Allahabad-Cawnpore ...	2,619,270†	257,830	13,850	8,932	253,320	231,440	625,700	659,680
Cawnpore-Tundla	2,328,628†	213,740	26,416	11,570	250,640	232,520	694,620	660,220
Tundla-Ghaziabad	2,244,690†	245,537	30,382	57,404	688,360	789,020	842,860	875,040
Ghaziabad-Delhi	1,624,267	85,987	146,200	79,652	491.820	436,780	280,800	252 960
Delhi-Ambala	594,159	32,146	51,984	43,742	108,680	103,000	922,540	900,360

Sections.	1918–19.							
	Goods.				Passengers.			
	Passing.		Sectional.		Passing.		Sectional.	
	Up.	Down.	Up.	Down.	Up.	Down.	Up.	Down.
	Tons.	Tons.	Tons.	Tons.	No.	No.	No.	No.
Allahabad-Cawnpore ...	2,938,119†	360,599	10,178	6,108	247,640	229,700	482,350	462,840
Cawnpore-Tundla	2,604,716†	288,771	45,839	28,341	244,490	212,380	659,310	676,110
Tundla-Ghaziabad	2,659,353†	395,561	18,142	74,000	634,970	604,150	598,430	635,520
Ghaziabad-Delhi	2,311,256	216,791	210,191	132,950	454,430	384,170	275,400	241,480
Delhi-Ambala	62,078	196,569	37,009	142,741	43,000	56,300	865,290	835,180

* Including Parcels Express.

† These figures do not include weight of North Western Railway Coal diverted *via* Moghalserai which is as under:

1919–20 ... 323,298 tons } approximately.
1918–19 ... 661,032 „ }

14. In regard to passenger traffic, it will be noticed that the "passing" traffic, both up and down, was slightly heavier, while in the sectional traffic a marked expansion is disclosed. On the Allahabad-Cawnpore section the aggregate up and down passengers moving on the section was 1,285,380 in 1919-20, as compared with 945,190 in the preceding year. On the Cawnpore-Tundla section the comparative figures are:—

1919-20	1,354,840
1918-19	1,335,420

and these results were secured in spite of the curtailment in facilities for passenger traffic and as there was no corresponding increase in the number of trains, the results clearly indicate inadequate facilities.

15. In regard to goods traffic, the figures disclose a contraction of about 300,000 tons in the up passing traffic due to—

(1) Fluctuation in volume of merchandise traffic (other than coal) moving upwards attributable to—
  (*a*) booking being restricted owing to shortage of wagons, &c.
  (*b*) falling off in certificated traffic.
  (*c*) fluctuations due to other economic causes.
(2) Smaller coal traffic to North Western Railway and Bombay Baroda and Central India Railway *via* Agra East Bank.
(3) Less diversion of coal *via* Cawnpore and *via* Jumna Bridge.
(4) Shortage of stock, making it impossible to meet the demand for wagons. This was the result of Foreign Railways not returning empties in sufficient numbers.

The sectional goods traffic on the Cawnpore-Tundla section was also smaller, due mainly to local merchandise traffic being shut out as explained in para. 2.

16. Notwithstanding the contraction the traffic offering was actually in excess of our capacity; this is established by the fact of our being forced to make use of the Oudh and Rohilkhand Railway route from time to time and divert trains *via* Moghalsarai when the number exceeded our capacity. The following statement showing the average number of trains diverted daily will indicate the extent of the excess:—

1917	2·7
1918	2·5
1919	1·4

The only effect of the decrease in volume was a corresponding falling off in the number of trains it was found necessary to divert. In many cases, these diversions were necessary owing to capacity being temporarily reduced by accumulation at junctions and changing stations arising from the inability of contiguous railways to accept regularly all the traffic that we were able to offer. That is, we were penalised and lost freight and the use of our stock owing to the inadequacy of neighbouring railways' arrangements.

17. Apart from this, as already pointed out, the question as to the necessity for increasing capacity by doubling the line must be considered from the point of view of more or less normal conditions and having regard to the necessity for efficient disposal of existing traffic and for an intelligent anticipation of future traffic developments. In regard to passenger traffic, I give below two statements showing for 1913-14 and 1919-20, the pre and post-war years—

(*a*) the passenger services.
(*b*) the sectional and passing passenger traffic.
(*c*) the earnings on parcels traffic.
(*d*) the sectional and passing goods traffic.

	Services in each direction.	
	1913-14.	1919-20.
Mail	1	1
Express	2	1
Passenger	2	2
Parcels Express	1	1

(b) *Traffic (Allahabad-Tundla Section).*

	PASSENGERS.							
	1913-14.				1919-20.			
	Passing.		Sectional.		Passing.		Sectional.	
	Up.	Down.	Up.	Down.	Up.	Down.	Up.	Down.
	No.	No.	No.	No.	No.	No.	No.	No.
Allahabad-Cawnpore	257,113	291,114	481,844	462,936	253,320	231,440	625,700	659,680
Cawnpore-Tundla	266,547	272,044	837,839	813,499	250,640	232,520	694,620	660,220
	1,086,818		2,596,118		967,920		2,640,220	

(c) Parcels earnings.

	Rs.
1913-14	20,47,018
1919-20	54,33,340

(*d*)

	GOODS.							
	1913–14.				1919–20.			
	Passing.		Sectional.		Passing.		Sectional.	
	Up.	Down.	Up.	Down.	Up.	Down.	Up.	Down.
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Allahabad-Cawnpore	1,725,089	329,650	12,710	5,610	2,619,270	257,830	13,850	8,932
Cawnpore-Tundla...	1,506,626	241,351	24,453	43,056	2,328,628	213,740	26,416	11,570
	3,802,716		85,829		5,419,468		60,768	

Passenger Traffic.

18. The comparative results show that the restrictive policy adopted and as represented by curtailment in services, withdrawal of return ticket concessions and enhancement in fares was successful in preventing the continued development which would have occurred in normal times. As this policy cannot be continued indefinitely, provision for expansion must obviously be made. Even to meet the current demand, we must at least revert to our pre-war standard of services, as, in spite of discouragement the number of passengers is rapidly approaching the level reached in 1913-14. With improved facilities, this number will soon be exceeded, and further additional services will be necessary. The results in respect to passenger traffic, although below those of 1913-14, are considerably in excess of the figures for 1918-19 when conditions as to train facilities and fares were much the same and there are grounds for anticipating that this rate of progression will not only be maintained but exceeded as soon as the facilities and services are improved. One, amongst other reasons, justifying this anticipation of more rapid development in the future, is the possible effect of the proposed broad gauge connection between Agra and Karachi. This, by opening up new country and affording direct trunk connection between the United Provinces and the rapidly growing Port of Karachi, is bound to lead to a rapid expansion in the passenger traffic over the Allahabad-Tundla section of this railway. Increasing industrial activity, the withdrawal of restrictions in regard to the internal movement and export of agricultural produce, and improvement in the shipping facilities are also bound to promote the movement of passengers and we are under definite obligation to make intelligent provision for meeting public requirements.

It will be noticed that the Express service, which was inaugurated mainly to promote the development of a long-lead Intermediate and Third class traffic has been reduced, and while the reduction may have been justified during the war, we cannot obviously continue this policy of curtailing facilities indefinitely, and there is no doubt that if we are to encourage further developments we must increase our services.

Parcel Traffic.

19. In regard to Parcels, if we are to be progressive and develop traffic as we are bound to, our facilities must be increased. The marked advance in earnings as shown in the statement on page 4 indicates the extent to which this traffic has grown and it is bound to continue developing, particularly in respect to such items as ice, fresh fruit, fish and other perishable commodities, as well as live-stock, motor-cars, &c. Our present single service is being worked to its full capacity and we shall have soon to consider the question of inaugurating another Parcels Express service. Taking all the factors into consideration, I estimate that during the next six or seven years—about the time it will take to construct the second line—our services over the Allahabad-Tundla section in each direction will be—

Mails	2	1 Punjab. 1 Sindh and Rajputana.
Express	2	1 Punjab. 1 Sindh and Rajputana.
Passenger	3	
Parcels Express	2	

The increase in these services will inevitably reduce the capacity for goods traffic

Goods Traffic.

20. In regard to goods, the 1919-20 figures represent an expansion of 41 per cent. as compared with 1913-14 and with increasing industrial activity, the opening up of new country, the improvement in methods of agriculture, the increase in area under cultivation as a result of irrigation, improved transport and the greater prosperity of the masses due to industrial development will ensure at least an equally rapid rate of progression. It must be remembered also that improvements are being made in other localities to meet probable growth of business, and as part of this new traffic is bound to require transport above Allahabad, failure to make adequate provision for accommodating it will have the result of unduly limiting the benefits anticipated from such improvements and developments. For instance, the question of increasing the loading capacity of the coal district is now under consideration and when these additional facilities are provided, new coal areas opened up, the Grand Chord doubled, and engine and wagon stock increased and improved, there is bound to be a continued expansion in the upwards coal traffic, and unless the demand for transport can be efficiently met, progress will be retarded instead of being facilitated by the transport agencies.

21. On the Allahabad-Cawnpore Section the up passing traffic in 1919-20 was about 894,000 tons more than in the pre-war year, while for the Cawnpore-Tundla Section the excess was but little less, being just over 822,000 tons more than in 1913-14. Assuming an increase of a further million tons during the next seven years, the volume of traffic to be operated over these sections will be—

	Tons.
Allahabad—Cawnpore	3,619,270
Cawnpore—Tundla	3,328,628

or an increase of 40 per cent. roughly on the 1919-20 figures. If the same standard of operation is maintained as in 1919-20 in respect to wagon and train loads, we shall have to accommodate a correspondingly larger number of through trains, adding to the 1919 figures the trains diverted (about three per diem, *i.e.*, 1·4 in each direction) as a temporary expedient. The number of trains to be moved will then be—

Allahabad—Cawnpore	36 trains.
Cawnpore—Tundla	34 ,,

To these must be added the van goods and work trains, which are now run periodically instead of daily as was done in pre-war days. These services are also likely to increase, and I anticipate the traffic will demand at least one more work train in each direction. The total train services will therefore be—

	Allahabad—Cawnpore.	Cawnpore—Tundla.
Mail and passenger	18	18
Through goods	36	34
Working goods	6	6
Total	60	58

These are averages, and in the busier months of the year, October to June, are likely to be exceeded and we may, on occasions, be required to run two or three additional trains in each direction. It needs no argument to establish that these figures, which are based on a moderate estimate of future traffic developments, clearly indicate the necessity for doubling the line.

22. In the past, as a temporary expedient, we have diverted the overflow to alternative routes, but such diversion is not in the general interests as except for a comparatively small proportion of the traffic such diversion involves unnecessary haulage and dislocation of the arrangements of the two railways. The traffic mainly affected is that between Moghal Sarai and below and the Punjab. I attach a North-Western Railway map variously coloured, to indicate the shortest routing from Moghal Sarai to the various sections of the North-Western Railway, which is as under—

Section A	coloured green ...	... *Via* Moghal Sarai and Saharanpur.
,, B	,, pink ...	... ,, Delhi.
,, C	,, blue ...	... ,, Agra East Bank, Kuchaman Road and Hyderabad.

In regard to A, the comparative distances between Moghal Sarai and Ambala are:—

	Miles.
Via Oudh and Rohilkhand Railway and Saharanpur	571
,, Delhi and D.-U.-K.	608

In regard to B, the comparative distances between Moghal Sarai and Delhi are as under:—

	Miles.
Via East Indian Railway	485
,, Oudh and Rohilkhand and Ghaziabad	500

In regard to C, the distances by the various routes to Karachi compare as under:—

		Miles.
(1)	*Via* East Indian Railway Agra and Kuchaman Road ...	1,153
(2)	,, East Indian Railway and Delhi Southern Punjab ...	1,392
(3)	,, East Indian Railway D.-U.-K. and Ambala	1,456
(4)	,, Oudh and Rohilkhand Railway and Saharanpur ...	1,418

23. The most important traffic is, of course, coal, which is routed generally as follows:—

A. To Green area ... ... *via* Ambala.
B. To Pink area ... ... *via* East Indian Railway and Delhi.
C. To Blue area ... ... *via* D.-U.-K. and Ambala.

In regard to A, as the traffic originates on our line we are entitled to route it *via* Ambala, which gives us the best return. Moreover, owing to our operation being more economically effected the actual cost of conveyance per ton between Moghal Sarai and Ambala is less by our route, notwithstanding the longer haul, as illustrated by the figures below:—

I.

Via *East Indian Railway*.

Distance, Moghal Sarai to Ambala	608 miles.
Average cost per ton on East Indian Railway ...	1·24 pies per ton mile.
Total cost per ton Moghal Sarai to Ambala	Rs. 3-14-10.

II.

Via *Oudh and Rohilkhand Railway and Saharanpur*.

(*a*)

Distance, Moghal Sarai to Saharanpur	520 miles.
Average cost on Oudh and Rohilkhand Railway ...	1·86 pies per ton mile.
Total cost per ton Moghal Sarai to Saharanpur ...	Rs. 5-0-7.

(*b*)

Distance, Saharanpur to Ambala	51 miles.
Average cost on North-Western Railway	2·62 pies per ton mile.
Cost from Saharanpur to Ambala	Rs. 0-11-2 per ton.
Total cost Moghal Sarai to Ambala	Rs. 5-11-9.

That is, there is an average saving in cost of Rs. 1-12-11 per ton in conveying the traffic by our route.

(B.) Until December, 1916, traffic for stations in this section beyond Bhatinda followed the *via* Ambala route, but as the North-Western Railway declined to apply the rates calculated on the mileage by the shorter route *via* Delhi, to the longer route *via* Ambala, we were compelled to book traffic to the stations included in this section *via* Delhi (*vide* correspondence ending with Agent's docket No. 30802 T. of 29th December, 1916.)

(C.) In regard to traffic in the Blue area, which includes Karachi, the *via* Ambala route is still followed.

In connection with this traffic, it may be noted that the shortest route is not used because—

(i) It involves two transhipments, *viz.*, at Agra East Bank and Kuchaman Road.

(ii) It is unable to accommodate the traffic.

(iii) The broad gauge route, though longer, is more efficient.

24. It must be remembered also that, when the project for a broad gauge connection from Agra to Karachi materialises, this route will be much shorter than any of the existing routes and as efficient, and the suggestion to make use of the Oudh and Rohilkhand Railway route will not apply to this traffic. Although the *via* Moghal Sarai-Saharanpur route is shorter than the route actually followed, *viz.*, *via* Ambala, the Oudh and Rohilkhand Railway cannot reasonably claim this traffic as we can provide a shorter connection *via* Delhi and in any case we can carry it more cheaply as shown in the preceding para.

25. Under our agreement with the Oudh and Rohilkhand Railway, the arrangement in respect to routing traffic between

MOGHAL SARAI AND BELOW AND THE PUNJAB.

is that equal rates shall be maintained by the two routes. Under this arrangement the upwards traffic, the booking of which is in our hands goes *via* Delhi or *via* Ambala, while the downwards traffic, booked by the North-Western Railway, is routed *via* Delhi or *via* Ghaziabad. The latter gives the North-Western Railway a longer lead than *via* Saharanpur. The only traffic therefore in respect to which the Railway Board's suggestion, as to making use of alternative routes, can be applied is traffic for the Green area, for which the Oudh and Rohilkhand offer a shorter route. But even this application would be unfair because—

(i) It is in contravention of an agreement come to in 1889 under which the East Indian Railway secured this traffic by making important concessions in other directions.

(ii) The difference in distance is trifling.

(iii) Notwithstanding the longer haul of 37 miles by our route, the cost per ton is less than *via* Moghal Sarai and Saharanpur.

(iv) The arrangement would deprive us of the important and universally recognised right of the forwarding railway to book traffic by the route giving the best return, provided the public do not suffer. They do not in this case, as equal rates are maintained *via* Moghal Sarai, *via* Ghaziabad and *via* Ambala, which gives the public a treble selection.

(v) It would involve serious loss to the Delhi-Umballa-Kalka Railway.

(vi) The diversion of this traffic would not materially affect the density of traffic over the Allahabad-Tundla Section, as it is estimated that less than one-third of the traffic from below Moghal Sarai moving *via* Ambala is for stations within the green area. That is, the density figures given in the statements on page 4 for 1919-20, would be reduced by about 200,000 tons roughly. Even if, in spite of the reasons against it, the diversion of this traffic is effected, the relief afforded will be trifling and the development anticipated will soon more than make it up. It will not affect the passenger service, which we shall have to maintain in any case for the convenience of traffic originating at stations above Moghal Sarai.

26. The possibilities of development in the *via* Ambala traffic are not to be compared with the prospect of development to *via* Agra, with the probability of the Agra-Karachi trunk line materializing within the next few years and resulting in:—

(i) the opening out of large tracts of new country,

(ii) the improvement in services to other tracts, and

(iii) increasing the popularity of Karachi as the outlet for the exportable produce of the United Provinces.

27. I think we may reasonably claim to have established our case for doubling the Allahabad-Tundla Section, on the following grounds:—

(i) That notwithstanding the limitations imposed by existing abnormal conditions, the traffic is at present in excess of the capacity. That these restrictions constitute a serious handicap on the trade and industry of the country and can only be permanently removed by increasing the capacity.

(ii) That we are bound to improve our facilities in respect to both passenger and goods traffic by improving the existing and adding new services, increasing our engine and wagon stock, etc. That we can only safely do this by increasing the transport capacity so as to accommodate the additional traffic.

(iii) That developments likely to occur in the near future will result in a rapid expansion of the traffic over these sections which we must be prepared to carry.

(iv) That we have exhausted practically all the other alternatives to doubling, and

(v) If the capacity above Allahabad is not increased to meet the growing traffic it will mean that traffic over the Moghal Sarai-Allahabad section will have to be restricted to the limits of the sections above and this will mean that the full benefits which should accrue from the expenditure involved in increasing the capacity of the line below Moghal Sarai cannot be availed of.

28. In conclusion, I would remark that unless early measures are taken for increasing the capacity of the upper sections of our line, we shall probably find ourselves again overtaken by traffic developments and lay ourselves open to the usual charge of having failed to anticipate and provide for a more or less obvious expansion of traffic.

P. C. SHERIDAN,
General Traffic Manager.

CALCUTTA,
22nd September, 1920.

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STATEMENT No. 17.

MESSRS. MARTIN & CO., CALCUTTA.—LETTER DATED 30TH DECEMBER, 1920.

Part I.—Management.

Question 1. On the whole we prefer Company management to State management. We consider the former more individual, in better touch with the public and especially the commercial public, more susceptible to public opinions and needs. See oral evidence, paragraphs 4170/4182.

The servants of a company-managed railway spend the whole of their service in that company, grow up with it and look to it for a direct advancement in return for good work.

Question 2. We do not, however, consider the difference in working of the two systems sufficiently manifest to justify a transference of all existing State-managed railways to company management, but would like to see officers of State railways transferred less from one system to another, and, in fact, as far as possible, kept on one system of railways.

Question 4. With regard to existing companies, we consider that the profit-sharing basis should be such as to give the shareholders a real stake in the company.

Question 3. Whether the company should have English or Indian domicile is a matter of finance. If India can raise the money (either in India or elsewhere) necessary to manage and develop her railway systems, we are of opinion that the companies should be domiciled in India.

Question 5. We do not attach very great weight to the opinion sometimes expressed that Boards domiciled in England are out of touch with Indian needs or that undesirable delay occurs, but, on the other hand, provided the financial question can be met, we are in favour of Boards domiciled in India, as India, provided she can find the money, has a right to work and manage her own railways.

Questions 7, 8. We consider that suitable Boards of Directors could be found in India, and that lack of continuity would not be great enough to prejudice their work. Government interest could be safeguarded by a Government nominee.

Question 6. We consider that each Board should consist of the Agent, General Traffic Manager, a Government nominee, and four or five members of the commercial community (Indian and European). It would probably be necessary for the Government nominee to have some powers of veto or reference to Government.

Question 7. We do not consider it necessary for the commercial members to be in any way skilled in railway work, but a commercial knowledge or experience of railways, provided the member was suitable in other respects, would be an additional advantage.

Question 9. We do not consider that a combined system of management by a Board in England and another in India would prove satisfactory for long, but some such arrangement might be come to with a view to bridging a difficult period of transference from England to India.

Part II.—The Railway Board.

Questions 10, 12, 13. Our general impression is that the Railway Board has failed to give satisfaction. How far this is due to financial stringency we are unable to say, but we are of opinion that the working of the Board is cumbersome and over-given to centralisation. We are of opinion that the Board's control is too tight, and would prefer to see a freer hand given to the heads of the different railways.

Part III.—Railway Finance.

Questions 17, 18. In our opinion want of funds is the sum and substance of all that is wrong with the railways, and funds have been inadequate under all heads. With such funds as are available it is, in our opinion, best to maintain and improve existing railways before allotting money for extensions or new projects.

Question 21 The branch line terms are satisfactory provided the guaranteed rate of interest is brought up to date with market conditions. There is, however, one serious objection when the main line undertakes construction of the branch line on behalf of the new company. The main line supplies an estimate of cost on which the new company is floated and there is nothing to prevent a series of revised estimates, following after construction has begun, until the prospects of the new company have entirely vanished before open line working commences.

Question 20. Every effort should be made to raise funds both in India and the United Kingdom and also by the encouragement of private enterprise.

Questions 28, 26 (*a*). We would advocate the separation, if possible, of the railway budget from the ordinary Budget of India. What is wanted, above all, is a steady supply of funds and a continued programme of maintenance, development and extension.

(*b*) We consider that railway rates should be raised as far as it is necessary to put the railways on to a sound commercial basis.

Part V.—General.

Question 34. We consider the carrying capacity of the various railways inadequate. Instead of being slightly ahead of requirements they are unable to meet the present needs. The commercial public sees chiefly shortage of wagons, but how far wagon shortage is due to a lack of wagons or to the lack of facilities for a proper use of wagons we are unable to determine. It is obvious that the general development of facilities such as yards, sidings, extra tracks, etc., etc., should keep pace with the increase of wagon supply.

To put things right, the chief need is an adequate and continuous supply of funds.

Question 35. Our firm is chiefly concerned with light feeder railways, and at one time these formed an important department of our business, but gradually the delays in obtaining sanction for a project became intolerable, terms offered became more and more stringent until it appeared obvious to us that Government did not wish to encourage private enterprise in this direction.

We are still, however, of the opinion that private enterprise in this direction could be encouraged to great advantage to the country and to the main systems of railways, provided suitable terms are offered.

STATEMENT No. 18.

THE MARWARI ASSOCIATION, CALCUTTA.—ANSWERS TO THE QUESTIONNAIRE.

See oral evidence, paragraphs 4198/4226.

The Marwari Association desire to express their views on Parts I and IV only of the questionnaire issued by the Indian Railway Committee.

Part I deals with the question of management of railways owned by the State. Part IV relates to the Government control of rates and fares and to the question of settlement of disputes.

Part I.—Management of Railways owned by the State.

Questions 1-9. After considering the relative advantages, financial and administrative, of the four methods of management of State-owned railways, namely, (a) direct State management, (b) management through companies domiciled in England with Boards sitting in London, (c) management through companies domiciled in India with Boards sitting in India, and (d) management through a combination of (b) and (c), the Marwari Association have come to the conclusion that taking into consideration the special circumstances of India, the method of direct State management is the most suitable for the country.

The Association are opposed to the management by companies of State-owned railways because such companies being formed entirely of Europeans, they naturally pay regard to their own interests and those of the countries they represent above, and frequently in disregard of, the interests of India and Indians who have provided the bulk of the capital invested in Indian railways. The result of such management in India has been prejudicial to internal trade and commerce and to the development of indigenous industries. Moreover, by setting up differential treatment, such management has produced discontent in the country. The Association think that management by companies domiciled in India with Boards sitting in India or through a combination of the aforesaid two systems of company management would be equally objectionable from the point of view of Indians.

In advocating State management of State-owned railways, the Association do not mean that the present system of State management meets with their approval. They advocate State management because they believe that under the reformed constitution the system will be gradually improved and modified according to the wishes and needs of the people of the country. The main grounds on which the Association base their preference for State management are the following:—

(1) It will help the development of national trade and commerce more than the system of company management.
(2) It will foster and encourage the growth of indigenous industries more than the system of company management.
(3) It will help the growth of inter-provincial trade.
(4) It will encourage the appointment of a larger number of Indians, specially in the superior ranks of the railway services than at present.
(5) It will pay greater heed to the comforts and requirements of Indian passengers.
(6) It will put an end to the present differential treatment in the matter of goods traffic as well as of passenger traffic.
(7) It will make a substantial saving in expenditure by making available to Government the amount that is now paid as companies' share of the surplus profits.
(8) It will bring the railway expenditure under public scrutiny and make it possible to introduce more economical methods of railway administration.
(9) It will make the railway administration more amenable to Indian public opinion.
(10) It will put an end to the present predominant influence in railway administration of parties whose permanent interest lies elsewhere than in India.

The system of State management of railways is in existence in some of the most advanced countries in the world where it has been a success. The Association do not understand why the system should not be a success in India also.

The Association have not mentioned any instances to illustrate their arguments. If the Railway Committee so desires, the gentleman who has been appointed to represent the Association before it will, when tendering his evidence on any point arising out of this Statement, mention, if asked, any such instances.

Part IV.—Government Control of Rates, and Settlement of Disputes.

Questions 30 and 31.—Government possesses very great powers over railway administrations in respect of rates and fares, but it does not appear that these powers are adequately exercised. Further, the Association do not consider that the powers delegated to railway administrations in the matter have been wisely used in the interest of the public.

Protests have been repeatedly made against the rates in force as being inequitable, unfair and unjust and as being prejudicial to the interests of trade, commerce and industries of the country. But no proper action has so far been taken by either Government or the railway administrations to remedy the evils complained of. The Indian Industrial Commission, in the Chapter on Industries and Transport in their Report, point out various anomalies of the present system of rating and support their arguments with illustrations. Sir Vithaldas Thackersay, in moving in the Imperial Legislative Council in March, 1912, his resolution for the appointment of a Committee of Enquiry to investigate the policy followed by railways in the fixing of goods tariffs and its effects on the development of Indian industries and on interprovincial traffic, dealt with the question at considerable length and quoted several instances of such rates. The Association are not aware that anything has been so far done to remove the complaints that have been made in the matter.

Question 32.—The machinery provided by the Indian Railways Act for the appointment of railway commissions to settle disputes between railway administrations and traders does not appear to the Association to be either effective or adequate. They would suggest the constitution of a machinery on the lines of that which exists at present in the United Kingdom for a similar purpose There exists in the United Kingdom a Railway and Canal Commission for the settlement of disputes in matters of railway rates and fares. A resolution published by the Government of India in 1887 stated that care would be taken to secure the same rights to the public in India as are enjoyed by the public in England by her Railway and Canal Traffic Acts. One of the important provisions of English law, as is in force at the present moment, is the control exercised over railways by the Railway and Canal Commissioners. That it was the intention of the Government of India that India should have the same rights as are enjoyed by the British public in the matter is evident from the terms of the resolution of the Government of India to which reference has just been made. In this connection the Association would like to quote an observation made by Sir W. M. Acworth in 1916 in support of this proposal. He said that " Railway rates and fares should be fixed by expert general manager, subject always to be brought before a competent tribunal and required to satisfy that in fixing any rate he has given to the study of the question the best brains he has possessed and that he has been justified by no motive which cannot be publicly avowed." The matter is, the Association considers, deserving of careful examination. A suggestion that the Association desires to make in this connection is that care should be taken so that the purposes of the machinery may be secured, as far as possible, without adding to the cost of administration. It is important not only that the administrative machinery should be as economical as possible, but that it should have an adequate Indian representation.

Question 33.—The Association would suggest that properly constituted conciliation boards consisting of representatives of the public and of railway officials be formed for considering the grievances of the public and for bringing about better relations between the public and the railways by interchange of views.

STATEMENT No. 19.

Babu Debi Prosad KHAITAN, Representative of Messrs. Birla Bros., Ltd., Calcutta.

Part I.—The Management of Railways Owned by the State.

Question No. 1.—Our experience of railway affairs extends both as members of the commercial community (our parent firm being over 40 years old) and of the travelling public. Having fully considered the question from all points of view, we can say without any hesitation that railways owned by the State should be managed directly by the State and by no other agency whatsoever. The reasons which have led us to come to this conclusion may be shortly stated to be as follows :—

The railway system is one peculiarly intended for the benefit of the country and its inhabitants no less than posts, telegraph, irrigation, etc. It is for this reason that State sanction is always necessary regarding the route, conditions, etc., before a railway line can be established, and that the State often gives necessary support and protection to all railways. If the question is considered from this basic standpoint, viz., the good of the country, we feel confident that there can be no two answers to it.

The circumstances in which eminent Indian public men—both commercial and non-commercial—have repeatedly brought this question to the fore may be divided into the following heads :—

(*a*) Ownership.
(*b*) Economic development of the country, including the growth of Indian trade, commerce and industry.
(*c*) Needs and comforts of the travelling public.
(*d*) Control of the State for public purposes.
(*e*) Employment of Indians.

(i) *Ownership.*—By its very wording the question relates only to railways owned by the State, *i.e.*, to railways the cost of which has been supplied by the State. It is a truism to say that any sensible owner would in all circumstances keep his properties under his own management. He has a right to do so, and would resent any encroachment upon it by anybody whomsoever. Such is also the feeling of the Indian community in regard to the Indian railways financed by the Government of India. Indians justly claim that they, having paid for the establishment of the railways, must be allowed to have adequate control over their management through their representative Legislative Assembly. It is, in fact, an encroachment upon their fundamental right as owners that the management of their property, which is particularly capable of adversely affecting their daily

wants and comforts, should be passed over to other hands, the more so when they find that the direction of affairs by others has been not only injurious to their economic interests, but has tended to their own humiliation and exclusion, and to an utter disregard and neglect of their comforts and requirements.

(ii) *Economic development of the country, including the growth of Indian trade and commerce.*—Sir Ibrahim Rahimtullah, when moving his resolution of the management of State railways by the Government at the Indian Legislative Council in 1915, clearly showed how management of railways by companies operated to the great injury of Indian interests, and we are quite in accord with every word that he said on that occasion.

One of the principal uses of railways is to help the economic development of the country. The most effective way in which this can be done is by developing indigenous industries.

In India the railway administration follows a policy which, rather than helping the development of industries, retards their growth. The rates that are in force are such as to encourage the import of foreign commodities and the export of raw materials out of India rather than their manufacture in this country. This prejudices the growth of indigenous industries. The proper course for the development of industries would be to afford concessions for such industries. But, instead of this, the present Railway Administration has in many instances fixed rates which favour foreign manufactures, thereby placing indigenous industries under a double handicap.

Very intimately connected with the question of development of indigenous industries is the question of development of trade and commerce. It is well known that the present system of rating has resulted in accentuating inequalities and has tended to operate to the disadvantage of internal traffic. The present low port rates are due generally to the competition between rival railway companies, each of which looks to the matter from the point of view of its own particular interest. In the case of through rates, that is, rates for traffic going over more than one railway line, the practice prevailing in India is that rates are calculated on the distance to the junction only, or, in other words, on the local distance of each railway. As the Indian Industrial Commission has pointed out, railways should accept the principle which is followed in many other countries, that a consignment travelling over more than one line should be charged a single sum based on the total distance. Mr. T. Robertson, Special Railway Commissioner, who came out to India in 1901, in his report published in 1903 pressed the same view. He observed that this was, in fact, expected by the Railways Act, but in practice it was rarely done.

Instances might be given in proof of the above statements. Those who are entrusted with the control of the railway policy and administration, being Britishers, are naturally anxious to advance the interests of the companies they represent and the country to which they belong.

(iii) *Needs and comforts of the travelling public.*—It is hardly necessary to state at any length that on the railways the needs and comforts of Indians are not properly attended to. Often, on the other hand, they are placed in a position of positive worry, and specially is this so when they compare their lot to the great attention paid to, and the lavish expenditure incurred on, European passengers. Not to speak of railway officials, even European passengers think that they are masters of the situation, and in many cases do inflict pain of body and mind on Indian passengers. We do not exaggerate when we say that railway journeys are one of the most fruitful sources of discontent and unrest and racial hatred in the country.

For Indian passengers generally there is no proper arrangement for food and drinking water, and even in the summer months drinking water is not available at a large number of stations. Lavatory and other arrangements, specially in the higher classes, are made to suit the habits of Europeans and not of Indians.

The lot of the lower-class passengers is positively miserable. There is no proper waiting-room, booking is not opened at suitable periods to enable them to buy their tickets conveniently, they are not allowed to enter the platform at convenient times, the compartments are overcrowded and dirty, and, in short, the passengers are not treated like human beings.

(iv) *Control of the State over the Railways for public purposes.*—These include Army requirements, and this head does not require treatment at any length.

(v) *Employment of Indians.*—It is a notorious fact that the higher appointments in the railways are mostly held by non-Indians. This has been so not because the services of capable Indians cannot be secured for many of these appointments, but because the railways, being either company-managed or their heads being Europeans, they are naturally anxious to help people of their own race, and when these are not available, youths belonging to the domiciled community. "It should be clearly understood," announced a resolution of the Government of India a long time ago, "that all posts in the revenue establishments of State railways are open to natives of India, and as men in every respect qualified for the superior grades are found, the Government of India will be glad to receive from Local Administrations recommendations for their employment in suitable positions." The resolution from which the above extract is quoted was issued in 1879, yet in 1913 there were only 11 Indians in the higher grades of the revenue establishments of State railways, which comprised 214 officers. Ten of them were employed in the traffic branch, which consisted of 112 officers. One of the most important among company-managed railways used to exchange passes for employés belonging to the domiciled community working in other railways with its own. But it did not issue such passes to Indian employés. We do not know whether the company referred to above still pursues this course. Such invidious distinction should certainly not be allowed to exist.

All these considerations inevitably lead to only one conclusion, viz., that in the interests of India and its people the management of railways by the State is a dire necessity. This is specially so in view of the political outlook, the awakening of Indians, the growing aspirations of Indians for control over their own affairs, and the increasing association of Indians in every branch of administration.

Another very important argument in favour of State management of railways is the saving that such a course would make to the State of the amount of surplus profits received by companies. This amount came up to Rs. 115·57 lakhs in 1916-17, to Rs. 149·16 lakhs in 1917-18, and to Rs. 189·63 lakhs in 1918-19.

One of the dangers of State management has been said to be that the Railway Administration would then be liable to political influence. We have been unable to understand clearly what is meant by political influence, and hence we are unable to deal with it at any length here. But if India can be trusted for management of certain branches of State administration under the Reform Act, it goes without saying that Indians can well be trusted to keep a branch of the administration like the railways on strictly businesslike and fairly disciplined lines.

It is urged that State management is less efficient than company management. In India both the systems are being worked side by side, but one does not notice any very striking superiority of the system of company management over the other system. Mr. Robertson, though he recommended company management in his report referred to above, put it on record that he did not think that management by companies in India was in any way superior to management by the State. If in countries such as Germany, Belgium, etc., where the system of State management has existed, it has been found possible to carry on the administration of railways with efficiency, we do not see why in India also we will not attain that standard.

State management is objected to by many on the ground that it is not possible for a Government to carry on the administration of railways on business and commercial lines. The argument seems to be a lame one. The Irrigation Department and the Posts and Telegraphs are managed by the State in India, and though everybody will agree that the administration of these departments is possible of improvement, it is undeniable that they are run as far as possible on business lines and are a success. In Japan and in several European countries the railways are administered by the State on business lines, and they have been a success. We do not see why similar results cannot be achieved in this country if attention be concentrated on the good of the country.

It has further been pointed out as an argument against State management that such system of administration is more costly than management by companies. We are not aware of any less economy in the management of State-managed railways at present, but granting that when the whole of the railway system in India is State-managed there may be a little slackness in economy, the saving of the surplus profits that have to be divided with the companies under the present system should not be overlooked.

In India the percentage of net profit on the capital invested in State owned and managed railways came up to 2·71, the highest during the three years, 1916-17, 1917-18 and 1918-19, of which figures have been supplied to us. The percentage of profits on the capital invested in State-owned and company-managed railways reached the highest figure in 1918-19, namely, 3·33. In Japan the railways are managed mainly by the State, and the figures showing the rate of profit accruing from the railways' working for nine years from 1906-07 to 1914-15 were as follows:—

	per cent.	
1906-1907	8·7	
1907-1908	8·5	
1908-1909	7·6	
1909-1910	7·6	
1910-1911	8·1	
1911-1912	9·0	
1912-1913	8·9	
1913-1914	7·8	(estimate)
1914-1915	8·8	

These figures tell their tale. They certainly prove the superiority of the State-managed system in Japan over the company-managed system in India.

The working of State railways in various countries was reviewed by the "House of Commons Paper" No. 287 of 1913, issued by the Board of Trade in England. Germany prior to the war was usually regarded as the country in which State railways were most successful. In comparing the working of railways in that country with those in England, where the system of company management is in vogue and the working under this system is claimed to be very efficient, the "House of Commons Paper," referred to above, quoted certain interesting figures. While the nett receipts (percentage of capital invested) came up to 4·31 per cent. in the United Kingdom, those in Germany came up to 5·76 per cent.

There is besides another important fact, namely, the number of employés working in railways, which is also a test of economical management. It is pointed out by a well-known writer on the subject, Mr. W. Cunningham, that while the number of employés working per mile in the United Kingdom is 26·9, the figures of Germany and Belgium are 17·75 and 21·00 respectively. While in England the system in vogue is company management, both in Germany and Belgium the railways are State-managed. Nobody can say that the fact that Germany and Belgium appointed a smaller number of men per mile on their railways showed that those railways were not efficient. There are English authorities bearing testimony to the efficient working, of course in pre-war days, of railways by the State, both in Germany and Belgium.

The management by companies should be replaced by the system of State management. We do not advocate any modification of company management, because whether the boards of these companies are domiciled in England or in India, or the railways be administered by any system which combines the principles of both the aforesaid methods of company management, such management cannot but perpetuate all the evils of the present system of company management.

Part II.—The Railway Board and the Government of India's Control.

In this connection we beg to invite the attention of the Indian Railway Committee to the decision arrived at by the Royal Commission appointed in 1916 to advise the Canadian Government as to the future railway policy of the Dominion. The Commission by a majority of votes came to the conclusion that a great extension of Government ownership was unavoidable. The Commission recommended that all railways owned by the State should be made over for management to a body of five persons. The Canadian Government has, however, accepted the principle with certain modifications.

The system introduced in Canada has been described by Sir W. M. Acworth, President of the Indian Railway Committee, in his work, "Historical Sketch of State Railway Ownership." Whether this is applicable to India or not in its entirety is a question of examination of the details. But it is essential that the Railway Board must be directly responsible to the Indian Legislative Assembly, without sheltering themselves behind any London boards; and the Railway Board should have representatives on it of the Indian commercial community.

Part III.—Railway Finance.

Prior to the war the Government of India were able to borrow according to their requirements at 3½ per cent. in this country. Borrowings for railways were restricted to the London market, but at a rate of interest higher than 3½ per cent. It is difficult to understand why the people of India were not given an opportunity to subscribe to the railway borrowings. We have no doubt that the Indian investor would be prepared to lend money for railway purposes at terms which may be required by the London money market. As to whether India can put up very large amounts like 20 or 25 crores a year for the next four or five years, granting that India cannot find this money, we feel that it is inadvisable to go on extending railways in India with money which carries dictation of terms which, as we have said above, have till now prevented the railway system from being generally conducive to the benefit and advancement of the cultivator, merchant and manufacturer in India. We therefore suggest that railways may be extended only as funds raised in India permitted, in case London will not advance on State guarantee without having a hold on the management.

Part IV.—Government Control of Rates and Fares—Settlement of Disputes.

Our views have been indicated in answer to Part I. Regarding disputes, very few merchants proceeded under Chap. V. of the Indian Railways Act, having regard to its complications, and none had the patience to wait till the final result.

Part V.—General.

The traffic has far outgrown the railway facilities. (1) The block rates ought to be removed. (2) River transport facilities ought to be made available to the public. (3) Railway facilities should be increased as funds permit.

STATEMENT No. 20.

J. J. GODFREY, Esq., representing Messrs. McLeod and Company, Calcutta.—MEMORANDUM DATED 4TH JANUARY, 1921.

Part I.

See oral evidence, paragraphs 4227/4218.

Question 1.—Primarily it is desirable that railways should be managed by companies on a profit sharing basis, or independently, subject to limited State control.

State owned and managed railways tend to develop into political machines, which are used for party purposes, without regard to the interests of the country, the public or the railway concerned.

There are, however, two classes of railways which should be State-owned and managed, *viz.*, railways built and worked for strategic purposes and those built for the purpose of opening up districts which are not productive, nor likely to render a return on the capital cost involved within ten or more years

Systems of management personally experienced—State, company, and under branch line terms.

Question 9.—A combination of a system of management by a Board in England and a local board in India would appear to be the most suitable arrangement for Indian Railways.

A board in England is essential to attract capital and to safeguard the interests of shareholders in Europe, also to keep in touch with the progress of railway administration, labour economics and finance of the world.

A local board with large powers in India would encourage support from Indian investors and would be in a position to deal administratively with all important questions which inevitably and sporadically arise and require prompt settlement.

There might be a preliminary difficulty in obtaining the right men as directors, but with the development of political reform in India the difficulty would gradually disappear and commercial men with interests in the various provinces served by the railway, would in their own interests be prepared to serve on such a board.

Part II.

Question 10.—The system of control by means of a railway board is sound.

Question 11.—The board should be so constituted that it is independent of pressure brought to bear by political parties and the president of the board should hold the portfolio for railways in the Indian Ministry. The board's subordinate officers should be selected according to merit and experience and not necessarily from State-owned or State-managed railways.

Question 12.—The functions exercised by the board appear to be unnecessarily hampered, owing to inadequate powers, the question of increasing the number of members should also be considered.

Unnecessarily detail work appears to be undertaken, as, for instance, in the case of railways worked under branch line terms, no powers are conferred on the managing agents nor boards of directors of the company, consequent needless references to the Railway Board on multifarious petty matters are made; the question of what powers should be granted has formed a subject of consideration by the board for some years, apparently without any result.

Part III.

Question 20.—It is eminently desirable that capital funds should be raised both in India and the United Kingdom.

Question 21.—The principle of supplementing by means of the branch line terms the Government of India's resources for railway construction is sound, but the actual terms offered by the Government are inadequate under present financial conditions. Interest at the rate of 3½ per cent., as now guaranteed under branch line terms, is quite insufficient to attract any capital, and under the present stringent state of the money market it is doubtful whether capital could be raised at a lower rate of guarantee than seven per cent.

In order to encourage the construction of small feeder lines, the guarantee should be based on the rate of interest paid by Government on its ordinary loans for the current year, and the basis of division of profits, now fixed at five per cent. should be enhanced proportionately.

Question 26 (*b*).—Railway rates must be raised in order to prevent railways from being a burden on the general taxpayer.

The question as to what extent rates may be raised on main lines is not dealt with here, but as regards narrow gauge branch lines the extent of increase usually depends upon the competition provided by byle gharrys or country boat traffic, and it is this factor, which must necessarily govern rates on these lines.

Passenger fares are subject to similar controlling conditions, *i.e.*, the competition of horse gharrys and country boats.

STATEMENT No. 21.

J. MACKENNA, Esq., C.I.E., I.C.S., Development Commissioner, Burma.—NOTE DATED 30TH DECEMBER, 1920.

Question No. 1.—I am inclined to think that the best system of management of railways owned by the State is that they should be managed by companies on a profit-sharing basis. I think that a board of directors is likely to take a more active interest in the productive aspects of railway administration and would probably do more to secure economy of working whilst giving the most favourable facilities to the travelling public and the trade. I have had experience of the Burma railways as a member of the travelling public both when it was a State concern and since it has come under company management, and I have no hesitation in saying that the management has been much more efficient since it was taken over by the company. I think that on the whole there is probably better discipline in a private company than in Government service, as a company has no hesitation in getting rid of an inefficient man while Government is not perhaps such a stern taskmaster in this respect. Another objection to State management is the frequent transfers of officers from one railway to another on account of leave vacancies or on promotion. I think a man is likely to take a much keener interest in a railway if he knows that he is going to be connected with it permanently.

See oral evidence, paragraphs 4275/296.

Question No. 2.—On the profit-sharing basis of management I would suggest that boards of directors be given much wider powers. At present the Railway Board seems to keep a very firm hand on administration and I understand that a board of directors cannot make an appointment on more than Rs. 250 a month without the sanction of the Railway Board, while many other unimportant matters require the sanction of the Railway Board. I think that the powers of Boards of Directors should be much increased and that they in turn should devolve their power to the local management.

Question No. 3.—I doubt very much whether it would be possible to obtain suitable men in India who would be prepared to devote their time as dircetors to the interest of railway companies. Indians so far have shown little interest in the matter or capacity for railway administration, while very few European business men would be able to spare the time which the management of a railway involves. With the spread of industrial education, however, I think an interest in railway matters will grow amongst Indians. Again, while railway stock is a popular form of investment in Great Britain the returns upon it in India are not such as to attract either European or Indian capital in India to any great extent.

Question No. 4.—I think the existing system is a suitable one and can suggest no alternative. I understand that, in the Burma railways, surplus profits are divided as 23/35ths to Government and 12/35ths to the company, this division representing approximately the capital invested by each.

Question No. 5.—I understand that in the case of most railways a director or directors from England visits the railway every year, and while there may be some delay in dealing with references it is doubtful if there is much delay in dealing with large cases which can be referred by cable. If more power devolved to boards of directors, the local management could be entrusted with greater power and delays would be avoided.

Question No. 6.—If it is decided that a railway company should be domiciled in India, the board of directors should have a general manager who is an expert in railway management, while Government should also nominate one of the directors to watch its interests. The other directors should be selected from the most substantial shareholders as is the custom on English railways.

Question No. 7.—With the general manager and a permanent chairman nominated by Government, there need be no lack of continuity, and it is not necessary that other members of the board should be skilled in railway work although it would be an advantage if some of them were.

Question No. 8.—I do not think that this is a possibility that need be considered.

Question No. 9.—I do not see how companies domiciled in England and in India can be combined. Such a system would lead to the most impossible situations and delays in administration.

Questions Nos. 10, 11 *and* 12.—On the whole I consider the Railway Board an advantage as it presumably can hold the balance among the claims for finance between railways and also is in a position to entertain a consulting staff to whose opinion the greatest weight must attach. There are, however, one or two disadvantages. I am informed that any appointment over Rs. 250 a month requires the sanction of the Railway Board, and as an example of the exercise of powers in unnecessary detail I believe that no leave can be given to the temporary staff except with the Railway Board's sanction. This appears to me to be an amount of centralisation which is absolutely unnecessary. I would also remark that the personnel of the Board varies more than any other section of the Government of India, and this cannot be considered satisfactory. In my opinion it would be better if the Board was more permanent, and I think it should consist of a railway engineer, a railway traffic man and an officer thoroughly familiar with the administration of a large railway and conversant with railway finance.

Question No. 13.—Further, with reference to Question No. 13, as the Board has no control over finance it cannot be said that it can deal effectively and expeditiously with matters relating to the requirements of the travelling public and of trade.

Question No. 14.—The answer is in the affirmative.

Questions Nos. 15 *and* 16.—The Railway Board would be much more useful if it had financial powers, an answer which also applies to Question No. 16.

Question No. 17.—I think it will be generally admitted that the supply of funds for railway purposes has, so far as Burma is concerned, been absolutely inadequate.

Question No. 18.—The policy hitherto adopted may be endorsed. So long as the standard of equipment of existing railways is so low as it is at present, it seems satisfactory and sound in principle to satisfy the needs of existing railways before considering further extensions.

Question No. 19. I would say that in Burma we could easily expend Rs.30 lakhs a year on railway construction, while to put our supply of wagons on anything like an adequate footing a grant of Rs.20 lakhs a year for the next five years will be required.

Question No. 20.—The capital funds required should be raised both in India and in the United Kingdom The greater bulk of the money will come from the United Kingdom or other European countries as the rate of interest which can be earned by railways is not such as to attract investors in India.

Question No. 21.—In view of the present high prevailing rates of interest I doubt if the present branch line terms are sufficiently liberal, but I am not prepared to say to what extent they should be modified.

Question No. 22.—Owing to the present low return on ordinary railway shares, it is doubtful if ordinary shareholders would agree to the issue of preference share capital, although it might be possible to raise this capital by means of ordinary shares of subsidiary companies mentioned in (*a*) (ii). I do not think there would be so much objection to the issue of debentures which should possibly be issued by the Government of India.

Question No. 26.—(*a*) I think there can be no doubt that railway improvement and development have been detrimentally affected by the general revenue position of the Government of India. (*b*) I do not see how railways can avoid raising their rates if capital has to be attracted. This is due to the high cost of materials and of labour, a cost which is affecting the world generally, and a railway must be in a position to pay interest on its loans and on its capital.

Question No. 27.—The statements in this question seem to favour State-owned and company-managed railways as against State-owned and managed. The figures are certainly very satisfactory from the point of view of the State, but it is absolutely impossible to estimate the indirect advantages to Government of the construction of railways. It may be noted, however, that State railways are frequently constructed for purposes other than trade, that is for military or strategic reasons, and often in consequence have to run through vast tracts of country which provide little, if any, traffic, with the result that their balance sheet shows a poor return. On this account it is not easy to make a comparison between State-managed and company-managed railways.

Question No. 28.—I have always looked upon the "lapse" system in the Public Works Department as unsound, and I do not think it has anything to commend it in the case of railways. I think that any sums not actually spent during the financial year should be carried forward to the following year, and I am inclined to doubt the statement that any lapsed grant is really re-allotted.

Question No. 29.—It is understood that this question refers to allotments for purchases of stores, but modifications of procedure will follow the recommendations of the Stores Purchase Committee which contemplates purchase to a greater extent in India.

Question No. 30.—The answer is in the affirmative.

Question No. 32.—There seems to be no objection to the appointment of Railway Commissions to settle disputes between railways and traders, but I doubt if the necessity for it often occurs in Burma.

Question No. 34.—The carrying capacity of the railway is not adequate to the requirements of the country. The Burma railways require stronger permanent way, improved terminal, siding and other accommodation, and also additional rolling stock. The remedy lies in the provision of funds. I would also suggest that in Burma, where there is only one gauge, large traders might be allowed to have their own trucks. I understand that there are objections to this such as the technical difficulties of shunting and loading, especially the length of time occupied in loading timber, and that experience has shown that private stock is apt to become obsolete and that sufficient attention is not paid to its repair. These do not seem to be insuperable difficulties.

STATEMENT No. 22.

THE COMMISSIONERS FOR THE PORT OF CALCUTTA.—LETTER DATED THE 4TH JANUARY, 1921.

With reference to your circular letters Nos. 2 and 15 R. C., dated the 2nd and 19th December, 1920, which were considered by the Commissioners for the Port of Calcutta in Meeting on the 3rd January, 1921, I am desired by them to reply as follows.

See oral evidence, paragraphs 4366/4398.

2. The questionnaire consists altogether of five parts, dealing respectively with I. Management, II. Control, III. Finance, IV. Rates, fares and disputes, and V. General questions. Of these five parts, the Port Commissioners as such are not concerned with Part IV and as regards the others they propose, instead of attempting to give replies *seriatim* to each of the questions placed before them, to indicate their views in a more general way, since in their capacity of Port Commissioners their interest in the welfare and progress of Indian railways is for the most part of a general kind and only a minority of their number are possessed of intimate and detailed knowledge of railway working.

3. In their opinion the whole problem of the future management of Indian railways centres round the question of capital finance. The country is fortunate in that there has been little difficulty, even with the comparatively low schedules of rates and fares in force, as regards revenue finance; as shown by the figures included in your questionnaire, both State-managed and company-managed lines have as a whole been able, after meeting working expenses and interest charges, to show a fair margin of profit, although the great increase in working expenses due to enhanced salaries and the higher cost of coal and of other materials will undoubtedly reduce this margin considerably, and a reasonable enhancement of rates and fares will probably be found necessary in order to increase the nett profits. It is in regard to capital finance that difficulty has always been experienced; it is understood that, save in abnormal years, such as 1818-19, when expenditure on capital account was necessarily restricted, the amount expended has always exceeded the net profits of the whole of the Indian railway system accruing to Government, while the amounts which the railways have *desired* to spend and have included in their capital demands would have involved a very much larger excess over this net profit. Moreover, the probable requirements of Indian railways for the next few years will, it is understood, be unprecedently high. It follows, therefore, that the amount of the net profits, even if this were definitely ear-marked as to be expended on improvements and extensions, would still require to be supplemented by borrowed monies, and the question is from what source this borrowed capital is to be obtained in the future. The Commissioners, while they believe that the solution of practically all the problems before your Committee depends upon the answer to this question, themselves find it a matter of the greatest difficulty to indicate with any confidence what that answer should be. In the past, capital has been obtained partly in India by means of the borrowing of the Government of India, and partly in England either by direct borrowing on account of the Secretary of State or by this method, supplemented by borrowing through the agency of some of the large companies domiciled in England. That the accumulated wealth of India is considerable and is increasing there can be no doubt, but the demands for other purposes are also great and much of the available wealth is not likely to be invested in securities of the kind now in contemplation without marked changes in the habits of its holders; in many parts of the country banking facilities and investments in securities are hardly understood or are not so attractive as other methods of investment of older standing. At the same time, the programme of extensions to be made by the Imperial Bank may have important results, and there is little doubt that the status and prestige of the large railways, particularly throughout the districts which they traverse, stands high. Hence it is possible that a quite important body of capital may be forthcoming as the result of offering an attractive rate of interest secured direct on the well-known lines. If these hopes are fulfilled, the Commissioners think it will be necessary to arrange for increased representation in India of the interests of shareholders resident in this country, which could be done by means of local committees at the Indian headquarters of the railways concerned. But on the whole the Commissioners feel grave doubts as to this source proving sufficient, at all events in the near future, when the financial resources of India remain incompletely developed and the requirements will be unusally heavy and they consider that it will be necessary for some time at least in the future, as in the past, to look outside this country for a portion of the necessary capital.

4. If this view be correct, it seems to follow that borrowing in London will be necessary, not so much in the hope of obtaining the sums required at more favourable rates but because otherwise the whole of the amount desired may not be obtained at all. Not only is London the financial centre of the United Kingdom, but it is also the financial centre of the Empire, if not of the world, and securities offered there under the best auspices appeal to a wider circle than is the case anywhere else. And if the probability of borrowing in London must be borne in mind, they believe that it will be effected only if the control of Indian railways asking for capital remains, as at present, in England. In their opinion, it must be recognised that the recent changes in the Government of this country have not inspired additional confidence in financial circles in Great Britain and they entertain the gravest doubts as to whether the large financial interests would make or arrange investments of capital in Indian railways which were entirely controlled by Boards sitting in India and which were themselves domiciled in India. In this connection the question of income tax is of great importance, and though they think it certain that money cannot profitably be invested in Indian railways if the proceeds of such investment are automatically subject to the payment of English income tax, they consider that the anomalies and burdens of the existing scales of tax and super-tax must meet with early recognition and reform.

5. It will be understood that the Commissioners feel unable to express definite opinions as to management and control until the financial problem has been solved or definite lines of policy in this respect have been enunciated. They would not advocate a general extension of direct State management as at present conducted, because it would lead to a highly centralised bureaucratic system, which would, they think, be unworkable and generally unacceptable. As to the best method of decentralisation, the Commissioners would a short time ago have certainly endorsed the opinion of the Bengal Chamber of Commerce expressed in 1918 in favour of company management, and although the position has recently undergone some change as the result of the less

favourable financial conditions in the United Kingdom, the altered political situation in India and the precedent of the new East Indian Railway contract, they are disposed to think that no sufficient reasons have yet been shown for modifying that opinion, and that the most promising of the alternative courses put forward is that of management by companies domiciled in England and having independent powers of obtaining their capital requirements in both countries. It is clear in any case that if the capital finance as well as the management of Indian railways is to be made over to the companies, whether in England or in India, their responsibilities will be markedly increased, and that their interest in the lines which they are to manage must be of a substantial and not of a purely fractional character; such companies would be called upon to raise large sums of money to provide them with this substantial interest in their lines which sums could be devoted to improvements and extensions, and, as stated above, it is doubtful whether sums of the size required could be raised in this country until its financial status has been improved and developed. Again, the system of companies domiciled in England has the advantage of utilising the ripe experience and ample leisure of many well-qualified officials, constituting a class not to be found in India among the European community, and with whose help continuity of policy and knowledge of personnel is ensured, while the English boards can also be made to include representatives of large financial interests able to control additional capital. These are factors of importance, and particularly so when regard is given to the best-known type of Indian boards, such as that of the Calcutta Port Trust itself, where continuity has been found difficult to secure. Thus, while the Commissioners would not regard the formation of purely Indian companies with Indian boards as being entirely out of the question, they are disposed to think that the difficulties to be encountered in this direction are greater than adherence to the system of English companies, coupled with the increased representation in India of Indian capital which has been suggested above, even if the matter be considered apart from the financial problem, which has been dealt with in the preceding paragraphs.

6. As to the future of the Railway Board and its position *vis-à-vis* in the Government of India, it will be clear that the transfer of financial control, within certain limits, to the boards of the railways, if decided upon, would have an important bearing on the future functions of the Railway Board and also on its relations with the Government of India. The restrictions of its financial powers now so severely felt would automatically cease, but there would remain its guardianship of a large national interest and its surveillance of methods of working and of the physical condition of railways in the interest of the travelling and trading public. It would remain the authority to which the different lines would submit for approval of their budgets, both capital and revenue, and would be responsible for these being suitable and adequate in the circumstances of each case; it would be responsible for the auditing of railway accounts, and it would continue the present system of inspection and enquiry into serious accidents by Government inspectors.

7. Generally speaking, the points which the Commissioners desire to emphasise are: that as a body they are directly interested in the progressive management of the three main railways serving this port; that to secure this end they consider an ample supply of capital to be essential, and that this should be secured independent of the Indian Budget; that any net profits resulting from operation should be devoted to improvements and extensions, but would require to be supplemented by large borrowings; that the future management and control of Indian railways should depend ultimately upon the financial policy decided upon by the Government, and that the demands of the future are so great as to make it extremely doubtful whether India alone can meet the requirements of the case.

8. The Vice-Chairman will attend before the Committee at 11 a.m. on the 8th January, as suggested in the second of your letters under reply.

STATEMENT No. 23.

Mr. S. C. Ghose.

See oral evidence, paragraphs 4399/4403, 4441/4454, 4478/4504.

I admit I was at one time in favour of Company Management; but after nearly 2½ years of careful consideration, since 1917, I came to the conclusion that my previous views, not being based on complete information, were not right from the point of view of the interests of the Indian people. The reasons for my becoming convinced that State Management was necessary in the national interests of the country have been given in the pamphlet dated the 8th June, 1919 (paras 9 to 46) and in the booklet, which is a reproduction of my speech at the last Joint Session of the Indian Industrial Conference and the Commercial Congress held in Bombay in January, 1920. Both the pamphlets have already been submitted to the Committee.* My firm conviction now is that (although in some cases individual Company-managed lines might show better statistical and other results than State-managed lines) if all the State-owned railways are treated as one undertaking (though for purposes of working they would be divided into several administrations, the same as the Local Governments and the present State railways are) and one policy governs them, *viz.*, the interests of India for the benefit of which the railways were made—the railways would eventually achieve the object for which they were made.

II. The Indian Railways (trunk lines mainly) are the property of the State. The Indian Government is the owner and the lessor of the lines. The railway companies are the working agents or lessees.

III. The railway companies have comparatively a smaller account of share capital, on which they receive interest at 2, 2½, 3 and 3½ per cent.

IV. The railway companies receive a share of the surplus profits (after deducting all expenses of working, interest on capital, etc.). The surplus profits are shared between the Government and the company generally in ratio of the share of capital held by each.

V. The Government are interested in seeing that the property of the company, of which they are the owners, is kept in good condition and repair, and that all fresh capital proposed to be spent on a railway is to the interests of the Government and of the Indian people.

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* The documents quoted by Mr. Ghose in this statement have not been reprinted by the Indian Railway Committee.

VI. The policy of the Indian Government in making the railways was for the benefit of the Indian people (*vide* last para. on page 5 of " A Monograph on Indian Railway Rates " by me and first para. of page 6, as well as the 2nd and 3rd paras on page 19 of the same publication).

VII. Through the railways, the Government apparently intended to protect the interests of the British rule in India, to further the interests of the Indian people, by developing the resources of their country and by improving the welfare and contentment of the country generally. But, on the other hand, the main interests of a railway company would be to make the most of the railway as a dividend-earning concern, during the term of lease. Therefore, the interests of the company and of the Government may not be identically the same in all respects.

VIII. It is manifest that the introduction of the companies was primarily to obtain capital for the construction of railways in India and perhaps liberal terms were given to the companies for this purpose, but it is also evident, at the same time, that had it not been for the fact that the Government eventually wanted to own the railways they (the Government) would not have insisted on the eventual purchase of the railways by payment of 20 to 25 p.c. premium, over and above the share capital of each railway company. When the East Indian Railway was purchased by the Indian Government in 1880 they paid to the company over and above the capital of £26,200,000 a sum of £6,550,000 (in the way of premium) which at Rs. 10 to a £ (sterling) amounted to over 6½ crores of rupees. But it is seen that as each railway was acquired by the Government it was given back to the company, for purposes of working. There may be good reasons advanced for this action, perhaps, financial considerations were the foremost.

IX. It may be advanced as an argument on behalf of company management that if the Government took over all the railways for working it would be difficult for them to provide all the capital required. Therefore, it may be necessary to examine the present position a little. I am not a financial expert, and I know that I may not be correct in what I say in this connection, but I will endeavour to put down what my impression is, although I do not at all claim that I am in the right.

X. After each railway was acquired by the State, the State assumed all ownership, naturally, but the company, in each case, was allowed to retain some share of the capital—a comparatively smaller amount—having regard to the total capital representing the whole cost of the undertaking. My notes show that, for instance, in the case of the Bombay, Baroda and Central India Railway on 31st December, 1911, the capital, after purchase by the Government was fixed as follows:—

	£	
Secretary of State's (Government) capital ...	28,000,000	(preferred capital).
,, ,, ,, ,, ...	10,500,000	(deferred capital).
Company's capital	2,000,000	(preferred capital).

After this date (31st December, 1911) the additions of capital were to be kept on, as far as possible, in the ratio of £28,000,000 of the Secretary of State and of £2,000,000 of the company, so that by far the largest amount of capital would be that of the Government. If the Government could arrange to provide the big sums, which represent their share, they should also be able to find the other and the comparatively smaller amounts. If I am correct in my information, each railway company raises its share of the capital in England either by (*a*) guaranteed debenture stock or (*b*) by guaranteed debenture bonds or by (*c*) guaranteed ordinary stock. It is to be observed that in every case, there is the guarantee of the Secretary of State. In the case of ordinary stock, there is the guarantee of the Secretary of State and in the case of the debenture stocks there is the mortgage of the railway property (the largest share of which is held by the Government of India) and, in addition, the guarantee of the Secretary of State.

XI. Therefore, if after all, the guarantee of the Secretary of State is necessary in each case of money raised by the railway Company I fail to see why the Secretary of State cannot raise money by mortgaging State property (the railways) himself or by direct loans or bonds.

XII. Opportunity should be afforded to India to invest money in the bigger Indian lines and debentures issued in India by the Government for lines like the East Indian Railway, Bombay, Baroda and Central India Railway, Bengal Nagpur Railway, etc. I should think that when the present financial crisis is over, and then, if the Government want to raise purely railway funds, at the same rate of interest as the other Government loans at the time, for railways like the East Indian Railway, Bengal Nagpur Railway, Great Indian Peninsula Railway, Bombay, Baroda and Central India Railway, as State lines in the way of railway debenture stock there should be no difficulty. If in addition to the interest a small share of the surplus profits is offered things would be very much easier. Even if these loans cost more than the loans in England it will be all for the good of India, because the Indian people will have then direct interest in trunk railways of India and they would benefit by the loans. The loans for railways like the East Indian Railway or the Great Indian Peninsula Railway or the Bengal Nagpur Railway would be far different to the shares of new branch lines and people should readily come forward to buy loans or shares for the bigger and paying systems.

XIII. My experience, a few years ago, was that money was readily found in India for branch railways with 3½ per cent. positive guarantee of the Secretary of State. Messrs. Killick Nixon and Company, also had, I understood, at the time no difficulty in raising funds in India for their branch line companies.

XIV. Although I was aware from my conversation with late Mr. Lionel Abrahams (Sir Lionel Abrahams afterwards) when he was in Calcutta in January, 1914, that there were difficulties owing to the objections of Railway Companies in London in the matter of branch lines as the main line companies themselves wanted to start subsidiary branch line companies in India (*vide* " Statesman " of 13th February, 1914) and that the Secretary of State had to contend against the influence of Railway companies, in such cases, I did not realise what company management meant to India until I went to the Railway Board office (1917-1919) and had the opportunity to go through the important despatches and records for years past,

because I had to go through them to get facts for my book on railway rates. I would quote but a few instances.

(*a*) The Government of India promised the same rights to the Indian people in the matter of railway rates and facilities in the 1890 Act, as enjoyed by the people in England. This Act was being revised at the time the promise was made (*vide* penultimate paragraph on page 256 of Monograph on Indian Railway Rates and Government of India Resolution 1887, see supplement to " Gazette of India " No. 52, dated 24th December, 1887, page 1638), but the eventual result was that exactly the same rights were not secured for India, as it was in the 1873 English Act. The law of " Undue Preference " was no doubt introduced but without permanent or periodical Railway Commissions so that the law was practically a dead letter as admitted by the late Mr. Robertson, Special Commissioner for Indian Railways, in the last four lines of paragraph 61 of his report of 1903. One of the difficulties seemed to be that at the time the present Act was revised railways like the Great Indian Peninsula, Bombay, Baroda and Central India, Madras, were guaranteed lines and there were objections on that account on account of the contracts.

(*b*) In order to encourage despatches of traffic by a certain route, booking of traffic to certain ports and their subsequent carriage by country boats has been intended to be discouraged by agreements, say between the British India Steam Navigation Company and the South Indian Railway Company *vide* clause (*iii*) on page 196 of my " Monograph on Indian Railway Rates." This agreement was made in England and the terms were never disclosed to the Indian public before agreement was approved of.

(*c*) Under the influence of the same South Indian Railway Company Tirumalavasal Port was closed simply in order to enable the South Indian Railway to carry the rice traffic for long distances, obviously to the detriment of the interests of private boat owners who had their service to and from Tirumalavasal. Why should it have been necessary to close the port? Apparently because the railways could not carry the traffic otherwise (see paragraph 3 on page 198 of my " Monograph on Indian Railway Rates ").

(*d*) It was through the influence of the railway company in England that the character of the roads in India was altered. The roads ceased to be built for through communication and since the advent of railways were constructed for feeding the railways. The railway companies, through the Government Director in London, made applications for roads to be built in order to feed the railways. Naturally, if large sums were to be spent on feeder local roads, through roads could not be built out of limited funds. If there were many through roads in India to-day, instead of mostly local roads, industrial cars could be engaged even for long distances when the railways were unable to carry the traffic.

(*e*) It would be seen from paragraph XVII of this statement that the Secretary of State did not (perhaps was not able to) put in similar clauses in the contracts of the more influential (or bigger lines) in the matter of undue preference as was done in the case of smaller lines like, say, the Rohilkhand and Kuman and the Assam Bengal Railways, etc.

(*f*) That there must have been some difficulty in the matter of financial assistance to branch lines to company-worked main lines is apparent from Government of India Resolution No. 457 R.P. of 14th November, 1913 in paragraph 3 (vii), of which it is stated that financial assistance in the way of rebate can only be promised by the Government of India " where the main line is worked by the State; but the Government of India will, in other cases, endeavour to arrange on behalf of the branch line company a similar agreement with the company working the parent line." Therefore, if it is a branch of a State-worked main line a promise of rebate can be made by the Government while in the other cases (*viz.*, of company worked State lines) the Government can only make an endeavour in this respect. The aforesaid Resolution of the Government of India will be found on pages 572-573, etc., of Railway Department, Government of India, Administration Report for the year 1914-15.

(*g*) Another factor in favour of State management is that while in the Railway Board office, I was able to learn that the State Railway had the policy of giving Indians chance in the higher executive appointments from a very long time. There were executive engineers on Indian State railways for many years past, but neither the Great Indian Peninsula nor the Bengal Nagpur Railway or the East Indian Railway have yet got an officer in that capacity. Similar remarks apply to the district traffic superintendents in actual executive charge of traffic districts. There are some district traffic superintendents on the Eastern Bengal State Railway now, but none yet on the Bengal Nagpur Railway or East Indian Railway holding actual charge of a district. Mr. Halder was deputy traffic manager on the North-Western State Railway, a railway of nearly 5,000 miles. He was recognised as one of the very able traffic transportation officers. Mr. Rala Ram was chief engineer on the Eastern Bengal State Railway—the highest position yet attained by any Indian on the trunk lines of India. The company-managed trunk lines have not so far got any Indians in these capacities. If it were possible for State railways to get and train such men it should have been possible for the company lines to have done the same from a long time. As a Department of the State, the State Railways have necessarily to follow fully or partly the recommendations of any Service Commission or the rule or policy of the Government of India in other Departments, such as the Public Works Department, in the matter of appointment of Indians in the higher grades

XV. As I have said, I would prefer management of State lines by the direct agency of State. The management should be somewhat on the same system, as, for instance, on which the North-Western or the Eastern Bengal Railways are managed to-day with such modifications or re-adjustments of systems that may be necessary in order to obtain efficiency of management. The State Railway agents have (at least used to have) more powers than the company-worked railway agents. The State railway agents are not subject to dual control as the company-worked line agents are, *viz.*, to the control of the Railway Board and of the Board of Directors in England, and if the Railway Board is sufficiently strengthened it will be able to exercise an effective control. In this connection, I would invite attention to paragraphs 34 to 46 (pages 15 to 20) of my pamphlet entitled " A Few Preliminary and Rough Notes for the Information of the Railway Committee," dated 8th June, 1919. I am of opinion that if Indian Railways are treated as one system, economy and efficiency in management would come in the long run. Interchange of rolling stock, standardization, etc., then would be easier.

Railway Board.

XVI. I am in favour of retention of the Railway Board, but I would recommend that it should be strengthened. I have given some suggestions on this point in paragraphs 65 to 73 of the pamphlet referred to in paragraph XV above. The Board should have not less than two more members (if not four more, *vide* paragraphs 47 to 49 of the same pamphlet), and there should be in additional experts in each branch of railway work. There should also be divisional or provincial advisory boards. This is the sum and substance of my suggestions.

Control of rates, through rates.

XVII. My impression is that the control exercised by the Government in respect of rates over all railways is not as it might be. In the case of State-worked State lines, if the interests of India or its trade or industries are affected the Railway Board can at once effect a change in the railway rates, but it cannot in many cases of company-managed lines order such a change even if it were convinced of its desirability. The Railway Board have no powers to finally deal with cases of " undue preference " or unreasonable rates in the case of some of the bigger systems such as the Great Indian Peninsula, the Bombay, Baroda and Central India, the Madras and Southern Mahratta, whereas it has in the case of others (*e.g.*, Assam, Bengal Railway and Rohilkhand and Kumaon Railway). If there was a case of undue preference, say, on the Rohilkhand and Kumaon Railway it could be remedied by the Board but not against the Great Indian Peninsula Railway. The terms and conditions of the contract are not the same in all cases. I have shown this clearly on pages 254 and 255 of " Monograph on Indian Railway Rates " and I would draw special attention to paragraph 4, on page 255, which commences with " such clauses as referred to above are absent from the contracts, etc., etc."

I would also invite attention to page 247 of the same publication. The Railway Board should have similar functions to those of the Board of Trade in London under the "English Railway and Canal Traffic Act," and in the same way as the Board of Trade submit returns of cases of public complaints dealt with by them to Parliament, the Railway Board should submit similar returns to the Imperial Legislative Assembly. I mean that the powers, similar to those exercised by the Board of Trade under Clause 31 of the " English Railway and Canal Traffic Act," should also be exercised by the Railway Board and provision should be made in the Indian Act to this effect.

XVIII. Then, another very important factor is the application of rates on through distance. If all the main trunk lines of India were treated as one system (which would be very easy if the railways were State-managed lines) and the various scales of rates were applied on through distances, then the charge on long distance traffic would not be high. I have dealt with this point on pages 222 to 227 of " A Monograph on Indian Railway Rates " and would invite attention to pages 225 and 226, particularly to the illustration on page 226. The Railway Board cannot enforce application of such rates on through distance, but if the railways were State-lines worked by the State or there was a permanent Railway Commission, which could be approached by the public at a small cost, the position would be better.

XIX. There should be a permanent Railway Commission either by carrying out the suggestions of late Mr. Robertson, Special Commissioner for Indian Railways (*vide* paras 61 to 63, page 19, of Mr. Robertson's report of 1903) or by some other means. Cases like the " Broach Block rates " (*vide* pages 187 to 190 of the " Monograph on Indian Railway Rates " particularly para. 2 on page 189 and the lines in italics on page 190) or the closing of, say for instance, the Tirumalavasal Port should be typical cases for a permanent Railway Commission.

Railway facilities and additional rolling stock.

XX. In connection with the question of increased facilities to remove congestions and delays to traffic there is the demand for a large number of wagons, and also for additional facilities in the way of double lines, sidings, marshalling yards, more crossing stations, more facilities at terminal stations, etc. I am unable to say much on the situation on the different lines at the present moment, but I beg to draw attention to the following cases that come to my notice.

For instance, there is congestion on the line between Allahabad and Tundla on the East Indian Railway. If this line was doubled there would be (it was said in 1918) 26 trains in each direction instead of 19 and the number of wagons that would be cleared by 26 trains would be about 1,155 in each direction against only 680 now on single line. I dealt with this point in my report to the Railway Board in January, 1919 on the direct broad gauge line from United Provinces to Kurachee. There was a proposal on the part of the Bombay, Baroda and Central India Railway to build a railway from Cawnpore to Gangapur (near Agra) in connection with the proposed Agra-Kurachee broad gauge line. I showed in my report in January, 1919, that while a broad gauge line from Agra to Kurachee would be required in view of the increased volume of traffic to Kurachee from Northern India there was no apparent need of a new railway from Cawnpore to Gangapur (near Agra) for the doubling of the Cawnpore-Tundla (Agra) line would meet the requirements of through traffic (in fact more adequately as a double line would carry traffic more than two single lines lying separately would). Moreover, I pointed out that any relief on the length Cawnpore to Agra would not be quite adequate unless relief was also afforded on the length Allahabad to Cawnpore.

Facilities seemed to me to be necessary on the North-Western Railway in the matter of movement of wagons—*vide* remarks on pages 526, 527 and 528 of the book entitled " A Monograph on Indian Railway Rates."

XXI. A few years ago (4th February, 1917) I wrote at the request of the then President of the Railway Board, a pamphlet on the policy to be adopted on the question of development of the United Provinces by means of extended railway communication. This was a non-official report written by me as a private individual. This was before I went to the Railway Board. I enclose 14 copies of this note for the information of the Railway Committee.

XXII. Then, in connection with the question of increased rolling stock, there is the point as to whether there should be many wagons of high capacity. I lately had a discussion with the Agent of one of the Western lines. He disagreed with me when I said that it is wrong

to have wagons of very high capacity in large numbers. Whereas another gentleman, who was lately the Acting-Agent of one of the big Indian railways, holds a different view and agrees with the quotations given on pages 287, 288 and 289 of "Monograph on Indian Railway Rates." I am not a transportation expert and I have been out of touch with the railway work for some time and I would not like to say much or authoritatively in this connection There will be experts to give evidence before the Railway Committee both on the question of additional rolling stock and extended facilities, and I therefore refrain from saying anything in this connection beyond drawing attention to certain facts and figures.

STATEMENT No. 24.

J. H. PATTINSON, Esq., Chairman, Indian Mining Association.—MEMORANDUM, DATED 7TH JANUARY, 1921.

See oral evidence, paragraphs 4410/4440.

The coal trade is handled almost entirely by the E.I and B.N. Railways, the only two which serve the coalfield, so my Committee have to be guided in expressing their opinions on the question of State versus Company management more by their experience with their other interests than by coal, and are of opinion that Company management of commercial lines is to be preferred. State management cannot offer the same encouragement to individuality and enterprise, being largely determined by Government traditions, rules and regulations, with the same fear of the Finance Department in the background.

We further favour the company system because we are convinced that practically the whole of the handicaps under which the coal trade has suffered for years, are more or less directly due to transport difficulties and delays, and that these in their turn are almost entirely due to railway finance. That being so, there is no remedy except money, which the Government of India have not seen their way to allot, and therefore it should, in our opinion, be raised in the markets of the world, and this can best be done in London.

Question No. 5.—London directors, wisely chosen and wisely re-elected, should not be out of touch with Indian railway conditions any more than are the heads of many of our largest coal concerns. It would be in our opinion a lesser evil to have an odd director possibly somewhat out of touch, but supplied with funds and influenced by up-to-date directors, than to have directors in India, knowing the wants, but sitting down under them powerless for the want of capital.

Questions Nos. 10, 11 & 12.—We think far too much importance is attached to the magic word "control" on behalf of Government. What is wanted in the interests of efficiency and despatch is less control, less fear of Simla, and more co-ordinated individual enterprise and *esprit de corps* on behalf of each railway. Many a sound proposition for railway improvement is killed in its inception, because the officers concerned feel sure Government will not sanction the expenditure, and therefore it is a waste of time to go into it and put up a comprehensive scheme. In successful commercial enterprises of any magnitude, the capital is nearly always found one way or another for any scheme which can be proved to save or earn a good return on its cost.

Questions 17/26.—We most emphatically consider that the supply of funds for railway purposes has hitherto been hopelessly inadequate. The whole system of doling out what happens to be available from the public revenues is wrong. The practice should be to consider desirable schemes on their merits, to calculate their cost, and having regard also to the cost of the necessary temporary or permanent capital, improvements should be embarked upon if profitable.

It is difficult to over-estimate the ill effect on the coal industry through insufficiency of railway finance. There have often been times when raisings have had to be curtailed owing to the accumulation of stocks due to want of wagon facilities. Invariably wagons can be seen waiting idly in sidings, which goes to show that it is not only a shortage of actual wagons but a deficiency in the means of turning them round. It is also a common sight to see coal trains hung up on the main line, which shows there is a shortage of receiving lines in assembling yards, as for instance Asansol, Dhanbad, etc.

As regards shipment coal, if nothing but low-sided wagons were supplied, it would enable the Port Trust to erect tipping plants at the docks and so wagons could be turned round quicker, and a more regular supply of wagons at the collieries would enable them to instal loading plants and shorten the loading period.

The industry has suffered severely in the past for want of sidings to the collieries and the prospects for the future are far from bright. There are very many instances of collieries being fully equipped but unable to despatch coal as they have no siding and at present no hope of getting one within the next year or so.

To instance this:—

A siding to serve the Kasta Field was applied for in April, 1918. It was started in 1920 and will probably be ready towards the end of 1921. The delay in putting in this siding has caused about 30 lacs of coal companies' capital to lie idle as the development is impossible until the siding is completed.

A siding to serve Rana Colliery was applied for in 1914 and has not been sanctioned yet, Rana Colliery is ready to despatch coal at once.

A siding to serve Chapui and Chalbalpur Collieries was applied for in March, 1919, and has not been sanctioned yet. Coal is being carted from Chapui, about 1-mile across a river.

These are by no means the only cases which could be brought forward to prove the deterrent effect the present railway facilities have had on the development of the coal industry and all the above instances are due to want of railway capital.

In the past the industry has been greatly handicapped by the exceptionally low price which has been paid for coal, and practically none of the companies have been able to put aside sufficient money for development on modern lines, but on the other hand there has been no incentive to them to do so as the railway have never been able to remove the entire output.

The price of coal nowadays and the prospect of being able to obtain electricity within the next year or so has altered the position very considerably, and there is no doubt the output of coal can be materially increased by the use of mechanical coal cutters and loading plants.

Unless, however, the transport facilities are greatly improved, any developments which may be made will only result in large accumulations of stocks at the collieries.

The accompanying chart* shows the monthly raisings, despatches, and stocks of a group of collieries under the same managing agency from January, 1915, to November, 1920:—

The actual figures over the period from January, 1915, to December, 1919, on the average per month are:—

Stocks.	*Raisings.*	*Despatches.*
77,423 tons	78,352 tons	74,404 tons

Thus showing that the average raisings were in excess of despatches and the group had on the average to carry a full month's raisings always in stock.

Any effort on their part to materially increase their raisings would simply mean carrying more stocks

With the sidings applied for and full wagon supplies together with the installation of electricity (intended as soon as current is available) the output of coal in a few years should be very considerably increased.

This applies to practically every colliery in the field. The use of mechanical coal cutters in the large collieries would free a large number of the present miners to go to the smaller collieries which could not afford to instal electricity. Given good transport facilities, there is no reason to doubt that within the next decade the output of Indian coal should be double the present output.

The present demand for Indian coal is in excess of the supply and with the possible development of Indian industries in the near future, together with the increased demand for Indian export coal, there is no reason to fear that, if the transport facilities were increased to an extent to enable the railways to handle 40 million tons per annum, the entire output could be disposed of. There may be some doubt as to the accuracy of the figure of 40 millions, and some may be inclined to argue that this figure cannot be reached in this period. In 1910 the total output was 11,387,716 tons and the return of labour engaged below and above ground was 105,285. In 1919 the figures were 21,759,727 and the labour 190,052. This shows that the actual work return of the miner has not improved at all in the ten years, as a certain amount of the coal raised in 1919 was cut by machinery. The average miner works only about three days a week throughout the year and for this in 1919 he raised say 20 million tons. With the general use of electricity the coal cutting machines will work six days a week and supposing they only produce the same amount of coal per day on the average, you would get double the output at once. It is a known fact, however, that a machine can cut considerably more coal than the Indian miner, so in estimating for double the output a very free allowance is made for a number of collieries which will not be able to instal electricity. The main object of development of practically all the collieries now is to install electricity, so unless very considerable facilities for transport are taken in hand at once, the development of the coal output will far exceed the transport and the result is obvious.

Question No. 26*b*.—By all means raise the rates to cover the cost of adequate services rendered. We hold very strongly that it matters comparatively little to any branch of trade whether the rate is Rs. 10 per ton or Rs. 10/8 for an efficient service so long as all competitors have to pay the same. What does annoy a merchant is to be quoted a Rs. 10 rate on paper which by reasons of delays or inefficient handling may eventually cost him another rupee or two in unforeseen charges and turn an apparently profitable line of business into a loss.

Question No. 25.—A very greatly increased trade is waiting to be done in the various hands through whom it passes, and out of each profit on it, Government would receive a share in the shape of taxes. Yet it is strangled by a narrow policy which fears that the raising of loans for railway necessities might interfere (more than other commercial issues) with the success of ordinary Government borrowings.

Question No. 27.—In view of our answer to question No. 17, it follows that we cannot consider the results shown in this paragraph as satisfactory either to the State or the public.

Question No. 34.—Answered in the above.

STATEMENT No. 25.

THE BENGAL NATIONAL CHAMBER OF COMMERCE.—LETTER, DATED 30TH DECEMBER, 1920.

With reference to your letter No. 15 R.C., without date referring to the Questionnaire issued by the Government in connection with the evidence to be submitted to the Indian Railway Committee requesting for an expression of the views of the Chamber on the points raised therein, I am directed by my Committee to submit the following statement *seriatim* with reference to the Questionnaire.

See oral evidence, paragraphs 4455/4470.

The Assistant Secretary to the Chamber, Mr. Biswesswar Sen, will appear before the Committee and explain to them any point in connection with the statement of my Committee with reference to which further elucidation might be wanted.

Part I.—The Management of Railways owned by the State.

My Chamber adhere to the principle laid down in their letter No. 161, dated the 13th June. 1918, to Government (copy enclosed) that both the State and Company management of railways have their advantages and disadvantages and a combination of the two systems will have the effect of removing or rather neutralising to a great extent the defects and deficiencies under which each of them labours and the general result will tend to the advantage of the public at large.

Question 1.—The management of railways should be by company under proper State control Such an arrangement will ensure proper economy. The policy that should guide any scheme for the better management of railways in India, is the stimulation of healthy competition and the free development of Indian trades and industries on natural lines, and in that view every facility in rates and conveyance should be afforded to the public.

* Not reproduced.

Question 2.—The Railway Board should be reconstituted providing for the adequate representation of important trades and industries specially by Indians for the purpose of proper control over management with the above view. If the State provides sufficient funds for the construction of sidings and equipment there would be less complications arising out of the pooling system and it would eliminate delays in making over and taking charge of wagons at junctions. In this way through traffic may be expedited to a considerable extent.

Question 3.—For the purpose of raising funds in England for proper financing of Indian railways, purchasing stores, and securing services of experts there should be a London Board supplemented by an Indian Board with executive powers for the proper administration of railways. The latter being on the spot would be in a better position to dispose of the various questions and quickly meet difficulties which might arise in the working of the railway. The former would be able to raise loans at cheap rates, act as an agency for the purchase at fair rates of railway stores which are not at present available in any large quantity in the Indian markets and also secure services of properly qualified experts.

The Local Board should be composed of a Government Director, experts in railway management, and members representing the commercial, industrial and other interests, having knowledge of the needs and wants of the country. There should be a strong element of Indians in the Board. Hitherto the railway administration has been practically conducted more in the interest of foreign enterprise in the country. This is due mainly to the fact that the Indians have practically no hand in the management of railways.

The management by a board of representatives of different interests will ensure commercial and other public interests being properly looked after and eliminate the chance of high-handed and reckless administration.

The rates of freight should generally be revised and settled, periodically, at a conference of the Railway Board reconstituted on the lines suggested above, with the representatives of the commercial, industrial and general public interests of the local Boards.

Questions 5 *and* 6.—The delay which occurs in the settlement of references by the London Board could be remedied by the appointment of a local Board with executive powers as stated above.

Question 7.—There may be some lack of continuity, which, however, may be avoided to a considerable extent by proper representation of Indian representatives on the Board. There would be sufficient continuity if a permanent Chairman be appointed which should be done by the Government. The other members need not be railway experts, but must have commercial experience.

Question 8.—The difficulty apprehended would be minimised, if different commercial and industrial interests are properly represented in the Local Board.

Part II.—The Railway Board and the Government of India's control.

The Railway Board should be reconstituted making room for the full and proper representation of the interests of the important branches of Commerce and Industries of the country. Such representatives should be nominated by the recognised leading Commercial and Industrial Associations of the different provinces. It should be so arranged that there may be a strong element of Indians in the Board. The reconstitution of the Railway Board on these lines is essential for the exercise of proper control over the management of railways.

The Government should, for the growth and development of the different branches of Trade and Commerce and specially of the indigenous industries of the country, retain and exercise proper control on the management of railways specially with reference to rates of freight, use of the rolling stock, determination of the routes of transport, &c. This control is to be exercised by the reconstituted Railway Board.

Part III.—Railway Finance.

This is a serious point. Main lines must all be owned and financed by the State for which funds should be raised by loans payable within a limited number of years. Considering the present position of the money market, it is to be presumed that there is no likelihood of a great falling off of the rates of interest in the near future. By loans payable in a limited number of years the raising of funds will be facilitated. Arrangements shall have to be made for raising funds for railway financing both here and in England. More vigorous attempts should be made to raise funds here and it is to be hoped that funds will flow in larger volume than hitherto, if loans are raised with conditions similar to those of the War Bonds.

ENCLOSURE.

Copy of letter No. 161, *dated* 13*th June*, 1918, *from the Bengal National Chamber of Commerce to the Railway Board.*

I am directed by the Committee of the Bengal National Chamber of Commerce to acknowledge the receipt of your letter No. 188-F-16, dated the 4th/5th April last, referring again to the question of State *versus* Company management of Railways in India. As a solution of the difficulties pointed out in our letter dated the 8th November, 1916, arising out of the Boards of Management of several Railways in India being placed at a long distance in London it has been suggested that the best arrangement would be to have an Indian Company with Board of Directors in India, constituted on the lines of the Home Board having a Government Director with the power of veto and members consisting of the representatives of the Commercial Communities both European and Indian in Calcutta and Cawnpore. A doubt is entertained, in view of the fluctuation in the personnel of the European Commercial Community, whether a sufficiently strong Board could be constituted in India in the event of the control of the East Indian Railway being transferred to an Indian Company, and the views of the Chamber are invited on this particular point as also on the relative merits of a Board in London and a Board in India having regard to the advantages and disadvantages of either system.

The question is beset with difficulties. The Committee have given their best consideration to the subject and desire to submit the following observations:—

For the purpose of efficient management of an important railway, the Board of Management should have amongst its members experienced administrators and financiers, business men and railway experts of proved merit. In the matter of raising loans for railways the Government will find it difficult to obtain that amount of help from the Directors in the proposed Board in India as they are getting now from the present London Board. The Committee, while they recognise the advantage of developing railways in India with Indian capital, have doubts as to the present financial capacity of the country to undertake the task. They do not believe that there is any large unutilised wealth lying hoarded anywhere in the country and that Government will be able to raise loans in India sufficient for the proper development of railways in the country at 3½ per cent. or at such moderate rates of interest for a long time to come. Under the circumstances the restriction of connection with the London money market by the transfer of the Board of Control of Railways from London to India has its risks.

There is a paucity of railway experts in the country. Experts for the Board, if it be formed in India, will have to be recruited from abroad. Such a course will involve additional expenditure.

Another argument in favour of the London Board is that it acts as an agency for purchasing railway stores and equipment in the cheapest market. In the event of an Indian Board being formed, an agency will have to be retained in London for the purchase of railway materials which also will involve extra expenditure.

Finally, the fluctuations in the personnel of the European commercial community will now and then raise difficulties in the way of maintaining the strength of an Indian Board up to a high level of efficiency.

On the other hand an Indian Board of Management has its peculiar advantages. The formation of an Indian Board with representatives of Indian and European commercial communities will ensure in time a steady flow of Indian capital for railway undertakings and may help to create a situation favourable for eventually obtaining the capital necessary for railway development in the country. It will ensure proper representation of Indians in the higher administrative staffs of railways and thereby make provision for a proper number of railway experts being always available in the country for the successful administration of railways at a less cost with indigenous agency. The Board, being on the spot, will be able to dispose of more expeditiously various cases of difficulties which frequently arise in the working of the railway. The members of the Board being mostly business men, representing both the Indian and Eurpean commercial interests and having personal knowledge of local requirements and conditions will be in a better position to conduct the administration and give directions as to the lines on which the railways should be developed with a view to utilise the natural and industrial resources of the country.

The Committee think it will not be out of place here to quote from Mr. Bell's "Railway Policy in India" (page 32) a passage which is very relevant in this connection. He was not without hope that, "native capital would be induced to enter this field, and that he should regard such a movement as an important factor in the practical education of the people. If ever the natives of this country are to be schooled in the first requirements of Self-Government, it is desirable that they should be encouraged to act for themselves in such matters, rather than they should rely always upon that coercive philanthropy which insists upon doing everything for them."

In the event of Government deciding not to disturb the present arrangement, the Committee would suggest the formation of Local Subordinate Boards with representatives of Indian and European Commercial Communities or constitution of Local Committees like that of the East Indian Railway, which is now merely a consulting and advisory body, vested with power for controlling establishment, transportation of goods, passenger traffic, rates, etc. Such a system is calculated to effect an improvement upon the present arrangement and make the railway administration in various ways more popular and subservient to the interests of the country.

STATEMENT No. 26.

A. W. BAXTER, Esq., Representative of the Narayanganj Chamber of Commerce.—LETTER DATED 11TH JANUARY, 1921.

I have been asked by the Narayanganj Chamber of Commerce to represent it, in reply to your invitation to give evidence on any subject affecting the Chamber and the Railways. See oral evidence, paragraphs 4505/4513.

I. The point I have been asked to press is that the scarcity of wagons for conveying coal from the Bengal coalfields to the jute districts for the different jute baling firms, etc., has been so acute throughout the year (1920) that there was a fear of business being stopped and/or interfered with during the past busy season.

I am informed that there is likely to be great difficulty in getting sufficient coal for next season.

The jute crop of 1920, I would point out, is according to the final Government forecast, a little more than half what it will be in normal years and interference with the free marketing of this article alone means a great loss and hardship to the ryots over and above what is caused to the Balers up country and in Calcutta and to others concerned.

The best time to lay in sufficient coal is from now to July, when flats are available to carry the coal from Calcutta to the districts before the heavy jute season carrying commences.

II. Then again there is a great scarcity of wagons for despatching jute to Calcutta from up-country in Bengal. This has hampered trade for years and unless immediate steps are taken to increase rolling stock, lines, etc., the position will become much worse when there is a normal crop of over 100 lakhs of bales to deal with instead of a short one of 60 lakhs of bales this year as per Government forecast.

SERVANTS OF INDIA SOCIETY'S
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STATEMENT No. 27.

Mr. K. CHAUDHURY, East Indian Railway Passengers' Association.—MEMORANDUM DATED 13TH JANUARY, 1921.

See oral evidence, paragraphs 4520/4531.

I represent the East Indian Railway Passengers' Association formed about 11 months ago to protect the interest of suburban passengers exceeding 15,000 who are subjected to many inconveniences. Let us take the third class passengers, who comprise over 75 per cent. of suburban passengers. His contract with the railway company by virtue of the monthly ticket purchased in advance is violated by the company in many cases. He takes hurried meals to catch morning trains and marches to the station only to find hardly standing room in the train and experiences jolting and shaking that make him giddy, not to talk of the insanitary, dirty and uninviting condition of the compartments. Instead of rest after hurried meals and after quick march to the station, he arrives at Howrah mentally and physically disturbed before beginning his office work. The third class accommodation of Indian railways, which brings in over 75 per cent. of passenger income, is a standing disgrace to the Indian railway system. The railway authorities allege that they have not sufficient carriages—the old parrot cry—but if they have not, why should they sell monthly tickets almost *ad infinitum*. Surely it is time to see that the customers get good value for the money they spend. Instead of lavish expenditure on new projects which may bring new customers, why not please the old customers you have got and not hoodwink them, because of the monopoly the railway company enjoys and because there is no other alternative but to yield to all kinds of discomfort. Even from the point of view of fares, third-class suburban passengers, *e.g.*, from Serampore station, are made to pay 20 days' single fare for a monthly ticket, whereas second-class passengers pay only 13 days'. In this time of crushing rent in Calcutta and mad speculation on lands, the railway company should not only encourage suburban passengers, but offer every inducement to rent-paying residents of Calcutta to go out and live in the country by reducing monthly ticket fares to a reasonable minimum and guaranteeing reasonable accommodation.

The overcrowding in second class is equally bad, whereas most of the first class compartments almost go empty; ½ per cent. are first class, 3 per cent. second class, 20 per cent. inter class and 76½ per cent. third class. I am in favour of abolishing the first class compartments on East Indian Railway suburban trains or giving general permission to second class suburban ticket holders to use first class whenever accommodation is available.

The ordinary third class passengers' plight is even more miserable. He has to undergo all sorts of hardship, *e.g.*, at Howrah station for purchase of his ticket he is treated with contempt by the booking office ladies. Frequently his change is wrong, or he is given a wrong ticket. The rush for purchase of tickets is so great at times that there is a regular trial of physical endurance to purchase a ticket. There should be more booking offices. The compartment he goes in is insanitary; the lavatory is filthy; and in many cases he cannot get drinking water on the stations during the hottest days of summer.

It is high time that all further projects be suspended until and unless the third class passengers who constitute the working backbone of the nation get decent and sufficient accommodation and feel that they are not treated any longer as cattle but self-respecting human beings.

I am in favour of abolishing the second and inter class accommodatiion altogether. It will expedite the democratisation of the country which is essential for the development of the country. Railways are said to have helped in the break up of caste system, but they have encouraged the system of class by running at loss superior carriages in the train and maintaining superior waiting rooms on the station for second class passengers whereas third class passengers are almost considered intruders.

As regards State management *versus* Company management, there seems to be a consensus of opinion by Indians that the State must gradually displace the Company management. The advantages of State management seem to outweigh those under Company management. Financially, the surplus that goes to the pocket of British shareholders amounting to nearly 190 lakhs of rupees as in 1918-19 under private management will swell the State revenues under State management. Under State management, employment of Indians is secured on equal footing with members of other nationalities—better mechanical training is secured for Indian apprentices as *e.g.*, in Kanchrapara. Under company management, Jamalpur, the biggest mechanical workshop in India, does not encourage Indian apprenticeship and is the home of training for Europeans and Anglo-Indians. Superior posts, such as that held by Mr. Rala Ram, late Chief Engineer of Eastern Bengal Railway, is available for capable Indians. Passengers' chances for remedies are theoretically better under State management, as public control is more easily exercisable. Another important item in favour of State management is the pay and prospects of workmen and employees. We had a good many railway strikes or threats of strikes on the Bengal Nagpur Railway, East Indian Railway, and elsewhere, but Eastern Bengal Railway employees bargained and got quickly what they wanted. It is true that, in State service, a lot of inefficient officers thrive, but it is equally true that under private management employees are dismissed or degraded without strong reasons. Inefficiency and incompetence of State railway officials will disappear as the railway administration comes more and more under the close criticism of the public. It is my deliberate opinion that the employees under State management will have advantages unknown to the company employees. It is only patent that the Company managers have to work whole-heartedly in the interest of shareholders in England whereas the State works in the interest of the State, the employees, and the public.

Lord Dalhousie wrote the famous Railway Minute in 1853. Sir William Hunter says in his biography, " This was Lord Dalhousie's masterly idea—not only would he consolidate the newly annexed territories by his railways and immensely increase the striking power of his military forces but he would use a railway construction as a bail to bring British capital and enterprise to India. The unprecedented impulse which Lord Dalhousie gave to Indian trade may be gathered by the following figures. During eight years of his rule export of raw cotton doubled and general merchandise from 13½ millions to 23 millions The imports of merchandise

and treasures increased from 10½ to 25½ millions in 8 years." Lord Dalhousie's Minute shows one of the objects which it was intended to serve was the promotion of British Trade and Commerce with India. That policy must no longer dominate the railway administration in India.

I have omitted to mention that Indian women compartments in third and inter-class must have prominent outside signs for immediate recognition. The lights in the stations should be better, and names of stations on the glass must be painted on each and every lamp.

STATEMENT No. 28.

INDIAN MINING FEDERATION.—LETTER DATED 11TH JANUARY, 1921.

Part I.—The Management of Railways owned by the State.

Our experience is limited mainly to the working of the E.I.R. and B.N. Railways both of which are company-managed. We feel that the railway administration of the country should better be made entirely responsible to the Government of India, *i.e.*, to the people of this country, and controlled by them through the Legislative Assembly and should be free from foreign control which at present is being exercised by the London Board of Directors of several company-managed lines. See oral evidence, paragraphs 4532/4552.

The actual management work of the different important lines should have separate Managing Boards, composed of an Agent or a Director to be appointed by the Government, railway experts and representatives of important commercial and industrial interests to be nominated by the important commercial and industrial associations of the provinces served by the line. The Managing Boards should be so constituted that there might be a strong element of Indian in the Board. The State management would ensure uniformity of rates and freights, uniform policy in the working, and the wagons not being earmarked for particular railways would offer facilities for the working of the pooling systems eliminating the cause of delay at the junctions for taking charge of wagons and remove all grounds for putting block rates into operation and forcing consignment unnecessarily to go over a longer route. The administration being made responsible to the people would speedily adjust itself according to the requirements of the people. It is also desirable in the interest of the development of indigenous trades and industries. It might be necessary sometime to reduce rates of freight for particular commodities even below the paying line for the purpose of developing indigenous industries of national importance.

Part II.—The Railway Board and the Government of India's control.

The Railway Board should be reconstituted by making room for the representation of the interest of principal trades and industries of the country. Such representatives should be nominated by the leading commercial and industrial associations of the country. It is absolutely necessary that there should be a strong element of Indian both in the Railway Board and in the Managing Board of the different railways as mentioned before, otherwise the interest of the indigenous trade and industry conducted by the Indians will continue to suffer.

Part III.—Railway Finance.

The railways should be financed by the Government and vigorous attempt should be made to raise loans in India for financing railways as far as it can possibly be got. For that also it is necessary that in the actual management and in the Board of Control Indians should be associated. If the whole amount of money required cannot be raised here the Secretary of State should arrange to raise loans in the London market.

The loans should be made payable in a limited number of years. This is necessary in the present temper of the money market, both for the success of any floating of loan and also for being in a position to repay loans carrying a high rate of interest, when the money market shall become easier as it is hoped to be after a few years.

Part IV.—Government Control of Rates and Fares: Settlement of Disputes.

Under the present system of company management it is not practicable for the Government to exercise sufficient amount of control over rates and fares. The members of the Indian Mining Federation, *i.e.*, the Indian section of the coal-mining industry, have their special grievances. They have been experiencing all these years that preferential treatment is accorded by one or other system of preferential supply to other than the Indian section in the trade. For instance, it was agreed in the Coal Traffic Conference held in 1912-13 that supply of wagons will be allotted to collieries in a quarter of a year *pro rata* according to the raisings of the colliery in the previous quarter. In practice it was subsequently ruled that wagons will be given extra by rakes to a colliery having comparatively large basis for allotment at first for bringing coal to the Kidderpore Docks. Subsequently this extra supply was given for all purposes to any destination. So larger collieries, besides getting their legitimate larger share of wagons on *pro rata* basis, took away a considerable portion of the balance of available wagons under the rake system.

Special supply is being all along given for Government purposes, loco., and for public utility. The coal which was being despatched under all these special supplies was again taken into calculation in determining the *pro rata* basis of the colliery concerned. In these cases, for the same coal, wagons are given in duplicate, once in full and again by the *pro rata* according to raisings. The larger collieries in this way got the advantage of special supply against the smaller collieries. This matter was being persistently put before the Railways concerned, E.I. and B.N. Railways and the Railway Board and the Honourable Member for Commerce; but no action was taken till the 13th January, 1920, when in a conference under the presidency of Mr. E. A. S. Bell, C.I.E., Member of the Railway Board, a settlement was arrived at that half of the coal despatched by special supply to a colliery in a quarter would be deducted from the raisings of the quarter in determining the basis for the next quarter. But this resolution remains practically a scrap of paper. The major portion of the wagons are being given under Special Supply.

Sidings.—In obtaining a siding an Indian experiences almost insurmountable difficulties and oftener it takes years to get the siding and that at a considerable loss. For a typical instance,

the following may be cited. There is a colliery property in Manbhum district under Dhanbad Sub-Division called Dharmaband, covering an area of 1,533 bighas. There is 4½ feet thick first class coal (17 seam) besides there are five or six mouzahs, first class seams within workable depth. Application for siding for it was submitted in 1908, but objections were raised by the B.N. Railway, under the jurisdiction of which the property is, that an Indian would not be able to develop the property. The firm of Messrs. D. N. Ghosh and Bros., which owns the property, is a financially strong firm. The firm offered to keep a deposit with a bank, any reasonable amount which the railway authority would name as necessary for the development of the property, and also offered to pay all the expenses for the siding, whether it be treated as private siding or be given on assisted siding terms. In this way correspondence continued. In the middle of 1911, one, Mr. H. A. Pingle, a mining engineer, approached the party and offered to arrange to get the siding for the party if the party would agree to part with half of their property, *i.e.*, 766½ bighas for only a nominal sum of Rs. 12,000, though for acquiring the property the party had to pay Rs. 41,000. The offer was accepted in June, 1911, and within six months the siding was obtained and was being worked.

For the purpose of proper prosecution of the war a system of control was introduced on the coal trade and on the supply of wagons for coal, by which after having taken all the coal required for Government and locomotive purposes the wagons available were distributed to different purposes according to a scale and importance determined by the Coal Controller. After the war had ceased in November, 1918, the Indian Mining Federation persistently appealed to the Coal Controller and to the Railway Board and the Honourable Member for Commerce and Industry for the withdrawal of the above-mentioned preferential supply called the Special Indent System. This preferential supply helped certain industries to get all the coal they required at a very cheap rate and kept the other industries, though very important in public interest, meagrely supplied with coal and this at a time when the large industries had made during the war fabulous profit, and in some cases declared 300 per cent. dividend besides carrying a huge reserve.

The Special Indent system affected the coal trade generally in a serious way. The industries which were getting first supplies, *i.e.*, under X class were generally large consumers of coal, they dictated terms to the coal trade which were hardly paying to the collieries. The collieries had to accept the terms on the certainty of getting wagons for despatch of a portion of their accumulating stock. If these wagons, instead of being given on Special Supply, had been allotted on *pro rata* basis, the demand being in excess of the carrying capacity of the railway, the coal trade would have got a paying price, and this fact taken with the laws of supply and demand and the transport capacity of the railways would have gradually readjusted the raisings; but as the above-mentioned war measure continued in operation for a length of time, both the coal trade and a large number of small but important industries continued to suffer. This matter was discussed with the Honourable Member for Commerce and Industry on the 31st March, 1919, by the representatives of the Bengal National Chamber of Commerce and the Indian Mining Federation, and as a result the Coal Controller declared in the following month:—

> " That (1) with the approval of the Government of India he was arranging gradually to withdraw the control on coal and to abolish the Coal Special Indent system. He stated that the Special Indent system would be withdrawn from 1st August, 1919, and supplies would be given to collieries on the pre-war basis.
>
> " (2) The post of the Coal Controller would cease to exist early in May but the work would continue to be carried on by the Deputy Coal Controller, Mr. F. C. Leggo, C.I.E., under the designation of Coal Transportation Officer, Railway Board, who in this capacity would deal with all matters connected with the Coal Special Indent system, and with the distribution of coal generally and would co-operate with the Mining Engineer to the Railway Board in the distribution and transportation of coal for Government and railway purposes. The Coal Controller observed that the withdrawal of the coal Special Indent system application for coal supplies in case of extreme urgency might be made to the Coal Transportation Officer, while his appointment lasts, but consumers as a rule must look to their collieries for supplies and not to the Coal Transportation Officer, who would intervene only in cases of extreme difficulty."

The Special Indent system ceased to be operative on the 1st August, 1919, but was re-introduced on the 15th August, 1919. This action was strongly protested against by the Indian Mining Federation, and the Government announced that the system would be withdrawn finally on the 31st December, 1919. But, strangely, instead of the Special Indent system a system of special supply was forthwith introduced by the Coal Transportation Officer from the 1st January, 1920, by which almost all the wagons available for coal were being taken up for giving Special Supply. Arrangement for allotting wagons under Special Supply was made by the Coal Transportation Officer in December. This latter system of preferential supply is by far the worst of the two. Because under it neither the collieries nor the consumers do know their position and the Indian section in the trade whether suppliers of coal or consumers felt hard hit by the system. As colliers they do not get their legitimate share of available wagons for coal proportionate to their raisings and as consumers they do not get coal in adequate quantity, though they are agreeable to pay reasonable price, and the industries in which the Indian public are particularly interested for the necessaries of life such as food and housing accommodation remain paralysed.

For all the circumstances mentioned above, we think that if the actual management of railways be conducted by boards constituted with representatives of commerce and industry taken from both the Indian and the European commercial community with safeguards that the former is strongly represented in the boards, there might be some chance of a fair and equitable treatment being obtained by the Indian section in the trade. With such an arrangement the railway cannot be worked by a Company, the State shall have to take up the management.

For the purpose of exercising proper control over the management, the Railway Board should be enlarged by making room for the representation of the Indian and European commercial and industrial interest. Such representation should be secured by authorising the representative commercial and industrial associations to nominate such representatives.

Risk Note.—At present the railways are taking freight on coal in advance, and coal is booked under a system known as "Owner's Risk," by which the railway transfers all its responsibility with regard to the safe delivery of the goods placed at its custody over to the shoulders of the owner of the goods, *i.e.*, the consignee. Recently a notice has been issued by the E.I. Railway that they will not generally accede to the request of the owner to re-weigh the coke and coal sent under "Owner's Risk." It is common knowledge that coal and coke, specially the latter, is even in open day pilfered by the railway menials when placed in railway custody. Under the circumstances it is rather curious that the railway concerned, as public carrier, should refuse to recognise its responsibility and would try to avoid it.

STATEMENT No. 29.

Mr. T. R. NOLAN, Acting Agent, Assam-Bengal Railway.—REPLIES TO QUESTIONNAIRE.

Question No. 1.—I do not consider Indian Railways should be nationalised, that is, that they should be owned and managed by the State. I consider the management of State-owned railways by companies on a profit-sharing basis has proved an eminently successful method of meeting the conditions under which railways have been developed in India. See oral evidence paragraph 4553/4574.

The objections to the nationalisation of railways have been so frequently stated it seems hardly necessary to detail them. The chief objections which present themselves to me are:—

The creation of an immense State Department and the conversion of the vast army of railway employees into servants of the State or in other words into officials.

Such officials in the higher grades would be subject to frequent transfers involving loss of continuity of policy in matters of detail, loss of time in learning the necessities of districts to which they are posted on transfer, loss of touch and sympathy with the public, loss of interest in their work and a general loss of intimacy with the capabilities, merits and needs of their staff.

In the lower grades these officials with the status of servants of the State could only with difficulty be removed from the service for slackness or inefficiency and such removals would be subject to appeal to the highest authority.

All such officials both in the higher and lower grades would probably receive promotion on a regular system mainly based on seniority. Such regular promotions, largely regardless of merit, must inevitably develop in many a lack of zeal and interest in their work.

A great State Railway Department capable of managing and developing all the existing railways of India and of constructing new trunk and branch lines would in my opinion lead to excessive centralisation and excessive standardisation in methods of construction and working. It would deprive the railways of the healthy emulation and competition which exists under the company management and of the experience and mature advice of the Boards in London, a large proportion of whose members are men of long experience in Indian railways and commerce. It would further deprive railways of the advantages of the technical advice and initiative of a large number of consulting engineers of world-wide experience of railway construction and railway working.

In matters where the interests of the public clashed with the management the appeal for the public would be to the State against the State. State management involves in fact a union of executive with judicial powers which in other spheres is held in such abhorrence.

With the organisation of labour in India a new argument against State management arises. Every labour movement would be an action against the State. With the example before us of the recent labour troubles in England, which have been accentuated by State control of industries, I do not think India should adopt State management. The union of all Indian railways under one management must emphasise and accelerate the union and power of labour against the State. In England this union and power has almost accomplished a dictatorship. The railway men's demands, whatever they are, are conceded in whole or in part regardless of the interests of the railways and the taxpayer.

There is the possibility of the interests of railways and the public at large being prejudiced in favour of local interests or for political reasons.

It is generally admitted that railways must be worked and developed on commercial lines and it is difficult to see how a great State Railway Department could be so worked in view of the many inherent difficulties to be contended with. It is argued that the existing State railways give a good return and are well managed, but the conditions would be greatly altered if all railways were State-managed.

Question No. 2.—I advocate the continuance of company management. I consider the existing system is generally efficient, but improvements in detail are no doubt possible.

Question No. 3.—The ideal would be that Boards should be located in India, but I consider this is not practicable.

Question No. 3 (*a*).—There is not a sufficient number of suitable men to draw on for directors and of those available many are Europeans whose tenure of office would be too short to ensure any continuity of policy or of interest.

Question No. 4.—This system is, I consider, generally suitable, but were the companies to hold a larger share of the capital it must tend to induce great interest and efficiency.

There are, however, railways built to develop backward districts or for strategical purposes which cannot on the most optimistic estimate produce for many years a return equal to the guaranteed interest, much less any surplus of profits for division between Government and the working agency. In such cases a real and immediate incentive to economical working is lacking. Such railways have to struggle on for years against adverse circumstances whilst the districts they traverse slowly develop. The revenues of these districts improve from the start whilst the railways inducing these increased revenues are starved in grants for development and are generally looked upon by the Railway Board as an unavoidable nuisance. Such railways should, I consider, from the first receive some adequate encouragement and be given a real and early realisable incentive to economical working. This incentive might be given in the form of a bonus for good management. This might take the shape of a payment from net earnings of a small percentage

on the whole capital cost of the undertaking on a sliding scale fixed in relation to the ratio obtaining between gross earnings and working expenses. If the relatively small proportion of the capital held by the managing companies, now approximately one-tenth, should continue to hold good, and it is unlikely greatly to increase, a very small payment from the net earnings of the whole undertaking would give a substantial percentage to the working company. These bonuses might be made to merge in the portion of surplus profits payable to the company when such profits were earned.

Question No. 5.—So far as my experience goes the directors of companies' railways domiciled in the United Kingdom are not out of touch with Indian conditions and requirements. That undesirable delay does sometimes occur in settling references cannot be denied, but there are few instances which have come to my notice where such delay has occurred in matters of great urgency; much delay arises out of the dual control exercised by the Railway Boards and the Home Boards and much of it could be avoided if the Home Boards were given larger powers.

Question No. 6.—I am unable to suggest how suitable boards of directors could be formed in the event of the Companies' Boards being transferred to India.

Question No. 7.—I consider there would be great lack of continuity in a board domiciled in India and I do not think the nomination of a permanent Chairman by the Government would be sufficient; it might secure continuity of policy but a Board so constituted would be liable to become ineffective and the Chairman to evolve into a sort of super-general Manager or Agent.

Question No. 8. I certainly think that in the case of companies domiciled in India that the impartiality of drectors, actively and largely interested in particular industries, might be prejudiced.

Question No. 9.—The suggestion that a system of management by companies domiciled in England combined with companies domiciled in India might be evolved presents many difficulties. I understand this suggestion has been made with a view to providing a means of raising rupee capital in India to be utilised in the extension and development of guaranteed railways. My Board have always held that the most economical way of providing for development is for the parent line to undertake the work itself. In this way if a branch line is profitable the parent line receives the whole of the benefit of the profit, while if the branch line should prove unprofitable the parent line at least secures an extenson without having to provide at a loss any special profit for the branch line company.

But assuming that the scheme proposed by the Government of India be discussed on its merits there are practical difficulties in the way of its application. It is assumed that the proposed company domiciled in India would be formed to undertake the construction of all new branches of a parent line, but many parent lines have already many associated branch line companies owning branches worked by the parent line. On the Assam-Bengal Railway we have the Mymensingh-Bhairab Bazar Railway, the Chaparmukh-Silghat Railway and the Katakhal-Lala Bazar Railway all distinct undertakings. The Mymensingh-Bhairab Bazar Railway Company contemplates further development and is to all intents and purposes in practical possession of our most promising field for development, that is, Eastern Bengal. Unless the proposed Indian company were to absorb the Mymensingh-Bhairab Bazar Railway and the other branch railways associated with the Assam-Bengal Railway, it is difficult to see where they could operate. There are no doubt some proposed extensions in Assam, but if these only were taken up by the proposed Indian company the main object of the scheme would not be attained.

As regards the financial relation between the parent company and the subsidiary company domiciled in India it is suggested that the rupee share capital should rank in all respect with the sterling capital of the London company both in respect to guarantee and in distribution of profits earned by the combined undertaking. It is difficult to see how such an arrangement could be acceptable to a parent company already well established and earning good dividends. New branches and extensions cannot in their early years be expected to give much return, and I should not think such old established lines would be inclined to share their earnings during the period of growth of the branch lines. On the other hand in the case of a railway such as the Assam-Bengal Railway, which is not earning its guaranteed interest, there would be nothing to share and there would be no inducement to offer to the subsidiary company to raise capital. In this particular case it would follow that some other plan for financing the scheme would have to be found, and such a plan might most conveniently take the form of a suitable modification of the existing branch line terms under which an adequate return on the branch line capital would be secured by guarantee or by way of rebate on interchanged traffic, the surplus revenue being divided between the branch line and the parent company in some agreed proportion. The Assam-Bengal Railway would cordially welcome any scheme which would secure a speedy and systematic construction of branch lines together with the development of industrial undertakings which might well be included in any scheme formulated. There is scope in India for a company which would not only promote extensions and develop their main system, but which would examine and assist in promoting commercial undertakings generally. In a newly opened out Province, such as Assam, there is undoubtedly room for new commercial undertakings, and such undertakings if closely associated with a railway in their initial stages, would be in a better position than if promoted by private enterprise and the railway would at the same time gain by the profits on extra traffic. Heretofore railways in India have not, as in some other countries, been permitted to undertake any commercial enterprise other than transport; anything of such nature being held in India to be an interference with private enterprise. But in an undeveloped country private enterprise is often powerless to act or unable to see for itself sufficient prospect of profit. These conditions would be improved and development accelerated if a railway were allowed to extend its activities in assisting in the investigation and promotion of such commercial undertakings. As an instance of such a combination I may point to the Assam Railways and Trading Co., which has done much to develop local industries in Northern Assam.

The formation of such a subsidiary company domiciled in India, as suggested, for the extension and improvement of guaranteed companies' systems in India would necessarily be

accompanied by the assignment to the parent company of a definite geographical area of operations and in the case of the Assam-Bengal Railway this area should, as has always been claimed, be the country the natural boundary of which on the west is the Brahmaputra river.

Questions Nos. 10 & 11.—I consider a system of control of railways by means of such a board as the Railway Board is necessary, but the constitution of the board is open to question and their powers in regard to finance are too limited.

Question No. 12.—I consider the functions exercised by the Railway Board in practice are applied in too great detail and involve numerous useless references; a greater devolution of powers would tend to greater efficiency and economy. This applies specially in dealing with matters of establishment where the powers given to companies' boards and agents in India are too restricted.

Question No 13.—I consider the Railway Board possesses adequate powers of control over Railway Administrations in respect of matters relating to the requirements of the travelling public and of trade.

Question No. 14.—In connection with the Assam-Bengal Railway it has been held by my board that certain decisions of the Railway Board have not been in the best interests of the public of the districts served by this railway. I refer more specially to the question of the transfer of the Dacca-Mymensingh Railway from the Eastern Bengal Railway to the Assam-Bengal Railway. The question of this transfer has been argued at length between the Assam-Bengal Railway, the Government of India and the Bengal Government, and in 1914 the principle was definitely approved of by the Government of India that the transfer would take place as soon as circumstances permitted. Unfortunately a change of personnel in the Railway Board reversed this decision. My board hold most strongly that this decision is not in the interest of the public or of the Assam-Bengal Railway or railways in general in the districts of Eastern Bengal.

Question No. 15.—The powers of the Railway Board as regards the financing of railways would appear to be "Nil" as they are wholly dependent on the Finance Minister and as the prosperity of the railways in India depends upon adequate financial arrangements I consider an enlargement of the Railway Board's powers in this direction is essential.

Question No. 17.—I consider the supply of funds for railway purposes has been inadequate for new construction and for the improvement of existing railways; the provision for maintenance, so far as my experience goes, has generally been adequate.

Question No. 18.—I consider the policy adopted is sound in principle and most suitable in view of the inadequacy of the funds available.

Question No. 19.—I consider there is hardly any limit to the funds which could be profitably employed on development of railways in India and Burma, but I would not venture to fix any amount which should be provided annually; this is a question needing special and detailed enquiry.

Question No. 20.—I consider capital funds should be raised both in India and in the United Kingdom and I do not think sufficient funds for the proper development of Railways can be raised in India alone.

Question No. 21.—I do not consider the existing arrangements for supplementing India's resources for railway construction under the branch line terms are adequate. I consider the guarantee terms should be modified to bring them into line with existing conditions, which means offering terms sufficiently attractive to bring in capital. But if such terms are offered, rupee capital could no doubt be equally well raised by the parent line, thus eliminating all the complications of branch line agreements and working arrangements, whilst at the same time, as already pointed out, giving the parent line the benefit of all the surplus profits when earned.

Question No. 26.—I do not consider the existing system of financing railways is adequate and I hold that it has been detrimental to railway improvement and development.

Question No. 26 (*b*).—I consider that in view of the increased rate of interest at which capital can be raised and the increased cost of working expenses railway rates must generally be raised to meet this increased cost as I hold that railways should be worked on a commercial basis. The essence of this is that they should be self-supporting and not a burden on the general taxpayer.

Question No. 27.—I cannot give any estimate of the indirect advantage to Government attributable to railways through the development of the areas served by them, but it should not be a difficult manner to arrive at a rough figure. The late Mr. Thomas Robertson, C.V.O., in his Report on the Administration and Working of Indian Railways, published in 1903, discusses this point and he sums up by stating "that every rupee which is spent on railways comes back many times over to the country." A glance at the figures for the increase in the trade and revenues of India during the past 20 years shows what the railways have done to increase revenue, as this enormous increase could not have been attained without the development of internal transport.

Question No. 28.—The Annual Budget System in my opinion is a most unfortunate one, involving lapses at the end of the financial year and a carry over of commitments on stores against the grants for the following year. For works executed in India it creates many difficulties; fixed contracts with contractors cannot be entered into, with the result that the bulk of the work is carried out on contracts which amount to little more than "work orders" based on scheduled rates per unit of work and terminable by the railway on very short notice. Such contracts lead to difficulties with contractors who naturally demand higher rates than they would ask if they felt confident the work they are undertaking would be carried through to completion regardless of budgets.

It is well known that when "lapses" are anticipated on one railway additional funds are offered to others. This results sometimes in work being hurriedly taken up and rushed through without sufficient consideration and at rates higher than those at which it might possibly other-

wise have been done. With the " lapse " system in force and the knowledge that if the grant for the current financial year is not all expended by the 31st March, there is always a rush to spend as much as possible within the last few months of the financial year and to pay contractors fully up to the hilt—a procedure which does not always lead to satisfactory results. With this system in force it is difficult to formulate and adhere to any real programme of development, as one never knows from month to month what funds will be made available or what curtailment may be imposed.

Question No. 30.—I consider Government have adequate powers of control over railway administrations in respect of rates and fares, but I consider that in certain cases these powers are not always used in the best interests of the public.

Question No. 32.—The machinery provided by the Indian Railways Act, Chapter V, for the settlement of disputes between railway administrations and traders appears to me cumbersome, and I am not sure if it has ever been made use of.

Question No. 34.—In view of the notable deficiency in the carrying capacity of railways in regard to coal traffic it would seem hardly necessary to give any reply to this question, the failure, it would appear, evidently lies with the provision of inadequate funds for development of the railways concerned.

STATEMENT No. 30.

BENGAL MOHAJAN SABHA.—LETTER DATED 11TH JANUARY, 1921.

See oral evidence, paragraphs 4575/4593.

I have the honour, by desire of the Committee of the Bengal Mohajan Sabha, to acknowledge the receipt of your letter No. 15 R.C. dated 27th December, 1920, inviting an expression of their views on the subjects referred to in the questionnaire forwarded therewith and in reply thereto beg to submit the following observations.

My Committee have as requested nominated their Honorary Secretary, Mr. Tarit Bhusan Roy, M.L.C., to give oral evidence before the Railway Committee. For the sake of convenience the Committee propose to deal with the questionnaire part by part instead of taking each question separately.

Part I.

The relative advantages and disadvantages of State and Company management, so far as railways in India are concerned, has for some time past been the theme of a keen controversy in this country. The appointment of the Indian Railway Committee has followed as a necessary sequel to the discussion of this vital question in the Imperial Legislative Council in 1919. It is no use disguising the fact that until lately public opinion in India had practically been silent. This cannot be regarded as an acquiescence on the part of the people in the continuance of Company in preference to State management of railways. A discussion of State versus Company management is not possible without considering the question of their relative aims. The aim and object of a railway policy should be the development of trade and industries, the provision of cheaper facilities for transport, increment of revenues, the reduction of the direct taxation of the people and of railway rates to a minimum. The true policy should be to make the railways subservient to the development of the country. The period between 1853 to 1870 was one when railways in India used to be carried on through the agency of English Joint Stock Companies under a guarantee from the Government of India. In 1869 Lord Lawrence, the then Viceroy of India, expressed his deliberate opinion that the direct agency of Government would certainly be more economical than that of railway companies and he felt no hesitation in declaring that he viewed the enormous inflation of the capital accounts of some English railway companies with great concern The result was that in 1870, railways in India became vested in the State. It is a matter of common knowledge how the policy inaugurated by Lord Lawrence eventually came to be reversed by Lord Ripon. My Committee are inclined to think that if such reversal had been attempted now instead of 40 years ago it would have evoked a storm of opposition from the people of India.

It is interesting to note that in many advanced countries such as Japan, Australia, Germany and Austro-Hungary where the experiment has been tried the verdict has been in favour of State ownership and management. The present Prime Minister of England in the year 1908 as president of the Board of Trade paid a glowing tribute to the great economy and efficiency of State management. Coming to India, the following comparative table for 1878 furnishes some evidence of the advantage of State over Company management:—

	Madras (guaranteed).	Rajputana (State).
Gauge	5-6	Meter
Meanage (years)	14¼	4
Length in miles	857	419
Gross earnings per mile per week	149	137
Gross earnings per train mile	3·08	2·99
Working expenses per train mile	2·34	1·85
Percentage of profit on capital	1·44	3·99

There is no reason to believe that the compilation made by no less an authority than Sir Guilford L. Molesworth, K.C.I.E., is anything but accurate.

My Committee are convinced that State ownership and direct State management would unquestionably be for the benefit and welfare of the people of India for the following amongst other reasons.

(1) The State Railways serve chiefly the public interests of traffic, of commerce, of the circulation and transport of commodities and passengers and they aid the public treasury and in any event they promote only public interests.

(2) State management will secure unity and consolidation of management which means large savings in official salaries, substantial reduction of the army of employees in the tariff and accounting offices and avoidance of waste in haulage by circuitous transportation.

(3) It would stop the economic drain, however small, on the Indian exchequer as every rupee of the surplus profits goes out of India for the benefit of the shareholders.

(4) State management is tantamount to management by the people themselves and this, in the opinion of my Committee, constitutes its paramount claim for preference. India needs nothing more nor less than entire management by the State under the direct control and direction of the Reformed Councils.

(5) State management is capable of being remodelled under the wholesome influence of the Legislative Assembly.

(6) In view of the fact that the companies receive only a fraction of the surplus profits my Committee fail to comprehend how they can support their claim for retaining the management in their hands. As companies subsist for the benefit of the shareholders and are primarily concerned with their own profits, more than power, the real incentive to development, reduction of tariffs, speculative extensions and provision of comforts for passengers must be lacking in their case.

(7) The application of nett profits to the amortization of capital until the entire railway system should become free of debt will certainly lead to great reduction in passenger fares and freight rates. In concluding their observations regarding the advantages of State management my Committee venture to submit that the salvation of India lies in emancipating her railways from the grip of company management. Sir James Caird had justly observed that the Government of India had no interest to consider and recognise but that of India. If that was true in 1884 how much more so is it to-day after the enforcement of the recent Government of India Act. My Committee feel tempted to quote in this connection the following opinion of Major Conway Gordon, R.E., Deputy Accountant-General and Under-Secretary to the Government of India, P.W.D. " If you ask me the point directly I may say that all monopolies like railways are better in the hands of the public, that is to say, in the hands of the Government, than in the hands of commercial companies."

Part II.

My Committee regret to observe that the present Railway Board have failed to satisfy the requirements of the public and to inspire public confidence and they feel inclined to suggest that it should be discontinued. The manner in which the Indian travelling public including the respectable womanhood of the country are packed almost like cattle in ordinary trains not to speak of pilgrim specials consisting most often of goods-wagons and trucks is sufficient to warrant the belief that the Railway Board have signally failed to justify their existence. It is needless to say that the Board ought to be above the faintest suspicion of partiality. It is difficult for any member thereof to preserve an attitude of rigorous impartiality if he has the prospect of an attractive seat on the London Board of a company in view after retirement from Government service. The resignation of the Chairmanship of the Railway Board by Sir Frederick Upcott with a view to assume the Chairmanship of the East Indian Railway and the appointment of Sir T. Wynne, a member of the Board as the Managing Director of the Bengal Nagpur Railway naturally tended to create some misgivings in the public mind.

Part III.

Regarding the financing of railways in India my Committee beg to observe that with a credit behind them the State would be in a better position than a company to find capital within India. The Committee do not approve of any borrowings with any fetters upon the management. if the whole of the requisite capital cannot be found in India the cheapest foreign market should then be resorted to.

Part IV.

With regard to the Government control of rates and fares my Committee do not think that it is adequate or effective—the gulf between the maximum and minimum rates being very wide.

The machinery provided by the Indian Railway Act (Chapter V) for the appointment of Railway Commissions to settle disputes is too complicated and so far as my Committee are aware it has seldom been resorted to by the Indian Commercial Community. A simpler method should therefore be substituted.

In conclusion my Committee beg to submit the following general observations. They regret to point out that so far the companies as well as the State have done very little for ensuring the comforts and conveniences of the Indian travelling public and to provide better and sufficient transportation facilities. The public have so long endured the inconveniences and privations of railway journeys with patience in spite of the callousness of the management to remove them but the fact remains that it has engendered the deepest discontent in the country. The companies armed as they are with great powers can, if they so desire, easily strangle the indigenous enterprises through the medium of the minimum and maximum rates. It is a pity that no attempts have been made, in any event, to provide decent and comfortable travelling accommodation for Indian passengers rich and poor. The practice of permitting railway servants to travel in congested passenger trains although the parcels express is meant solely for them is one of the glaring instances of the evils of existing management.

STATEMENT No. 31.

INDIAN JUTE MILLS ASSOCIATION.—MEMORANDUM DATED 12TH JANUARY, 1921.

See oral evidence, paragraphs 1594/1600.

The purpose of this memorandum is to show how the shortage of wagons on the railways serving Calcutta affects the jute mills situated on the banks of the Hooghly. They are affected in the three following ways:—

(*a*) through scarcity of wagons to bring down their supplies of coal;

(*b*) scarcity of wagons at certain seasons of the year for bringing down jute from up-country;

(*c*) scarcity of wagons for despatching the mills' manufactures up-country in order to bag wheat, seeds, and other country produce.

2. The following figures show the extent of the mills' interests:—

(1) Capital value of the mills (approximately), £40,000,000.

(2) Average annual consumption of raw jute, 1,170,000 tons.

(3) Stocks of jute at the mills, £17,500,000.

(4) Workers employed, 280,000.

(5) Daily consumption of coal about 4,000 tons, requiring 240 wagons daily.

(6) Coal consumption for six days working, 24,000 tons, or 1,250,000 tons annually.

(7) Coal consumption for five days working, 20,000 tons, or 1,000,000 tons annually.

3. The following figures show stocks in the mills' compounds at the end of each month during 1917, 1918, 1919 and 1920:—

	1917.	1918.	1919.	1920.
January	45,403	56,008	176,822	50,270
February	31,059	56,166	173,642	47,799
March	45,903	38,091	145,765	64,713
April	68,000	29,385	127,175	48,364
May	94,149	39,907	143,835	47,290
June	101,164	59,210	137,266	55,106
July	97,300	72,855	136,131	55,511
August	84,066	76,859	129,737	40,414
September	97,668	89,369	131,757	28,397
October	109,114	138,799	126,525	27,221
November	86,995	173,273	104,805	19,616
December	66,372	189,260	78,267	19,120

4. It should be noted that stocks were high towards the end of 1918, and throughout practically the whole of 1919, because the mills were working for not more than four or five days weekly for most of that time. It is considered by the mills to be essential that they should always have at least one month's stock of coal in their compounds, or say about 100,000 tons. But, as will be seen from the figures, the stocks at the end of December had dropped to 19,000 tons, and at the moment they are down as low as 17,000 tons. In other words the mills, instead of having one month's supply in hand, have sufficient for only about four or five days. And in point of fact these stocks are unevenly distributed, with the result that several mills have been compelled to shut down their machinery, and to throw their workers out of employment, for want of coal. It will be seen from the annexed copy of a telegram from the Indian Jute Mills Association to the Government of India that, during the last fortnight, five mills—employing over thirty thousand workers—have been standing for varying period.

5. Fourteen new mills, and extensions to existing mills, are at the present time under construction; and the existing mills are working for only five days weekly, instead of six days. Even so they are, as has been shown, very short of coal; and it is difficult to see how it will be possible to obtain coal in sufficient quantity to provide for the needs of the new mills and extensions, when these are completed, more especially if the existing mills resume full time working.

6. A statement is annexed showing the delays that occur in the carriage of coal from the mines to the mills; and it ought to be possible to effect some improvement in the way of speeding up the transit of wagons. It will be observed that the statement gives particulars of wagons despatched by each of three different routes:—

(1) *via* the Bengal-Nagpur Railway only:

(2) *via* the East Indian Railway only; and

(3) *via* the East Indian and Eastern Bengal Railways.

The delays are, it will be noticed, more pronounced in the case of wagons that are brought over the East Indian and the Eastern Bengal Railways.

7. The second matter to be considered is that of the scarcity of wagons in the jute districts. This has been less severe in recent years than it formerly was. But even now complaints are still heard, particularly with reference to Northern Bengal where jute dealers state that they cannot get sufficient wagons to send their jute to Calcutta as, and when, they require to send it. In the years preceding the war when the jute crop averaged from 80 lakhs to 100 lakhs of bales, the scarcity of wagons recurred regularly every season. And the improvement which is now visible is not due to the fact that the supply of wagons has increased, but that the quantity of jute offered for carriage has, on account of shortage of crop, been reduced. It is understood that the Eastern Bengal Railway have been able to lend their wagons to the East Indian Railway. But when the jute crop rises again to its pre-war level they will certainly not be able to do this, unless their stock is greatly augmented in the interval; and the general position will presumably tend to become worse.

8. The last matter is that of the scarcity of wagons for the carriage of jute manufactures up-country. Mills experienced, particularly at certain times of the year, great difficulty in obtaining sufficient wagons to move their manufactured goods. It should be borne in mind in this connection that the great bulk of the jute goods to be exported by sea are despatched to the Kidderpore Docks, not by rail but by river. It is only a relatively small proportion of the production which is despatched up-country. But even this small quantity cannot be carried without delays at certain seasons of the year.

ENCLOSURES.

Copy of Express Telegram dated 5th January, 1921.

From the Chairman, Indian Jute Mills Association, to the Secretary to the Government of India, Department of Commerce, Delhi.

Reference conference coal position held Bengal Chamber 3rd December position of mills rapidly becoming impossible. Alliance, Alexandra, Balliaghatta, Kamarhatty and Reliance Mills employing over 80,000 workers have had to shut down for want of coal although they have unfulfilled coal contracts largely in excess of requirements. Other mills are on the point of closing down and some are being kept going only by boating coal from depôts in Calcutta and vicinity. Please wire what action has been taken on conference recommendations.

(1) *Bengal-Nagpur Railway.*

B. N. Ry. wagons.	From Colliery.	Date of despatch.	Date of arrival.	Days in transit.	Destination.
2	Mudidih ...	7th Dec. ...	12th Dec.	5	Lawrence Mills.
2	do. ...	8th „ ...	13th „	5	do.
2	do. ...	9th „ ...	17th „	8	do.
2	do. ...	10th „	24th „	14	do.
			17th „	7	do.
			18th „	6	do
2	do. ...	12th „	17th „	5	do
2	do. ...	14th „ ...	26th „	12	do.
2	do. ...	16th „ ...	26th „	10	do.
2	do. ...	19th „	26th „	7	do.
			23rd „	4	do.
2	do. ...	22nd „ ...	27th „	5	do.
6	do. ...	27th „ ...	1st Jan.	5	do.
2	do. ...	31st „ ...	7th „	7	do.
3	Katras ...	23rd „	28th Dec.	5	do.
			29th „	6	do.
3	do. ...	27th „ ...	3rd Jan.	7	do.
7	do. ...	31st „ ...	7th „	7	do.
			Or average of about ...	9 days.	

(2) *East Indian Railway.*

2	Choitodih ...	4th Dec. ...	10th Dec.	6	Dalhousie Mills.
3	do. ...	6th „ ...	15th „	9	do.
3	do. ...	7th „ ...	18th „	11	do.
3	do. ...	8th „ ...	18th „	10	do.
2	do. ...	9th „ ...	17th „	8	do.
1	do. ...	9th „ ...	18th „	9	do.
3	do. ...	11th „ ...	21st „	10	do.
3	do. ...	12th „ ...	21st „	9	do.
3	do. ...	13th „ ...	21st „	8	do.
1	do. ...	14th „ ...	28th „	14	do.
2	do. ...	14th „ ...	21st „	7	do.
1	do. ...	16th „ ...	29th „	13	do.
3	do. ...	19th „ ...	28th „	9	do.
3	do. ...	20th „ ...	11th Jan.	22	do.
3	do. ...	23rd „ ...	29th Dec.	6	do.
3	do. ...	31st „ ...	8th Jan.	8	do.
1	do. ...	10th „ ...	18th Dec.	8	do.
1	do. ...	10th „ ...	30th „	20	do.
1	do. ...	10th „ ...	18th „	8	do.
5	Bankola ...	4th „	1 wagon 8th	4	do.
			4 wagons not received ...	—	do.
2	do. ...	5th „ ...	31st Dec. ...	26	do.
2	do. ...	6th „ ...	13th „	7	do.
2	do. ...	7th „ ...	13th „	6	do.
2	do. ...	8th „ ...	13th „	5	do.
2	do. ...	9th „ ...	13th „	4	do.
2	do. ...	10th „ ...	19th „	9	do.
2	do. ...	11th „ ...	19th „	8	do.
2	do. ...	12th „ ...	19th „	7	do.
2	do. ...	13th „ ...	19th „	6	do.
2	do. ...	15th „	1 wagon 22nd Dec. ...	7	do.
			1 wagon not received ...	—	—
2	do. ...	16th „ ...	25th Dec.	9	do.
2	do. ...	17th „ ...	22nd „	5	do.
2	do. ...	18th „ ...	25th „	7	do.
1	do. ...	19th „ ...	15th „	6	do.
1	do. ...	19th „ ...	26th „	7	do.
2	do. ...	20th „ ...	25th „	5	do.
1	do. ...	21st „ ...	25th „	4	do.
1	do. ...	21st „ ...	Not yet received ...	—	do.
1	do. ...	22nd „ ...	26th Dec.	4	do.
1	do. ...	22nd „ ...	Not yet received ...	—	do.
2	do. ...	23rd „ ...	27th Dec.	4	do.
1	do. ...	24th „ ...	29th „	5	do.
1	do. ...	24th „ ...	Not yet received ...	—	do.
2	do. ...	25th „ ...	28th Dec.	3	do.
1	do. ...	26th „ ...	29th „	3	do.
1	do. ...	26th „ ...	Not yet received ...	—	do.
2	do. ...	27th „ ...	30th Dec.	3	do.
2	do. ...	28th „ ...	3rd Jan.	6	do.
2	do. ...	29th „ ...	3rd „	5	do.
2	do. ...	30th „ ...	3rd „	4	do.
1	do. ...	31st „ ...	3rd „	3	do.
1	do. ...	31st „ ...	6th „	6	do.

attractive to the investing public. And it would not be prudent to lay down hard and fast rules on this subject; for the reason that terms which might be attractive at one time, might be less attractive at another, or, on the other hand, might be more favourable than was necessary.

9. In the event, which the Chamber would deplore, of it being decided that the railways must still look to Government for their capital funds, the proposal for the separation of railway finance from the general finances of the country may perhaps be worthy of further investigation. This proposal was discussed by the Chamber as long ago as 1907, when the Government of India objected to it on the ground that the difficulties in the way of raising money were real difficulties that could not be avoided by any mere book-keeping device. The Indian Railway Finance Committee likewise rejected the proposal, their reason being that " as long as the money required " for railway purposes has to be provided by or on the credit of the Government so long must " the supply of money depend on the Government's general situation at the time." Despite these adverse opinions the Chamber is still inclined to suggest that the proposal be re-examined. Matters have gone from bad to worse in respect of the railways since 1908; and no possible avenue to an improved condition of things should be neglected. A protest may be recorded at this point against the continuance of the system of " lapse." This system has admittedly so many obvious and serious disadvantages that it should certainly be discontinued. Periods of at least three years should be budgetted for rather than one year, as is now the practice.

10. From what has been written above it will be evident that, as regards Part I of the Indian Railway Committee's terms of reference, the Chamber is antagonistic to the system of State management. The general question of the advantages of State, as opposed to Company management was fully discussed by the Committee of the Chamber as recently as 1916—letter No. 2112, dated 18th October, 1916, to the Railway Board. There is no need, therefore, to repeat the arguments which were then advanced against an extension of the principle of State management. But it may be useful to quote the conclusions at which the Committee of the Chamber then arrived. These were:—

(*a*) They (*i.e.*, the Committee of the Chamber) consider that the existing policy, the essential feature of which is State, or part State-ownership united to commercial administration, should be adhered to and persisted in;

(*b*) They maintain that the experience of the past shows that this policy is better adapted to the needs and circumstances of India, and is calculated more rapidly to advance the material prosperity of the country than a policy which would provide for general State-working in addition to State-ownership;

(*c*) They further hold that the company lines are, on the whole, more efficiently, more economically, and more satisfactorily managed than the existing State-worked lines and

(*d*) They would strongly condemn any such enlargement of the existing bureaucracy as would be unavoidable if the principal railways in the country were managed by the State.

11. If the principle of State management be rejected, the question of whether the leasing companies should be domiciled in the United Kingdom or in India remains for consideration. The answer to this enquiry must depend to a large extent on the power of India to supply the required funds. When examining this subject in 1918, the Committee of the Chamber expressed a preference for the continuance of the system under which the boards of the companies are located in London, and it is still the opinion of the Chamber that the supreme control will have to be in London. For capitalists in the United Kingdom and in other parts of the Empire are, in the opinion of the Chamber, less likely to invest if the control is in India. At the same time, it is admitted that the general tendency in commercial concerns at the present time is in the direction of Indian domicile. And local boards with wide executive powers will certainly have to be established in this country. The precise extent of these powers will require careful consideration, but it would seem that broad questions of policy only would need to be referred to London. An objection to local boards of directors in this country is the want of continuity of membership, which is very difficult to avoid, except, of course, in the case of the Indian members. The Chamber considers that the appointment of a chairman skilled in railway work would be essential, while railway knowledge and experience on the part of other directors would not be necessary. Indian representation on the local boards should be in accordance with the amount of the Indian capital subscribed.

12. In respect of Part II. of the terms of reference—Railway Board and the Government of India's control—it is not the intention of the Chamber to remark at length. It is clear, however, that as the Government is now, and is likely to be for many years, the largest shareholder, a considerable measure of State control must be exercised over the railways. But this control should be, the Chamber considers, limited as far as possible, seeing that official control is so apt to circumscribe and to hamper commercial enterprise. In the event of any body such as the present Railway Board being continued, the Chamber suggests that some of the existing inconveniences might be avoided if the President were given a casting vote over his colleagues, and possibly appointed a member of the Executive Government. The Chamber would oppose any form of control modelled on the lines of the control exercised over the English railways by the Ministry of Transport. On the contrary, it should be such as to permit of the largest possible measure of independence being given to the leasing companies.

13. With regard to Part IV. of the terms of reference, it requires to be mentioned that the Chamber has been a consistent opponent of the principle of applying to all Indian railways uniform minima mileage rates. This principle was objected to by the Chamber on its introduction thirty years ago, and again in 1905, and for a third time in 1912, when the following resolution with respect to it was unanimously adopted by the members of the Chamber in special general meeting:—

" Resolved that the members of the Bengal Chamber of Commerce strongly endorse the protest that they made against the continuance of this system in their letter dated 12th September, 1905, to the Government of India, and that they reaffirm their conviction

that the device of uniform minima mileage rates ignores the natural advantages attaching to any particular line of railway; that it presses with undue and unnecessary severity upon the eastern ports, such as Calcutta, which are served by railways working at low cost, inasmuch as it forces these railways to charge needlessly high rates of freight; and that it consequently gives an unfair and unjustifiable preference to the western ports, which are served by railways working at high cost, but which enjoy lower rates of sea freight to Europe."

14. If the Chamber's recommendations regarding the raising of capital funds by companies are adopted, the question of branch line terms becomes unimportant. The Chamber have no wish to decry the utility of the inception of branch and feeder lines by independent companies, as this forms a useful sphere of activity of several of the Chamber members. They recognise that the present terms are entirely out of date, and they are willing to recommend that they should be made more attractive if it is considered that by so doing a new field for raising capital funds could be opened out. They are, however, of opinion that branch lines should be built and worked as an integral part of existing railway systems.

15. It should, perhaps, be added that purely strategic lines are excluded from consideration by the Chamber in recommending the extension of the principle of commercial management. Strategic lines must be, of course, always constructed and managed by the State.

STATEMENT No. 33.

THE INDIAN ENGINEERING ASSOCIATION.—LETTER DATED 12TH JANUARY, 1921.

I am directed by the Committee of the Indian Engineering Association to submit, for the consideration of the Indian Railway Committee, the following observations in connection with the present enquiry. See oral evidence, paragraphs 4662/4674.

The Management of Railways owned by the State.—In connection with the previous enquiry in 1916 this Association expressed the opinion that the system of Company working is, on the whole, preferable to State Management, their experience being that Company working is more accommodating as regards trade requirements and the public convenience than State working.

The Committee are still in favour of company management and are of the opinion that management through companies domiciled in India, with the Board in India only, would be the most advantageous.

Direct State management, however, will still be necessary where railways serve strategic purposes principally, and in districts which are not in themselves productive but which require opening up in the general interests of the country.

The Railway Board and the Government of India's Control.—In the opinion of this Association the powers and scope of the Railway Board should be very considerably extended. At its head should be a President who should be a member of Council. The President should be responsible to the Governor-General for the efficient working of his department. Under the President there should be a Board to deal with all the railway business of the Government.

Railway Finance.—The question of the adequate financing of the railways is one regarding which the Association feels itself unable to put forward any definite proposals. It is considered, however, that a considerable change in the present policy is essential if railways are to expand with the requirements of the country. The admission of the responsible heads in India of two of the most important railways, viz., the East Indian and Bengal Nagpur, at a recent meeting at the Bengal Chamber of Commerce in connection with the acute wagon shortage, affords conclusive evidence of the need for a thorough investigation of the financial position, and the framing of measures whereby the railways will be supplied with funds sufficient to enable them to meet all legitimate demands, both for upkeep and expansion. The Agents of the railways are reported to have said that they expect the year 1921-1922 to be a bad year in which no progress can be made at all. Money would be so short that the railways could only just be able to carry on without advancing. No more damaging evidence of the paralysing effect of economising at the expense of efficiency could, the Association consider, possibly have been given.

The encouragement of private enterprise is highly desirable and a much more liberal attitude towards such is necessary in order to attract capital for railway developments, in view of the high rate of interest obtaining for Government loans.

General.—The question of the provision of funds for railway equipment is of direct interest to the Indian Engineering Industry. In the matter of wagons and in manufactured work generally a far larger proportion of the orders should be placed in India; the money is then spent in the country, and assists in the development of important industries which, in their turn, contribute to the railway revenues in freights for raw materials and finished goods. Railway prosperity is bound up with the industrial prosperity of the country; if industries languish, the railways must suffer in consequence, it being one of the principal functions of a railway to develop and help indigenous trade and industry. What this Association desires most strongly to urge is the provision of adequate funds for the railways, however managed, and that as far as possible these funds should be expended in India.

STATEMENT No. 34.

THE COMBINED GOVERNMENT OF MADRAS.—MEMORANDUM DATED 10TH JANUARY, 1921.

The Railway Board in their Resolution No. 405/F-19 of 9th October, 1920, communicated their terms of reference in connexion with the railway committee which has been appointed by the Secretary of State to advise Government on certain matters connected with the administration of railways in India. They subsequently issued a questionnaire and invited the Government of Madras to place their views before the Committee when they visit Madras. See oral evidence, paragraphs 4675/4731.

attractive to the investing public. And it would not be prudent to lay down hard and fast rules on this subject; for the reason that terms which might be attractive at one time, might be less attractive at another, or, on the other hand, might be more favourable than was necessary.

9. In the event, which the Chamber would deplore, of it being decided that the railways must still look to Government for their capital funds, the proposal for the separation of railway finance from the general finances of the country may perhaps be worthy of further investigation. This proposal was discussed by the Chamber as long ago as 1907, when the Government of India objected to it on the ground that the difficulties in the way of raising money were real difficulties that could not be avoided by any mere book-keeping device. The Indian Railway Finance Committee likewise rejected the proposal, their reason being that " as long as the money required " for railway purposes has to be provided by or on the credit of the Government so long must " the supply of money depend on the Government's general situation at the time." Despite these adverse opinions the Chamber is still inclined to suggest that the proposal be re-examined. Matters have gone from bad to worse in respect of the railways since 1908; and no possible avenue to an improved condition of things should be neglected. A protest may be recorded at this point against the continuance of the system of " lapse." This system has admittedly so many obvious and serious disadvantages that it should certainly be discontinued. Periods of at least three years should be budgetted for rather than one year, as is now the practice.

10. From what has been written above it will be evident that, as regards Part I of the Indian Railway Committee's terms of reference, the Chamber is antagonistic to the system of State management. The general question of the advantages of State, as opposed to Company management was fully discussed by the Committee of the Chamber as recently as 1916—letter No. 2112, dated 18th October, 1916, to the Railway Board. There is no need, therefore, to repeat the arguments which were then advanced against an extension of the principle of State management. But it may be useful to quote the conclusions at which the Committee of the Chamber then arrived. These were:—

(*a*) They (*i.e.*, the Committee of the Chamber) consider that the existing policy, the essential feature of which is State, or part State-ownership united to commercial administration, should be adhered to and persisted in;

(*b*) They maintain that the experience of the past shows that this policy is better adapted to the needs and circumstances of India, and is calculated more rapidly to advance the material prosperity of the country than a policy which would provide for general State-working in addition to State-ownership;

(*c*) They further hold that the company lines are, on the whole, more efficiently, more economically, and more satisfactorily managed than the existing State-worked lines and

(*d*) They would strongly condemn any such enlargement of the existing bureaucracy as would be unavoidable if the principal railways in the country were managed by the State.

11. If the principle of State management be rejected, the question of whether the leasing companies should be domiciled in the United Kingdom or in India remains for consideration. The answer to this enquiry must depend to a large extent on the power of India to supply the required funds. When examining this subject in 1918, the Committee of the Chamber expressed a preference for the continuance of the system under which the boards of the companies are located in London, and it is still the opinion of the Chamber that the supreme control will have to be in London. For capitalists in the United Kingdom and in other parts of the Empire are, in the opinion of the Chamber, less likely to invest if the control is in India. At the same time, it is admitted that the general tendency in commercial concerns at the present time is in the direction of Indian domicile. And local boards with wide executive powers will certainly have to be established in this country. The precise extent of these powers will require careful consideration, but it would seem that broad questions of policy only would need to be referred to London. An objection to local boards of directors in this country is the want of continuity of membership, which is very difficult to avoid, except, of course, in the case of the Indian members. The Chamber considers that the appointment of a chairman skilled in railway work would be essential, while railway knowledge and experience on the part of other directors would not be necessary. Indian representation on the local boards should be in accordance with the amount of the Indian capital subscribed.

12. In respect of Part II. of the terms of reference—Railway Board and the Government of India's control—it is not the intention of the Chamber to remark at length. It is clear, however, that as the Government is now, and is likely to be for many years, the largest shareholder, a considerable measure of State control must be exercised over the railways. But this control should be, the Chamber considers, limited as far as possible, seeing that official control is so apt to circumscribe and to hamper commercial enterprise. In the event of any body such as the present Railway Board being continued, the Chamber suggests that some of the existing inconveniences might be avoided if the President were given a casting vote over his colleagues, and possibly appointed a member of the Executive Government. The Chamber would oppose any form of control modelled on the lines of the control exercised over the English railways by the Ministry of Transport. On the contrary, it should be such as to permit of the largest possible measure of independence being given to the leasing companies.

13. With regard to Part IV. of the terms of reference, it requires to be mentioned that the Chamber has been a consistent opponent of the principle of applying to all Indian railways uniform minima mileage rates. This principle was objected to by the Chamber on its introduction thirty years ago, and again in 1905, and for a third time in 1912, when the following resolution with respect to it was unanimously adopted by the members of the Chamber in special general meeting:—

" Resolved that the members of the Bengal Chamber of Commerce strongly endorse the protest that they made against the continuance of this system in their letter dated 12th September, 1905, to the Government of India, and that they reaffirm their conviction

that the device of uniform minima mileage rates ignores the natural advantages attaching to any particular line of railway; that it presses with undue and unnecessary severity upon the eastern ports, such as Calcutta, which are served by railways working at low cost, inasmuch as it forces these railways to charge needlessly high rates of freight; and that it consequently gives an unfair and unjustifiable preference to the western ports, which are served by railways working at high cost, but which enjoy lower rates of sea freight to Europe."

14. If the Chamber's recommendations regarding the raising of capital funds by companies are adopted, the question of branch line terms becomes unimportant. The Chamber have no wish to decry the utility of the inception of branch and feeder lines by independent companies, as this forms a useful sphere of activity of several of the Chamber members. They recognise that the present terms are entirely out of date, and they are willing to recommend that they should be made more attractive if it is considered that by so doing a new field for raising capital funds could be opened out. They are, however, of opinion that branch lines should be built and worked as an integral part of existing railway systems.

15. It should, perhaps, be added that purely strategic lines are excluded from consideration by the Chamber in recommending the extension of the principle of commercial management. Strategic lines must be, of course, always constructed and managed by the State.

STATEMENT No. 33.

THE INDIAN ENGINEERING ASSOCIATION.—LETTER DATED 12TH JANUARY, 1921.

I am directed by the Committee of the Indian Engineering Association to submit, for the consideration of the Indian Railway Committee, the following observations in connection with the present enquiry. See oral evidence, paragraphs 4662/4674.

The Management of Railways owned by the State.—In connection with the previous enquiry in 1916 this Association expressed the opinion that the system of Company working is, on the whole, preferable to State Management, their experience being that Company working is more accommodating as regards trade requirements and the public convenience than State working.

The Committee are still in favour of company management and are of the opinion that management through companies domiciled in India, with the Board in India only, would be the most advantageous.

Direct State management, however, will still be necessary where railways serve strategic purposes principally, and in districts which are not in themselves productive but which require opening up in the general interests of the country.

The Railway Board and the Government of India's Control.—In the opinion of this Association the powers and scope of the Railway Board should be very considerably extended. At its head should be a President who should be a member of Council. The President should be responsible to the Governor-General for the efficient working of his department. Under the President there should be a Board to deal with all the railway business of the Government.

Railway Finance.—The question of the adequate financing of the railways is one regarding which the Association feels itself unable to put forward any definite proposals. It is considered, however, that a considerable change in the present policy is essential if railways are to expand with the requirements of the country. The admission of the responsible heads in India of two of the most important railways, viz., the East Indian and Bengal Nagpur, at a recent meeting at the Bengal Chamber of Commerce in connection with the acute wagon shortage, affords conclusive evidence of the need for a thorough investigation of the financial position, and the framing of measures whereby the railways will be supplied with funds sufficient to enable them to meet all legitimate demands, both for upkeep and expansion. The Agents of the railways are reported to have said that they expect the year 1921-1922 to be a bad year in which no progress can be made at all. Money would be so short that the railways could only just be able to carry on without advancing. No more damaging evidence of the paralysing effect of economising at the expense of efficiency could, the Association consider, possibly have been given.

The encouragement of private enterprise is highly desirable and a much more liberal attitude towards such is necessary in order to attract capital for railway developments, in view of the high rate of interest obtaining for Government loans.

General.—The question of the provision of funds for railway equipment is of direct interest to the Indian Engineering Industry. In the matter of wagons and in manufactured work generally a far larger proportion of the orders should be placed in India; the money is then spent in the country, and assists in the development of important industries which, in their turn, contribute to the railway revenues in freights for raw materials and finished goods. Railway prosperity is bound up with the industrial prosperity of the country; if industries languish, the railways must suffer in consequence, it being one of the principal functions of a railway to develop and help indigenous trade and industry. What this Association desires most strongly to urge is the provision of adequate funds for the railways, however managed, and that as far as possible these funds should be expended in India.

STATEMENT No. 34.

THE COMBINED GOVERNMENT OF MADRAS.—MEMORANDUM DATED 10TH JANUARY, 1921.

The Railway Board in their Resolution No. 405/F-19 of 9th October, 1920, communicated their terms of reference in connexion with the railway committee which has been appointed by the Secretary of State to advise Government on certain matters connected with the administration of railways in India. They subsequently issued a questionnaire and invited the Government of Madras to place their views before the Committee when they visit Madras. See oral evidence, paragraphs 4675/4731.

The Government of Madras wish to submit to the Railway Committee before their arrival in Madras the following considered views for the future administration of Railways in India.

2. The Government of Madras propose:—

(1) The abolition of company management.
(2) The separation of railway finance from the finances of the Government of India.
(3) That the railways be worked solely in the interests of the public as essential communications and not as commercial undertakings.
(4) That the railways be grouped into systems of reasonable size for operation and administration, each group having definite functions to perform without competition.
(5) That each group be controlled by a local Board of Directors with powers similar to those of the Directors of an English Railway, but subject to a veto on the part of the Government Director.
(6) That the Railway Board be abolished and a Director-General or Minister of Railways with a technical staff be substituted. The Director-General or Minister of Railways to be a Member of Council.
(7) Government ownership of all goods stock.

3. The reasons for suggesting the above proposals are given briefly below:—

(1) *Abolition of Company Management.*—The people of the Madras Presidency have suffered for years from the effects of Company management on commercial lines. The complaints against and defects of the South Indian Railway are numerous and well-known and the Madras and Southern Mahratta Railway is also a defective system. Complaints from the public regarding the incapacity of the two Companies to deal with interchanged traffic at Arkonam, Jalarpet and Katpadi Junctions have been received, and the South Indian Railway Administration have even suggested that certain traffic should be diverted by an *all* South Indian route which might mean one hundred miles or more of extra lead to be paid for. Cases of this nature have been referred to the Railway Board.

The South Indian Railway have failed in many respects to provide adequate facilities for the public. Their track is of too light carrying capacity to deal with heavy traffic, and they appear to be satisfied with out-of-date standards as regards rails and bridges. Their junction stations generally are insufficient to meet requirements. Defects which have been repeatedly brought to notice by Government Inspectors have not been rectified.

There is a shortage of both passenger and goods stock on both railway systems. Although the ton mileage carried by the two railways in the ten-year period from 1908 to 1918 has increased by 87 per cent., the number of goods vehicles has increased by only 18 per cent. Both the railways are earning at present 9 per cent. or upwards.

The Boards which sit in London are composed largely of gentlemen who are not as a rule in touch with modern conditions in India, which necessitates prolonged correspondence between London and India causing much delay.

(2) *Separation of Railway Finance.*—It is unsatisfactory that railway finance should be entirely dependent on the finances of the Government of India. Railways can never carry out a steady programme of improvements if the monies allotted to them are dependent on the receipts and expenditure of other departments of the Government of India. Funds originally granted are frequently withdrawn in the course of a financial year and at times additional funds are offered during the closing months of the year. The result is considerable waste, as the difficulties of spending money to the best advantage are increased and there is a tendency to spend lavishly at the end of a financial year on objects which may not be of prime importance.

The present financial system has resulted in Southern India being starved as regards both new construction and improvements to existing lines. There is no short direct route between Madras and Ceylon; there is still only a single metre gauge line from Madras Beach southwards, a line which for the first 15 miles carries a very extensive suburban traffic in addition to the long distance mail passenger and goods traffic. A number of junctions and bigger stations possess inadequate yards to meet the growing traffic; Erode, Podanur, Madura and Tiruppattur may be quoted as examples. Several additional lines are required to open up new country and to form direct routes, *e.g.*, Panruti-Trichinopoly-Ramnad Railway, Bangalore-Salem-Trichinopoly Railway.

It is estimated that an expenditure of some 30 crores of rupees is required to bring railway communication in Southern India to a state of reasonable efficiency.

The Government of Madras propose that railway finance should be entirely separated from the finances of the Government of India, and that for capital expenditure on railways additional money should be raised. To avoid competition in the money market the Directors of Groups should call upon the Government of India to supply the capital required, and if the Government of India should be unable to do so, the Directors should then be authorised by the Government of India to raise the necessary funds in England or in India, but preferably in India. Any such loan should be secured by debentures, shares or stocks bearing fixed rates of interest; there should be no ordinary shares.

If the Government of India desire to add to the revenues of India by taxing transportation, this can be done by placing a tax on tickets and a surcharge on goods.

(3) *Railways to be Worked in the Interests of the Public.*—The disadvantages of working railways as commercial concerns are clearly shown in the results of working the railways in India in general, and particularly of the South Indian and Madras and Southern Mahratta Railways. In the year 1918-19 the net working profit from State Railways, after meeting interest and other miscellaneous charges, etc., yielded a revenue of 11 millions sterling. Efficient communications are essential to civilisation and progress, and means of communication should be worked so as to cover expenses, including interest on capital expended on construction and equipment, and earn no more than sufficient profit to enable the necessary capital to be raised for improvements and extensions.

The management of railways on commercial lines in Southern India has resulted in public requirements being neglected and inadequate provision being made to cope with the traffic.

(4) *Indian Railways to be Grouped.*—The two main systems in Madras are too small and are inconveniently divided, and, in addition, the variety of gauges is detrimental to efficient railway working. It is suggested that the railways in India be grouped into eight systems of reasonable size with distinctive functions to be performed without competition. The railways owned and worked by native states are excluded, but it would be advantageous to those railways to be amalgamated with the groups.

The groups might perhaps be composed somewhat as follows:—

(i) *Madras Group.*—Including most of the lines in the Madras Presidency with a mileage of between 4,000 and 5,000 miles.

(ii) *Bombay Group.*—About 5,500 miles.

(iii) *Bengal and Orissa Group.*—A little over 4,000 miles.

(iv) *Punjab and Sind Group.*—Between 5,500 and 6,000 miles.

(v) *Rajputana Group.*—About 4,000 miles.

(vi) *United Provinces Group.*—About 4,000 miles.

(vii) *Bihar Group.*—About 5,000 miles.

(viii) *Burma Group.*—About 1,500 miles.

It is not suggested that these groups should be rigidly confined to the provinces which give them their names.

(5) *Control of groups.*—Each local Board of Directors or Trustees might be composed somewhat as follows:—

(*a*) Government Director.
(*b*) Managing Director.
(*c*) Financial Expert. (The head of a Presidency bank or other bank.)
(*d*) Nominee of Local Legislature.
(*e*) Nominee of European Chamber of Commerce.
(*f*) Nominee of Indian Chamber of Commerce.
(*g*) Industrial Representative.
(*h*) Agricultural Representative.
(*i*) Labour Representative.

The method of selection to avoid duplication of interests will require detailed consideration. The Government of India, as owners of the railways, must approve all selections, and the Government Director must have the power of veto. In the case of the Punjab group a Military Director may be necessary. There should be sufficient inducement for such a Board to work the railways efficiently and economically, as they will have to pay interest on the capital from whatever source supplied, and their ability to extend and improve communications will depend on the financial condition of the system.

The directors should be given a very free hand and a wide range in rates. When a group extends sufficiently it can be subdivided into Grand divisions, as is done in America.

(6) *Railway Board to be abolished.*—The Railway Board has not earned the confidence of the public during its existence. Its powers are too limited, since in practice it apparently often receives its instructions from the Finance Department and its orders from the railway companies. It has failed to insist on the railways in Madras under company management being worked to the public advantage. It has failed to obtain sufficient funds to meet public requirements, and appears to have remained content with whatever money the Finance Department have thought fit to supply.

The attached statement compares the capital expenditure of the South Indian and Madras and Southern Mahratta Railways with that of other State railways.

The Board have also failed to initiate a policy of railway construction or to make steady annual progress in construction, with the result that there are no main lines south of Madras, and lines have been constructed without regard to future developments.

The question of gauge has not been satisfactorily settled, and the country is now saddled with a mixture of gauges, causing much inconvenience. During the 14 years prior to the appointment of the Railway Board 1,200 miles of new railway were built in this Presidency, but in the 14 years of the Railway Board's existence only 535 miles of new lines were opened, of which some 200 miles were in course of construction when the Board was formed, and 142 miles were constructed by district boards or other agency, leaving an annual average of about 14 miles constructed through the agency of the Board.

The Board has failed to compel the Madras and Southern Mahratta and South Indian Railway Administrations to supply sufficient rolling stock to meet public requirements.

It has also failed to obtain satisfactory terms from the South Indian Railway regarding the construction and working of the Karaikudi-Arantangi Railway, amongst other instances.

A single responsible head is much more satisfactory than a Board, but he must have a proper status as a Member of Council. It might be better to combine railways, roads, canals and harbours under a portfolio or department of communications, but this would only affect the position of the Director-General of Railways, and not the railway organisation.

The Director-General or Minister should have under him chief directors of the various technical branches, such as engineering, traffic, finance and loco. They would only deal with general questions affecting railway policy throughout India, such as standard dimensions, gauge, rates, standardisation, distribution of goods, stock, etc., etc.

Two essential branches are necessary under the chief director of engineering, namely, (i) a branch to supervise and advise on new projects, so as to ensure that a regular policy is pursued and lines are constructed on a pre-arranged system; and (ii) a technical branch to carry out experiments of all kinds (*e.g.*, timber for sleepers), to publish reports and papers on technical subjects, and to advise in the capacity of consulting engineers.

(7) *Government ownership of goods stock.*—A central control of goods stock would be advantageous to the country, and should eliminate the disadvantages of the present system of pooling.

Depôts would be established in each railway group area, and a comparatively high daily charge would be made whilst a wagon remains on a system. This would stimulate groups to get the stock off their system or back to the depôts when not required, and so encourage expeditious transport and handling.

APPENDIX.

Statement comparing Capital Expenditure on State Railways in India and on the South Indian and Madras and Southern Mahratta Railways during 1909 *to* 1918–19.

Year. (1)	Total route mileage of State Railways. (2)	Total capital outlay on final heads on State Railways during the year in thousands of rupees. (3)	Outlay per mile of State Railway in thousands of rupees. (4)	Total route mileage of South Indian Railway system. (5)	Capital outlay on South Indian Railway during the year in thousands of rupees. (6)	Capital outlay per mile of South Indian Railway in thousands of rupees. (7)	Route mileage of Madras and Southern Mahratta Railway system. (8)	Capital outlay on Madras and Southern Mahratta Railway during the year in thousands of rupees (9)	Capital outlay per mile on Madras and Southern Mahratta Railway in thousands of rupees. (10)
1909 ...	24,282·64	1,25,694	5·17	1,446·02	5,040	3·49	2,873·96	6,104	2·12
1910 ...	24,465·19	89,482	3·66	1,446·02	5,175	3.58	2,880·75	4,427	1·58
1911 ...	24,822·43	1,22,053	4·92	1,446·02	3,480	2·33	2,880·75	4,573	1·55
1912 ...	25,125·15	1,31,646	5·24	1,446·02	5,775	3·99	2,880·81	2,609	·90
1913–14 ...	25,831·95	1,71,660	6·64	1,504·01	9,350	6·22	2,880·81	4,619	1·60
1914–15 ...	26,174·33	1,69,796	6·53	1,505·58	5,387	3·57	2,879·61	4,175	1·45
1915–16 ...	26,261·88	92,925	3·54	1,505·58	3,192*	2·12	2,895·47	3,619	1·25
1916–17 ...	26,401·03	45,701	1·73	1,505·58	2,680†	1·77	2,895·49	2,371	·82
1917–18 ...	26,262·68	27,812	1·06	1,505·58	1,317	·87	2,878·14	980	·34
1918–19 ...	26,415·65	41,127	1·56	1,505·58	—285‡	—·19	2,897·60	1,571	·54

* Rs. 11,12,000 represents outlay on Native State Section, Tinnevelly-Quilon Railway.
† Rs. 18,16,000 " " " " " "
‡ An expenditure of Rs. 55,000 during the year refers to the Native State Section of the Tinnevelly-Quilon Railway.

STATEMENT No. 34 (A).

GOVERNMENT OF MADRAS.—LETTER DATED 1ST FEBRUARY, 1921.

With reference to my letter No. 4 Ry., dated 10th January, 1921, forwarding copies of a Memorandum on the railway policy advocated by the combined Government of Madras, I am directed to forward for the information of the Indian Railway Committee the following statement of the views of Government as modified in the light of subsequent further consideration of the issues involved. They would propose:—

(1) The abolition of company management at the earliest possible date consistently with the necessity of providing funds for immediately essential improvements to existing lines.

In order to expedite the termination of existing agreements, it is recommended that the Companies be approached with a view to a compromise being arranged on the basis of the conversion of profit sharing capital into debentures with fixed interest.

(2) The separation of railway finance from the finances of the Government of India.

(3) That the railways be worked primarily in the interest of the public as essential communications and not solely for commercial profit.

(4) That the railways be grouped into systems of reasonable size for operation and administration, each group having definite functions to perform without competition.

(5) That the existing Railway Board organization be abolished and replaced by a Director-General or Minister of Railways with the status of a Member of Council, assisted by
(*a*) a body of technical experts, and
(*b*) a Council adequately representing all interests concerned which shall be entitled to receive information and make suggestions, and shall be consulted on questions of policy.

(6) That each group be administered by a local organization similar to that recommended in the previous paragraph (5).

(7) That in the event of unavoidable delay in the abolition of company management, representative councils on the lines contemplated in proposal (5) and (6) be brought into being at once.

STATEMENT No. 35.

Lieut.-Colonel C. L. MAGNIAC, Agent, Madras and Southern Mahratta Railway Company.

Part I.

See oral evidence, paragraphs 4745/4788, 4789/4826, 5111/5136

Question No. 1.—State *versus* Company management.

Comparing the existing systems, their relative advantages may be considered under the following heads:—

(1) Finance, *i.e.*, relative powers of the State as compared with a public company to raise capital. Also practicability of separating railway finance from general finance of

Government of India and the probable comparative rates of interest demanded in England and India respectively to attract capital.

(2) System of control by the State and by companies' boards respectively over the allotment of distribution of funds in order to carry out

(*a*) Important new projects including feeder lines.

(*b*) Betterments and additional facilities and convenience for the public, and

(*c*) General revenue expenditure.

(3) Competition.

(4) Relations between the controlling boards and their officers and employees.

(5) Effect of political pressure on railway policy.

(6) Delays due to the domiciling of companies' boards in London.

As regards (1) with the present conditions of the money market, it is essential to utilise all possible avenues for raising capital at reasonable rates, but at the moment it would be difficult to attract capital in India without a substantial Government guarantee or other equivalent inducement, and it is probable that the rate of interest demanded would be higher than that in England. This point is dealt with, however, further under Part 3.

As regards (2) it is considered that companies' boards have better opportunities for judging the relative priority between various new projects and the rate of expenditure on betterments, etc., than a State railway board, since a company's board must have a more detailed local knowledge of its own undertaking.

As regards (3) there is every likelihood of less competition between lines controlled by the State than between separately administered Company-managed lines. State control is likely to have less elasticity in dealing with rates and fares. State lines also likely to be compelled by public demand to introduce a similar scale of conveniences and facilities for public travel on all their lines, irrespective of the density of traffic or rate of interest paid, which would involve some diversion of capital from more important requirements. State lines likely to have less power to differentiate fairly between the various public demands and interests. Preferential treatment thus likely to be given to the wealthier and more densely populated districts and areas to the detriment of expansion in important tracts of country with less power of representation.

Closer control likely to be exercised by the State over their agents and traffic managers with reduced power for local initiative.

As regards (4) the relations between a State board and its officers and employees not likely to be so intimate as between companies and their officers. Under present system, State lines keep one list for officers of each department and transfers are made between all State lines. Similar pay and concessions granted on all. Right of appeal of all State officers and employees to Viceroy, Railway Board, etc., renders it difficult to dispense with the services of anyone on account of inefficiency only. Powers of a State board for selection are thus more restricted than in the case of companies, and there is less incentive for good work on the part of specially capable men since promotion ordinarily is governed mainly by seniority. Further in the case of temporary vacancies in the higher administrative grades there is a tendency to transfer officers from one line to another to avoid temporary supersession.

As regards (5) . . . . . Railway interests liable to be adversely affected by local outcry from public when railway development affects any individual private industrial undertaking irrespective of its advantages from the point of view of general welfare of country.

As regards (6) under the present system, companies boards are domiciled in England. This has the advantage of promoting direct access to Secretary of State, free consultation with Boards of other companies and with London Consulting Engineers on technical matters. Also a larger market for recruiting suitable technical directors and chairmen to serve on Boards. It has the disadvantage of the delay inseparable from obtaining replies by letter, but with the free use of the cable and provided the company's agent in India enjoys the full confidence of his Board and is given full powers to act in emergency, delays are usually unimportant and not greater than those involved in references to the Government of India or Local Governments on important matters.

I have had personal experience as a Railway Officer of the North Western Railway as Assistant Engineer, Assistant Traffic Superintendent, Assistant District and District Traffic Superintendent also, on the Eastern Bengal State Railway as Assistant Traffic Superintendent, District Traffic Superintendent and Deputy Traffic Manager, my State line experience extending from 1897 to 1908. I have had experience of a company's line as Deputy Agent and Agent from 1908 to 1914 and from the end of 1919 to date. Experience in France as D.A.D.R.T., A.D.R.T., and D.D.R.T. from September, 1914, to February, 1919.

Question 2.—This question has not been answered as it is dealt with in my replies to questions Nos. 1, 8 and 9.

Question 3.—Advantages and disadvantages of domiciled companies boards in India or in the United Kingdom.

I recommend that companies boards should continue to be domiciled in the United Kingdom. The relative advantages of the proposed alternative depend to a considerable extent on

(*a*) The relative resources of the money market for raising capital in either country and

(*b*) Practicability of obtaining a fully qualified Chairman and Secretary and the required number of suitable Directors for a Board domiciled in India.

As regards (*a*) it is considered that the location of the Board must be governed to a large extent by the country in which the shareholders' capital is raised. So long as the whole or even the greater portion of the company's own capital is held in England, a Board domiciled in England will be necessary in the interests of the shareholders.

It is, I think, the case that many large business firms and banks working in India are domiciled in the United Kingdom and only maintain agencies in India and yet find no difficulty in carrying on their business. In the case of railway companies their capital is not raised in India, their shareholders are very largely domiciled in the United Kingdom and their contract is with the Secretary of State.

As regards (*b*) this point is considered in detail in replying to question 6, but it is in my opinion self-evident that a Board must be composed of technical, commercial and financial representatives and must have a Chairman chosen for his technical qualifications assisted by a whole-time Secretary.

As regards other relative advantages and disadvantages, the work required by the Board will be similar wherever domiciled and its powers will be similar so long as State control remains unaltered. The work of a Board includes, in addition to the control of the general policy of the company and other matters, the following questions:—

(*a*) Control over capital and revenue expenditure, sanction to new projects and important estimates, terms for working feeder lines and design of rolling stock.
(*b*) Increase in establishment, recruiting of superior staff, pay, allowances and concessions to staff.
(*c*) Stores, placing of contracts, inspection and shipment.
(*d*) Raising of capital, distribution of interest to shareholders, supervision and transfer of stocks and shares.
(*e*) Contracts with Government, preparation of accounts and reports.

Questions grouped under (*a*) demand both technical knowledge and practical experience. Boards domiciled in London have the advantage of the services of retired railway officers of long experience and also of first hand intercourse with eminent London Consulting Engineers.

The matters grouped under (*b*) require for their proper disposal an intimate and up-to-date knowledge of the working of a railway and of details and conditions of railway service. Boards in London, in addition to being able to obtain experienced railway officials as directors, have direct access to the Boards of other companies and can thus secure a desirable uniformity in the matter of the grant of concessions to their staff.

As regards (*c*) the placing of contracts for English stores and material and arrangements for inspection and despatch, insurance, etc., will still require to be arranged through the representatives in London with whom an Indian Board could not be in immediate touch.

The work referred to under (*d*) and (*e*) is influenced by the extent of the capital held in either England or India.

It is understood that the disadvantages of Boards domiciled in England as compared to India have been represented to be the following:—

(1) They are not in close touch with actual Indian requirements.
(2) Their knowledge of changing conditions is limited to what is disclosed in official reports.
(3) They are inaccessible and delays are caused by the necessity of references to London. and
(4) They are not sympathetic to proposals for construction of feeder lines.

(The above criticisms are referred to again in question 5 but are dealt with in answering this question.)

With regard to (1), since the Chairman and a proportion of the Directors are men retired from Indian railways with a wide knowledge of Indian conditions and many years active experience of Indian railway working in all its details, there should be no difficulty in arranging for the Board to keep in close touch with the Indian situation and requirements by means of sending out representatives periodically to India as is now generally done. Further, the information at the disposal of Boards in England is not limited to official reports. The Agent sends weekly a large number of demi official and confidential letters as well as a private weekly letter and is encouraged to keep the Board posted with all essential details. Careful attention is also paid to the Indian Press and copies of important journals are forwarded weekly.

The company's senior officers when on furlough or other leave in England visit the Board's office and are encouraged to ventilate their ideas on matters affecting their own department The Agent can communicate by cable all important matters. Such delays as occur are not considered to be appreciably greater than those arising from reference to the Government of India and Local Governments on important matters.

As regards feeder lines, my experience does not bear out this criticism. The justification for the construction of feeder lines and District Board lines should rest, I consider, on the prospect of a reasonable return on the capital outlay, *i.e.*, on being a sound financial undertaking. Cases do arise where local Governments put pressure upon Companies Boards to offer special favourable terms for working feeder lines, which, if accepted, would result in an annual loss of revenue to the Company. It is submitted that a refusal to accept Government proposals under such conditions cannot be held to prove want of sympathy. A Board of Directors domiciled in India would not be likely to take a more liberal view when considering the financial interests of the Company under their control.

As mentioned in replying to question (1) Boards domiciled in England have a considerable advantage in being able to refer direct to the Secretary of State; since presumably Boards domiciled in India could only do so through the Railway Board and Government of India.

Question 4.—I consider that the existing system has worked satisfactorily in the past and that the administration by Companies Boards has proved to be both efficient and economically sound. If a system could be introduced by which the existing share of the capital owned by the Company could be increased this would be of advantage, but Government must continue to be the predominant partner, and the Company's total share should not, I think, exceed 40 per cent. of the total capital of the undertaking.

So long as the annual percentage on the Company's capital, as obtained through the net earnings exceeds the Government's guarantees, the present system is an effective one in giving the Company an interest in their undertaking. Should this percentage fall below the Government guarantee the interest of the Company in their undertakings would be weakened. An objection to the present system is the relatively small amount of capital which Companies are allowed to hold.

Under Clause 11 of this Company's contract the Company can only increase its share of capital provided the Government share is increased in the same ratio as originally contributed so that this Company can never receive more than 4/13ths of the surplus profits.

It would seem desirable that equal treatment should be given to the Company and the State in regard to additional capital raised by either. That is to say that money raised by the Company by means of debentures or otherwise should rank as capital for the division of surplus profits in the same way as advances made by the Secretary of State.

Question 5.—See reply to Question 3.

Question 6.—It is considered that constitution of a Board of Directors domiciled in India should include—

(*a*) A Chairman selected for technical knowledge and experience who should be in a position to devote a reasonable portion of his time to the Company's interests.
(*b*) One at least and preferably more Directors with practical technical experience.
(*c*) A technical Government representative selected by the Railway Board.
(*d*) One or two Directors selected from the mercantile community, *i.e.*, from among leading merchants, shipping firms or employers of industrial labour.
(*e*) One or two Directors with financial experience and
(*f*) A whole-time Secretary with technical experience.

It might also be desirable to include a representative of the most important of the local Trades' Associations.

In India it is considered that it will be very difficult to obtain the services of the required number of technical experts, and as referred to in replying to Question 8, there would be considerable difficulty in obtaining impartial Directors of commercial experience.

As regards safeguarding Government interests there should be no difficulty in arranging for this through the medium of the Government Director, who might possibly be the Senior Government Inspector.

Question 7.—I do not consider there need necessarily be any lack of continuity in a Board domiciled in India provided the serious difficulty of obtaining suitable directors, *vide* my reply to Paragraph 6, can be surmounted. It is suggested that a suitable chairman could be obtained only by appointing the agent of a railway to act in the dual capacity of Chairman and Agent, but this would necessitate an increase in his office establishment and some considerable modification in the existing system of administration.

A permanent Chairman nominated by Government, that is presumably a Government official, is considered to be open to objection as this would, in effect, convert the so-called Company's Board into a State Board, and must tend to curtail the powers of the Board and cramp its initiative. In replying to Question 6, I have mentioned that I consider that the Board should include three representatives skilled in railway working, but I am unable to suggest how these could be obtained.

Question 8.—I consider it very necessary to consider this point. The larger Indian railway systems serve more than one Presidency and Province and while it is believed that directors could only be obtained from among men whose headquarters are identical with that of the railway company, it is clear that such men, or at any rate those selected from the mercantile community would not be conversant with the needs of other provinces. For instance, Calcutta merchants can usually have little knowledge or sympathy with the interests of Cawnpore and Delhi. The interests of the Madras and the Bombay Presidencies are by no means identical, nor are those of Bombay and Central India. A far wider degree of impartiality is believed to be obtainable with the existing system of London Boards of Directors than with the proposed Indian Boards. The responsibility for giving due consideration to the claims of all the various areas served by a big railway company would be likely to devolve in the case of Indian domiciled Boards on the Chairman and the Government Director, and this might result in unpopularity and disagreement with the other members of the Board.

Question 9.—At first sight this proposal appears more attractive than that of the system of management by a Company through a Board domiciled in India only. The difficulty in formulating a workable system lies in differentiating between the powers to be exercised by the Board of each Company respectively. For the reasons given in answer to Questions 3 and 8, I am of opinion that the Board of the English Company should continue to exercise the same powers as at present, and since it would not be practicable to grant similar powers to both Boards, I advocate that the functions of the Indian Board should be consultative only. The Indian Board might give useful opinions on questions affecting the comfort of passengers, construction of local feeder lines, local changes in rates and fares, proposals for local municipal taxation, alterations in time tables, etc., and would deal with the raising of capital in India, distribution of interest to their Indian shareholders, transfer of stock and shares and their own special contract with Government.

They should not, however, have any power to sanction estimates, to decide terms of working of new lines or to interfere with questions affecting the pay of the staff and concessions granted to them or to give orders to the Agent. In times of emergency, however, they might be consulted by the Agent and kept in touch with the situation, but the Agent should retain full powers as delegated to him by the English Board, to whom alone he would be responsible for all decisions taken.

The above suggestions are likely, however, to prove difficult to carry into effect. As the Indian capital increases, the Indian Boards would demand increased powers and even in the case of a purely consultative Board, due weight would require to be given to its opinion. The Agent might find it difficult to reconcile the orders of his home Board with the opinion of his Indian Board and his position would not be an easy one.

Part II.

Question 10.—I consider the existing system of control by means of a Railway Board generally satisfactory, but that certain modifications are necessary.

Question 11.—I am of opinion that the present constitution of the Railway Board with a president and a certain number of members is a suitable one, but that the Board requires strengthening.

It is impossible for a Board of three members to be acquainted with the details of even the more important requirements of all the railways in India. The work required of the Board must have increased very largely during the past five or six years, apart from various political questions affecting railways and the interest taken in railway matters by Indian Members of Council.

The Railway Board should include among its members men who are acquainted with the principal parts of India and Indian railways might be divided conveniently into four main groups. The Board should include one representative from each group and at least two of its members should be from companies' lines. An objection to the present constitution is the preponderance of State railway officials. Two of the three members and both the secretaries are State railway men. Appointments to the Railway Board should only be made by selection of the very best men obtainable, of expert knowledge and independent views, and the rule limiting the appointment to five years should be abolished.

To attract such men the present rate of salary requires to be increased and should be not less than Rs.5,000 for a member and Rs.6,000 for the President, with the right to join the State Railways' Provident Fund.

To enable the Board to keep in touch with important projects it should include two specially selected officers to act as inspectors. Men of about 20 years' service should be suitable and they should be given an adequate salary, *c.g.*, Rs.2,500.

In addition to the Railway Board's Chief Engineer, the services of a traffic expert with special experience of rates and fares are, I consider, essential.

In the case of the subordinate officers, special care should be taken to select as secretaries men of the highest class and the salary should be made an attractive one. The assistant secretaries should not be kept too long and their appointments should be limited to five years as a maximum.

I do not advocate obtaining men from England to serve on the Railway Board. There is good material in India, while English railwaymen are not conversant with Indian conditions and difficulties, and this knowledge cannot be acquired at Government headquarters. What is required is to make the appointments attractive and not to restrict the selection to men approaching retirement. At the same time the powers of the Railway Board should not be hampered by financial restrictions and railways should not be placed under the control of the Commerce and Industry Department (*see also* my reply to Question 16).

The present system, whereby each member of the Board has equal powers with the President, is an eminently sound one in my opinion and is conducive to dealing with all questions with reasonable despatch. I deprecate strongly a reversal to any system of a Director-General of Railways with separate Technical Directors for Engineering, Traffic, Mechanical, Accounts, Stores, etc. Since the majority of the important questions before the Railway Board are bound to overlap and contain subject matter concerning two or more separate technical departments, the last-named system must result in an interminable round of noting, each director making remarks on the notes of his fellow directors. In my opinion it is undesirable that there should be a Director-General with power to over-rule a considered technical opinion of any of his directors. The Railway Board's rulings and decisions should be the considered and agreed on opinion of the Board as a whole or at least of a majority of its members, any individual member disagreeing being permitted to record his dissent.

Question 12.—I consider that the Railway Board has generally exercised its functions satisfactorily, but that on occasions there has been a tendency to go into unnecessary details.

It is impossible for a Board consisting of a President and two members to be acquainted with local requirements and the relative priority of demands from all the railways in India and I am of opinion the powers of the Board in regard to the distribution of the available funds for capital expenditure between the various companies and State lines have not always been exercised fairly. There has been a tendency, I think, to give a larger share of capital funds to the richer lines serving the most important Presidency towns and ports in response to public clamour. When the Railway Budget Grant is cut down a *pro rata* distribution between all lines encourages inflated future demands.

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The functions as now exercised by the Railway Board extend to unnecessary detail. An examination of the Schedule of Powers granted to boards of companies shows that this might be simplified usefully. I would mention items 1, 2, 5, 5a, 8, 26, 28 and 45. An extension of powers would save correspondence.

Question 13.—I consider the Railway Board possesses adequate powers of control over railway administrations in matters relating to requirements of the travelling public and of trade. The capacity of railway administrations for dealing effectively and expeditiously with such matters is largely governed by the funds at their disposal. Until such time as sufficient capital can be raised to admit of the Budget Grants being sanctioned in full, public trade and public travelling must continue to be hampered by the inadequacy of railway resources to meet all demands.

In matters affecting the travelling public the provision of special facilities in the shape of better accommodation, lighting, dining cars, provision of refreshment rooms, etc., can safely be left to individual administrations, who are more conversant with local conditions and needs than the Railway Board.

As regards rates and fares, *see* reply to Question 30. The Senior Government Inspector, who is the Railway Board's representative, is in a position to know what are the requirements of the travelling public, and whether any additional special trade facilities are necessary.

Question 14.—This is principally a matter for public bodies to express an opinion on. So far as this company is concerned, the complaints from the mercantile community and traders generally have been confined to insufficiency of rolling stock and delays in meeting all traffic requirements, particularly during the busy season, which has been aggravated by the special difficulties caused by

the War, and has been explained to them. Objections have appeared in the Press to the raising of fares and in a few minor instances to the raising of rates, but the railway case is so strong that any action taken can be more than justified, and I am of opinion that the rise already brought into effect has not yet gone far enough.

In the case of the travelling public, special facilities have been granted to Indians, *e.g.*, accommodation for pilgrim traffic, introduction of Indian refreshment-rooms, waiting-rooms for Gosha ladies, etc.

Questions 15 and 16.—Yes. In regard to the existing arrangements for financing railways, the finance of railways should be separated from the general finance from India and should bear some relation to the earning powers of railways. The provision of adequate capital has become a question of vital importance to the efficiency of railways. I am of opinion that the railways of India are now important enough to stand by themselves and be considered separately from commerce and industry, and that they might be made into a new Transport Department.

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Part III.

Question 17.—No; the supply of funds has not been adequate.

As regards (*b*), maintenance funds are usually provided, but there was considerable difficulty in obtaining material for renewals during the War, with the result that this company is considerably in arrears on its renewal programme.

I enclose two statements, showing deferred balance at end of 1919-20 for rail renewals and rolling stock respectively as compared with our programme.

As regards (*a*) construction, the following figures show the demand made by this company for capital purposes, that is, for construction including improvements:—

	Demand by Railway. Lakhs Rs.	Sanction by Railway Board. Lakhs Rs.
1912-13	36·84	32·70
1913-14	58·31	53·62
1914-15	47·70	47·70
1915-16	68·92	29·93
1916-17	62·00	17·89
1917-18	73·05	33·06
1918-19	159·29	54·55
Total	506·11	269·45

It will be seen that in these seven years the Railway Board have only granted 53·24 per cent. of this railway's demand. In 1919-20, however, this railway's demand was for Rs. 136·95 lakhs, and a grant of Rs. 154·60 lakhs was sanctioned. It was not possible to spend all this owing to delay in receipt of material, and there was a lapse of Rs. 29·12 lakhs.

In 1920-21 the demand was for Rs. 144·83 lakhs and the sanctioned grant was Rs. 161·37 lakhs, but this included an anticipated throw forward of Rs. 134·43 lakhs on English indents.

For next year, 1921-22, the demand was for Rs. 164·11 lakhs, and the preliminary sanction is for Rs. 66·85 only.

This necessitates stopping all new projects. It is not conducive to economy, and renders it impossible to make up the existing arrears.

Question 18.—Yes. I consider this policy entirely sound. The most vital necessity now and for some years to come must be to improve the facilities and equipment of existing lines. All lines, both State and companies', are believed to be in arrears on their actual requirements for locomotives, wagons, coaching stock, and require considerable outlay on junctions and for renewals and strengthening of bridges and permanent way, improved watering arrangements, and in many cases considerable extensions to their locomotive and carriage and wagon shops.

To build new lines before properly equipping the existing ones would tend merely to aggravate the difficulties of the present position by throwing additional traffic on to railways already overburdened, and would thus still further impair their efficiency.

Question 19.—I am unable to give an estimate of total annual requirements, but not only are there considerable accumulated arrears to make up, but the cost of both material and labour has increased very largely. The pre-war estimate thus requires to be largely increased.

So far as this railway is concerned, I estimate that for the next five years a capital grant of about 200 lakhs a year is required to meet our requirements, which may be divided approximately as follows:—

	Lakhs.
Locomotives	25
Coaching stock	32
Goods stock	55
	—112
Works	88

Question 20.—I consider that there are decided advantages in raising a proportion of the capital funds required by railways in India. Under existing conditions, with all the shareholders in England, there are no members of the Indian public financially interested in railways, with the result that in cases of dispute between railways and their employees, pressure is put upon Government to avoid a strike on account of its prejudicial effect on mercantile, industrial and public interests, and due consideration is not paid to the railway side of the case. With Indian shareholders there would be a section of the public ready to support Government and railway administrations. Similarly, Government and railway administration would find their hands strengthened when notifying any increases in rates and fares.

There are, however, certain difficulties: the first, viz., the appointing of a suitable board of directors, and the powers to be granted to it have been dealt with in some respects in replying to Question 6.

There is another important point and that is the probable difficulty of borrowing in India on terms similar to those granted to the existing English Company. With the present state of the money market a Government guarantee of about 6 per cent., if not more, appears likely to be demanded and we should thus have the anomaly of English capital raised under a 3½ per cent., and Indian capital under a considerably higher guarantee. Apart from other difficulties, the question has to be faced of how to deal with the case of a year in which the net interest falls below the guarantee to the Indian Company. The loss would in any case require to be borne wholly by Government.

For this reason preference shares or debentures appear to be preferable but may prove less popular than a Government guarantee.

Question 21.—No. I consider some further inducement to be necessary; but this is a financial question which I do not feel competent to deal with.

Question 22.—I am not conversant with details of the present financial situation but generally speaking I consider that ordinary share capital with a Government guarantee would be the most promising method for attracting private capital in India. Under present circumstances such guarantee would probably require to be a high one, not less than 6 per cent. It might, however, be varied with the bank rate. For instance, it might be made 1 per cent. lower than the average bank rate for the year.

As an alternative, preference shares appear to offer the next best inducement.

Question 23.—No.

Question 24.—No.

Question 25.—Not answered.

Question 26.—In regard to Part B. I am certainly of opinion that a more or less general percentage of increase in railway rates is justified, but will require to be applied gradually. As regards passenger fares a higher maxima rate is, I consider, desirable, but I am not in favour of raising one class of passenger rate without making a proportionate increase in the other classes. I consider the maxima might be raised as follows:—

	Pies.
1st Class	30
2nd Class	15
Inter Ordinary	6
Inter Mail	7½
3rd Ordinary	4
3rd Mail	6

and it might be left to railway administrations to adopt such increases within this maxima as they consider to be justified.

As regards goods traffic the present time is not an auspicious one for a general increase in rates as the export trade has fallen off and goods traffic generally is slack. So far as this administration is concerned we have done nearly all that is possible in regard to the cancellation or modification of special rates and it is necessary now to consider a rise in the classification of certain articles particularly of those which have increased most in value since the war. I consider that the existing class rates might be modified and that an increase of some 20 to 33 per cent. in the maxima should be found practicable. This does not mean that all railways will raise all their rates by this percentage but that they will have the power to alter the rates for such commodities as they consider desirable.

Question 27.—Not answered.

Question 28.—I do not think existing arrangements are satisfactory. In the first place the Budget is made too early in the year to be made with any degree of accuracy; secondly, the present system of money not spent lapsing to the Railway Board is wrong; and thirdly, the present restriction on transfers between ordinary, coal, and special renewals and between India and England is a handicap on money being spent.

(ii) In regard to the first point the July Forecast is prepared a year in advance, for instance for this year (1920-21) the July Forecast was due with the Railway Board on the 15th July, 1919. To be submitted by Agents on that date it has to be prepared earlier by departments and although the Railway Board receive this document in July, 1919, they pass no orders on it until December, 1919, and even then the orders passed are only tentative. In January, 1920, a preliminary issue of the Budget estimate for 1920-21 is sent forward based on the tentative figures given by the Railway Board on which final Budget orders are telegraphed about the end of March, 1920, and the final order prepared and submitted about May, 1920.

(iii) In addition to this, in October, 1920, a six months' estimate for the year 1920-21 is submitted to the Railway Board followed by a revised estimate for the same year. In the following December this is followed again by a preliminary issue of the Revised Estimate for the year 1920-21, and the Budget Estimate for the following year 1921-22 is submitted in January, 1921, while modifications in the grants for the year 1920-21 are not wired until February, 1921. The system is too elaborate.

(iv) As regards the second point the present system under which money not spent is lapsed to the Railway Board is wrong, as money once sanctioned should not lapse. With our present Budget sanctions with a currency of one year only, and, modifications of sanctions not coming out until February with the year ending on the 31st March following, Railways have not sufficient time to get out indents, submit indents to the United Kingdom, let contracts in the United Kingdom, and, despatch stores to India within the period allowed. It is one constant rush to be in time whereas with a 3 or 6 years currency of sanction a regular working programme could be organised which would facilitate work and stop lapse in grants.

(v) In regard to the present system of non-transfer between certain heads, once the Railway Board sanction certain money to any railway, it is considered that the control of the Railway Board should finish in that respect. It is presumed that once money is sanctioned Government are prepared that such a sum of money should be spent, during the period, by each particular

railway, and it should be left to the officials of that railway how best to spend the money in the true interest of the railway concerned. At present, although an Agent sees he cannot possibly spend his grant under any particular head, he is not allowed to spend it under another head without the Railway Board's sanction. Take for instance a sanction for Programme Renewals when because of labour trouble materials cannot be obtained. The Agent may receive a favourable offer for coal in excess of his Budget grant under that head for that year, but is not allowed to purchase coal out of Programme Renewal money. Yet coal is wanted for the next year and the purchase this year would result in less purchase next year and more money being available for Programme Renewals next year when materials might be obtainable.

(vi) It is difficult to follow the statement made by the Indian Railway Finance and Administration Committee in 1907 that in deciding on the allotment to be made in any year for railways the Government take account of any improvement in the finance position owing to the occurrence of lapses, in the face of the following statement:—

Year.	Railway Demand.	Railway Board Grant.	Amount of outstanding indents at beginning of the year.
	Lakhs. Rs.	Lakhs. Rs.	Lakhs. Rs.
1912-13	36·84	32·70	23·91
1913-14	58·31	53·62	49·90
1914-15	47·70	47·70	32·85
1915-16	68·92	29·93	29·64
1916-17	62·00	17·89	15·75
1917-18	73·05	33·06	14·96
1918-19	159·29	54·55	35·17
1919-20	136·95	154·60	33·87

It must also be remembered that the Railway Board make their provisional Budget allotment in December when the exact lapse at the end of the following March is not known.

Question 29.—I have no criticism to offer on the present arrangements for regulating expenditure in England. The reasons for forbidding the transfer of sanctions between England and India are not known.

Part IV.

Question 30.—I consider the powers exercised by Government over rates and fares to be adequate, but I consider the manner in which these have been used in the past is open to criticism. For example, the Railway Conference attempted to draw up a complete uniform classification of goods on all railways. In so doing the highest class in which a particular commodity was placed on any railway was not always adopted, certain railways agreeing to waive the highest classification. This uniform classification was sanctioned at first by the Railway Board, but was subsequently cancelled owing to the fact that class rates for certain commodities had to be raised.

As an instance of the unfairness of the present classification, it may be mentioned that the G.I.P. Railway are permitted to charge ·80 pies per maund per mile for cotton full pressed whereas this railway is only permitted to charge ·50. This commodity can stand the higher rate, and the reason for this distinction is not understood.

Question 31.—I consider the powers delegated to Railway administrations have been wisely used in the interests of the public, and instances can be quoted in which public requests have been met. On this administration we have recently offered a special low rate for the carriage of cement and stone to Bezwada. We granted for many years a special rebate to the Sandur Manganese Mining Company, special rates are given to Messrs. Parry & Co., for their factory at Ranipet and for tile manufacturers on the West.

We have had two local cases of exception being taken to our quotations, viz.:

Firewood.

Betel leaves.

In the case of firewood the rates were raised in the busy traffic months, keeping the low rate for the off season. The traders appealed to the Madras Government to continue the lower rate throughout the busy season, but it was pointed out that the greater proportion of traffic was carried at the time the higher rate was in force, and it was for this reason that the lower rates were cancelled.

In the case of betel leaves the enhancement was generally agreed to by all important company-worked railways excepting the South Indian Railway, and it is the general opinion of traffic experts that this commodity can well stand the enhanced rates. The traffic in the commodity has increased after the enhancement was made.

Question 32.—I have had no experience of any case in which a Railway Commission was appointed for the settlement of any dispute between railway administrations and traders.

Question 33.—No.

Question 34.—There is a marked variation between the demand for goods traffic in the busy and off seasons in India, and it is impracticable for railways to provide sufficient rolling stock and other facilities to meet all the busy season demands without delay. On this railway it is impossible to comply in full with all demands of merchants for wagons from about the beginning of March to the end of June, and on certain other sections public demand cannot always be met.

The position has been aggravated by the difficulties caused by the War which has made it impossible to obtain the rolling-stock, material and machinery required, and has necessitated a considerable curtailment in the annual budget expenditure. Until this is made up it will not be possible for railways to provide adequately for all the requirements and needs of the industries they serve. Under the present circumstances, on existing main lines it is the trade of the country which forces the development of railways and not railways which develop the trade of the country.

STATEMENT A.

Engineering Department—Broad and Metre Gauges. Statement of Rail Renewals.

Description.	Programme.							Actuals.								
	1914–15 Miles.	1915–16 Miles.	1916–17 Miles.	1917 18 Miles.	1918–19 Miles.	1919-20 Miles.	Total Miles.	1914–15 Miles.	1915–16 Miles.	1916–17 Miles.	1917–18 Miles.	1918–19 Miles.	1919–20 Miles.	Total Miles.	Balance deferred at end of 19–20.	Anticipated to be done in 20–21.
Basis.	Budget.	Budget.	Budget.	3 years programme.	3 years programme.	3 years programme.										
Broad Gauge.																
Renewals of Rails ..	16·50	14·25	9	55	54	45	193·75	16·09	18·85	7·94	—	—	32·31	75·19	118·56	39·25
Metre Gauge.																
Renewals of Rails...	51	50	66	65	55	55	342	36·50	14·40	52·48	8·19	0·58	18·50	130·65	211·35	58·0

STATEMENT B.

Locomotive and Carriage and Wagon Department.—Statement showing details of Renewals actually undertaken from the commencement of the War to end of 1919-20 as compared with the provision in the three and ten years Programmes, etc.

Item No.	Particulars.	Number as proposed.							Number actually completed.							Balance representing deferred renewals.	Number provided for 1920–21 against arrears of previous years.	Programme for 1920–1921.	Balance at the end of 1920–1921.
	Basis.	1914–1915.	1915–1916.	1916–1917.	1917–1918.	1918–1919.	1919–1920.	Total.	1914–1915.	1915–1916.	1916–1917.	1917–1918.	1918–1919.	1919–1920.	Total.				
		July Forecast.	July Forecast.	10 years programme.	10 years programme.	3 years programme.	3 years programme.												
	Broad Gauge :—																	Rs.	No.
1	Locomotives...	6	6	6	6	6	6	36	—	—	—	—	—	—	—	36	12	12·73	24
2	Boilers	8	18	18	12	15	12	83	1	18	9	10	3	5	46	37	12	2·50	25
3	Coaching Stock (Single Units)	36	15	4	28	28	31	142	—	—	—	4	8	16	28	114	67	6·68	47
4	Goods Stock (Single Units)	104	104	101	100	161	100	670	27	27	—	3	—	5	62	608	160	8·51	448
5	Machinery ... Rs. Lakhs.	0·50	0·50	0·50	0·50	0·50	0·50	3·00	0·31	0·29	0·13	0·36	0·46	0·27	1·82	1·18	0·80	0·80	Rs.0·38
	Metre Gauge (including Mysore State and W.I.P. Railways) :—																		
1	Locomotives...	—	—	5	5	5	5	20	—	—	—	—	—	—	—	20	22	5·53	—
2	Boilers	26	26	15	10	10	10	97	13	26	7	9	—	5	60	37	10	1·60	27
3	Coaching Stock (Single Units)	81	92	28	52	109	58	420	—	53	47	26	27	10	163	257	110	5·66	147
4	Goods Stock (Single Units)	8	63	58	50	345	99	623	8	—	2	2	16	—	28	595	383	11·18	212
5	Machinery ... Rs. Lakhs.	0·25	0·25	0·25	0·25	0·25	0·25	1·50	—	0·16	0·06	0·19	0·14	0·01	0·56	0·94	0·75	0·75	Rs.0·19

Broad Gauge :—33 Coaching Vehicles completed in 1914–1915, 25 in 1915–1916 and 4 in 1917–1918 pertain to pre-war period and have not been shown in this statement.
Metre Gauge :—54 Coaching and 8 Goods Vehicles completed in 1914–1915 and 1 Goods Vehicle in 1915–1916 pertain to pre-war period and have not been shown in this statement.

STATEMENT No. 36.

THE MADRAS CHAMBER OF COMMERCE.—MEMORANDUM DATED 5TH JANUARY, 1921.

The Chamber will not attempt to deal with the questions seriatim, but will confine itself to a short expression of its views on the five main heads of the questionnaire.

See oral evidence, paragraphs 4827/4872.

Part I.—The Management of Railways owned by the State.

Broadly speaking the Chamber is in favour of the existing policy being maintained, that is to say the railways now owned or partly owned by the State should be worked by companies.

Madras is not perhaps in the best position to express an opinion in this matter, because both the railways serving the Presidency are company managed, but on the broad question the Chamber adheres to its views as expressed in its letter to the Railway Board dated 11th August, 1916, which were in favour of company management. The Chamber is of opinion that company lines are on the whole likely to be more efficiently, more economically and more satisfactorily managed than State worked lines.

As regards the point of management by companies domiciled in India or the United Kingdom (Questions 3 and 5-9) the Chamber is rather attracted by the suggestion in Question 9 " that the systems of management by companies domiciled in England and by companies domiciled in India might be combined." This notion is a new one, and ought to be explored. In an advisory and consultative capacity, and with powers of action in certain directions without reference to London, a Board in India might be a useful adjunct to a main Board in London. But the Chamber fears such a plan would hardly be found workable, and much the same general objection applies to a Board wholly domiciled in India. On the whole the Chamber is in favour of companies being controlled by means of boards in London. There should be intimate relationship between such boards and the management of the lines, and the latter should have large powers of dealing with questions of current management without necessarily referring to London. Further, it should be a recognised thing that a majority of the members of a home board should have recent Indian experience, and that by means of regular visits by a deputation of its members the board should be kept in close touch with conditions in India.

Part II.—The Railway Board and the Government of India's Control.

Speaking generally the Chamber is of opinion that the system of control by a railway board as at present constituted is satisfactory. But it can hardly be said that the Railway Board has altogether come up to public expectations. It would seem as if the Board required strengthening and enlarging. The method of limiting appointments to five years does not seem to give the best results and the Chamber would advocate the appointment of suitable men who are still in the midst of their Indian career, and who may serve on the Board for much longer periods than five years. If necessary the scale of salaries should be raised in order to attract men of the highest class, not only as regards the Board but also as regards secretaries, assistant secretaries, etc.

The Chamber would like to see a permanent member on the Board with special experience of South India and its needs. In this latter connection the Chamber is under the impression that South Indian interests have often suffered in the distribution of funds for capital expenditure. There is a very general belief in these parts that those larger and richer lines, nearer to Simla than Madras is, seem always to be more favoured in the allocation of funds. The Chamber would like such an impression removed and would welcome an assurance that the Northern lines and those serving the ports of Karachi, Bombay and Calcutta do not receive a more liberal share of funds than we do in the South.

Part III.—Railway Finance.

The Chamber is strongly of opinion that the supply of funds for railway purposes has hitherto been utterly inadequate.

The Chamber would answer Question No. 17 emphatically in the affirmative. The utter inadequacy of the Government annual grant and consequent inability of the railways to keep their lines and rolling stock up to the mark (arrears have greatly increased owing to the war) makes it a vital necessity for several years to come to confine all energies to improving the facilities and equipment of open lines.

Construction of new lines should be held in abeyance for the present. Funds are urgently required on a much larger scale than hitherto, but the Chamber is not in a position to name any approximate amount. Neither does the Chamber think it necessary to discuss the different methods of raising capital. There is no reason why funds should not be raised both in India and the United Kingdom, unless there be anything objectionable in having two rates of interest. It is almost certain that a higher rate of interest will be required in India than in the United Kingdom.

The Chamber sees little hope of borrowing in India at much under 7 per cent. income tax free.

Separate borrowings for railway purposes (Question No. 25) would undoubtedly be likely to interfere with the success of ordinary Government borrowings. If from the latter sufficient funds can always be allotted to railway purposes, the Chamber would rather not see separate borrowings for railways. But if this cannot be guaranteed then there should be separate arrangements for railway finance.

In regard to Question No 26 (*b*) the Chamber agrees that railway rates should be generally raised if necessary so as to prevent railways from being a burden on the general tax-payer.

As regards Question No. 28, the Chamber considers that the Budget system of annual " lapses " should be abandoned in favour of ordinary business methods. A railway should be able to depend on adequate funds to carry out its programme of works and not be hurried or harassed by the fear of " lapses " in any one year.

Part IV.—Government Control, etc.

The Chamber has no particular remarks to offer under this section, save to say, as regards Question No. 31, that its relations, and so far as it is aware the relations of the trading community generally, with the railways serving the Presidency are of the most amicable and satisfactory character.

Part V.—General.

Question No. 34 must be answered emphatically in the negative. But in saying this the Chamber has in mind the difficulties and arrears caused by the war, and is not taking serious exception to the normal state of the railways prior to 1914. There was room for improvement even then, and as traffic has steadily increased since 1914, and the general volume not likely to grow less, it is an urgent and vital necessity that the wartime leeway be made up before there is any new construction.

In conclusion the Chamber would call attention to the present low rate of interest allowed on capital for feeder railways. It is altogether impossible now to attract capital at 4 per cent., and when the time comes to push the construction of feeder railways the Act will require to be amended and something like ordinary market rates will have to be offered.

Mr. J. F. Simpson, Sir Gordon Fraser and Mr. A. P. Symonds are available to give evidence, on the foregoing, if required.

STATEMENT No. 37.

M. AHMED BATCHA SAHIB, B.A., Representative of the Southern India Skins and Hides Merchants' Association, Madras.

See oral evidence, paragraphs 4873/4892.

I propose to deal mainly with the question of direct state management of the Railways in India; the views expressed in this memorandum may be taken to be the views of practically all the members of the Association.

2. I am fully and categorically in favour of direct state management of the railways in India. The question of State or Company management has been, I believe, raised even in the Western countries, but, in my view, there cannot be two opinions as to which is preferable so far as India is concerned. Of course, I am viewing the question as an Indian from the point of view of the Indian people and the utility and convenience to them.

3. I have experience and knowledge only of the two principal railway systems connecting South India, namely the South Indian and M. & S.M. Railways. Both of these systems are under the management of companies floated in Great Britain with a board of directors sitting in London. I consider that the real test of success of railway administration is the comfort and convenience provided to the travelling and trading public and not merely the making of profits at the expense of the public. The railways, in my opinion, are a national asset and they ought not to be worked purely on commercial lines as they are now worked by private companies which are anxious only for their own profit, whose actions and policies are determined by self interest.

4. I may give a few illustrations. It is the third class passengers that contribute the largest income to the railways, but the way in which they are treated is most deplorable and heart rending. Particularly is this so in the South Indian Railway. It is not merely during the time of war and the subsequent years thereto when the want of rolling stock may be advanced as an excuse; it was also in the previous normal years. Protests and agitation have constantly been made with no effect. I think the local Government has no means of compelling the railway administration to do the right thing, and whatever powers the Government of India may possess in theory they have in practice, judging from the results, given a complete carte blanche to the companies. Third class passengers have been and still are treated by the South Indian Railway Co. worse than cattle, and it is a most pathetic and heart rending spectacle to see thousands of people subjected every day to the worst humiliations and the greatest inconvenience imaginable I am using these epithets very guardedly. I would suggest that the members of the commission ascertain the fact at first hand without previous notice to the authorities of their intention. The evil is only accentuated by the company holding in practice at least a complete monopoly of one of the most fertile and populous parts of India. The continuance of such a state of affairs cannot and will not be tolerated if the people of this country have any voice in the matter, nor would it prevail if the railway is under the direct management of the State. It exists only because the companies managing the railway do not care for the convenience and comfort of the people so long as their pockets are not directly affected. On no other basis can I explain the inhuman treatment meted out by the South Indian Railway Company to the vast majority of the people from whom they derive practically the whole of their income.

I may take another instance. Madras city has been getting more and more congested. With a view to relieving congestion, suggestions have been made for extending the city in the suburbs where there are excellent areas available for habitation; but railway facilities are very poor. There has been a proposal to open an extra line to facilitate quicker communications between Madras and Pallaveram or Chingleput; but nothing has been done because, I believe, the company has not been enthusiastic about the matter. The company consider a matter like this, which is of the greatest importance to the welfare and development of the city from the purely selfish point of view as to whether it is likely to pay them or not. Under State management, questions like these affecting people are bound to be considered from the broader point of view of public convenience and utility.

Then again incidentally, I may say, that far less scope is, under company management, afforded to Indian talents and Indian enterprise. I believe I am correct in saying that in the higher Indian railway services there are proportionately far less Indians than in the various departments of the State.

The industrial, commercial and economic life of the people of this country can, in my considered view, be properly developed only if the railways are under the direct control of the State.

Labour troubles and difficulties of which there is increasing evidence can be solved more satisfactorily by the State than by private companies.

I consider that India should, as far as practicable, be independent in matters affecting its industrial and commercial life. The control of railways by foreign business corporations is an obstacle to the achievement of this ideal.

I am not in favour of management by companies even though the companies are floated in India, but I certainly prefer them to companies floated outside India. I do not believe that State management must necessarily be less efficient than Company management.

I suggest that whatever capital may be required for railway enterprise is to be raised in India and in India only by means of loans at a fixed rate of interest. Of course, just as in the case of the Government War Loans and business floatations in this country, persons of any nationality can subscribe to any such loans. I do not believe that capital in India is shy and will not come out for even such an object of universal convenience and utility as the railway. India is a poor country, but, for an object like this, the benefits of which are directly enjoyed by all the people, not merely the educated and wealthy classes, but even the masses and the ryots will freely come forward if they are guaranteed a reasonable rate of interest, and they have the assurance that the railways will be so worked as to bring about the maximum benefits to the people of this country. This is possible, I submit, only if the railways are under the direct management of the State, which as is now admitted on all hands is bound to become increasingly responsible to the people of this country.

I have carefully considered whether, in view of the fact that the affairs of Government are now being carried on by a soulless machinery incapable of admitting enterprise or initiative, such a vast business organisation as the railway, the success of which depends very largely on business capacity and originality can be worked satisfactorily by the State. But there is no insurmountable obstacle and the problem to me appears as only a problem of ways and means. A separate department may be organised, based on current business principles, but these are matters of detail. I believe that with the present rates of fares, Indian railways can, under proper State management, be worked at a profit. I would suggest a retrenchment of the comparatively high salaries paid to higher railway officers in this country if the railways are worked at a loss. I believe that in the higher railway services as in other services, India is paying far larger salaries than other countries. Retrenchment of these high salaries should, in my opinion, be carefully considered whenever economies have to be effected If under State management the railways are still worked at a loss the deficit may be made up by income from other departments of Government and the people would not grumble any more than they would grumble for expenditure incurred by the State in connection with roads, canals and other objects of general public utility and convenience.

I have not entered into details of arrangements by State because, in my opinion, they are to be considered after it is decided that the State management is, in the conditions of India, the best course to be adopted.

STATEMENT No. 38.

The Southern India Chamber of Commerce, Madras.

Introduction.—This Chamber's experience of railway matters is confined to the two railway administrations in Southern India, the Madras and Southern Mahratta Railway and the South Indian Railway. The South Indian Railway Company, Limited, has been a member of this Chamber since 1913. The subjoined statement is based on the experience thus gained.

See oral evidence, paragraphs 4893/4923.

Management of Railways owned by the State.—In the year 1916-17, the Railway Board instituted an enquiry into the practical side of railway working, founded upon everyday experience of those commercially interested in railways, in order to determine whether State or Company management of railways had rendered better service to the public. This Chamber was then asked to state its opinion, and we then said that the management of railways by the State would result in the public being better attended to and served; that such management would attract a better-educated class of men for service, thereby ensuring greater efficiency and public satisfaction. We also added that our experience led to the conclusion that in the despatch and delivery of goods, in the matter of attending to complaints and to the convenience of third-class passengers, State management of railways was in every way better than management by companies. The experience we have further gained confirms us in this view.

We are of the opinion that railways owned by the State should be directly managed by the State. State management would be distinctly to the advantage of the country as a whole. For one thing, the management of a railway by the Government would bring it under the influence of public opinion. Company management lacks this necessary corrective. In the second place, traffic facilities, both for passengers and for goods, would be more easily obtained in a system of State control and management than in any system of Company management. In the third place, the industrial development of the country would be better secured by means of State management of railways. In the next place, by gradually eliminating wasteful extravagance on the one hand and ruinous economies on the other, State management would conduce to the promotion of efficiency and economy in the administration. We may also add that the army of railway employees would find their lot happier as servants of the Indian public than of a company. In any case, we see no good, in the present state of educated opinion in the country and of the national temper, in perpetuating a system of working and managing the railways of the State by the representatives of stock and shareholders, sitting thousands of miles away from the actual working of the concerns, without the wants, wishes and the voice of the public of this country, who are the predominant partners, determining what is best for the country as a whole and for the people by means of the

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growing representative institutions of the country. Railways should no longer be run as mere commercial concerns to the best advantage of alien stakeholders, whose stake is only a small fraction as compared with that of the State, but to secure the material development of the country, to advance its trade and industries, and to promote the comfort and convenience of the general population. As it is, notwithstanding the enormous sums of the taxpayers' money invested in the State railways, they are run as private concerns by companies, who are only zealous of earning more profits so that they may have their share of it every year; and the Government, for their part, are satisfied that railways give them more and more revenues so that they may have enough to spend for purposes which appeal to them most, with the result that real railway requirements are starved. We are anxious, therefore, that the whole policy of railway administration should change, and every opportunity afforded by the termination of a running contract with a working company should be availed of to substitute State management and control for the present Company management.

As the contract with the Madras and Southern Mahratta Railway has yet about 16 years to run, and that with the South Indian Railway about 24 years, we submit the following tentative scheme for the better management of these two railways during the pendency of their contracts. A Provincial Advisory Board should be constituted, composed of officials and non-officials, with the Senior Government Inspector of Railways at the head of the Board. The non-official members should be the representatives of the interests of trade, industries, finance and of the general public. It should be the duty of this Board to enquire into all railway grievances; to use their best offices and influence in the settlement of claims against the companies and of disputes between the employers and the employees; to offer its considered opinions on proposals for branch and feeder railways, for changes in rates and fares, for improvements in train services, for additions to rolling stock, etc.; and, in short, to ensure the more efficient working of the railways and the convenience and comfort of all classes of the population and the several interests served by the railways. The proceedings of this Board should be regularly recorded and communicated to the Government of India for information and further action should that be necessary.

If these two companies are not agreeable to shift their home boards to the centres of their actual operations, they may at least be urged to constitute auxiliary local boards to consider and decide all matters as they arise, subject to the final sanction of the home boards in certain reserved matters. It would be well if these local boards, when formed, have the interests of the people also represented in them.

The Railway Board.—We consider that the system under which the Railway Board now controls State railways worked by companies is unsatisfactory. So far as the commercial or the general public are concerned, even the existence of the Board, not to speak of its intervention in railway matters, is not appreciated. It is particularly so in Southern India. The average business man here doubts whether the Railway Board exists to help the working companies or the public at large. We think this system should be ended, as it is not capable of being mended. If, as we propose, the working companies should at the end of their lease of life be replaced by State management, the system of controlling railway working by the agency of the Railway Board cannot usefully be continued. We propose that the system in force prior to 1905, by which the Government of India controlled railway working by the agency of their own departments, be immediately restored. We should prefer the control being vested in the Commerce and Industry Department with a fully-equipped Railway Branch, with an expert staff to manage the control in the traffic, construction and stores departments. The member in charge should be directly responsible for the conduct and management of railways. In constituting the Railway Board in 1905 on the recommendations of the Special Commissioner for Indian Railways, Mr. Robertson, the Government of Lord Curzon stated " that the central idea of a Railway Board was that there should be a body of practical business men entrusted with full authority to manage the railways of India on commercial principles, and freed from all non-essential restrictions or needlessly inelastic rules." The result of the policy underlying this statement, during the past 15 years the Board has been in existence, has been to emphasise the commercial aspect of railway management to the prejudice of the larger interests of the country and the people as a whole, and to safeguard and advance the interests of working companies rather than those of the general public. In fact, the members of this Board are erstwhile company agents, and there is a free interchange of places from the companies to the Board and *vice versâ*. Naturally the interests of such a personnel are one-sided. In our opinion, the powers of control over railway administrations which the Railway Board possesses under the Acts of 1890 and 1905, have not been sufficiently exercised in public interests and so as to serve the requirements of the travelling public and of the trade of the country. We are for the abolition of the Railway Board, as we consider that it serves no useful purpose, and that railway administration, on the whole, should be better without this needless, expensive, ill-conceived agency.

Railway Finance.—In our opinion, in view of the present depressed conditions of trade and finance the world over and in India in particular, the time has come when we should cry halt for new construction unless pressed by the most urgent necessity for military or strategical considerations. Provision for open line requirements is the immediate necessity, and such capital as may be required therefor should be raised by open borrowing in this country, or if need be in England, within the limits of anticipated requirements every year, on such terms and conditions as may be best suitable under the circumstances of each year. We should think, as far as possible, all expenditure on open lines should be met from railway earnings, and any capital borrowed for this purpose should be short-dated loans to be repaid from the annual earnings. It is our opinion that all borrowings, even for maintenance of open lines, should for some time be limited to what can be saved out of the earnings, and that additions to capital outlay should not otherwise be made. Private enterprise and capital for construction of new lines are only other names for privileged foreign companies and the neglect of national interests. We are, therefore, for nationalising railway enterprise in this country and for steadily working towards this goal.

We are in favour of the policy of the separation of railway finance from the general finance of the country, as the gross railway receipts and expenditure swell the budget figures of general revenue and expenditure in a confusing manner. We are also against the present budget system of lapses. The Railway Budget will have to be framed for a longer period than one year. We

should prefer a programme and allotments for about three years ahead. We are in favour of railway borrowings being separated from general borrowings, and every railway loan being declared to be for railway purposes only. This course should attract a better class of investors in the country and outside. We have no objection to railway companies raising loans for developments, subject to the sanction of the Secretary of State for India and within certain defined limits, provided, however, the terms of the running contracts with the companies are not varied on that account so as to give the companies any greater control than they have now in the management or to prolong their lease of life.

Rates and Fares.—The existing Government control over the railway administration in respect of rates and fares is, in our opinion, neither adequate nor satisfactory. The freedom given to the administrations to work within the maxima and minima rates is not exercised in the interests of the public. Within the last three or four years rates on goods traffic have been generally raised, and we would instance in particular the increased rates levied by the South Indian Railway on kerosine oil, groundnuts, piece-goods, including twist and yarn, and grains and pulses generally. The higher rates have been prejudicial to trade in these articles, and we have not been able to discover the causes of the increase in each case. In fares, the South Indian Railway recently raised the fares for two of its through passenger trains to the limit of its mail fares. We do not see the justification for this increase, seeing that these through trains do not even run the same speed as the mail train.

We commend for the consideration of the Committee the general principles enunciated by the Indian Industrial Commission in Chapter XIX of their Report, headed "Industries and Transport." We desire to impress on the Committee the necessity for a change in the rate fixation policy as recommended therein, and we desire to emphasise the general principle recommended by the Commission to be followed in railway rating, so far as it affects industries, that internal traffic should be rated as nearly as possible on an equality with traffic of the same class over similar distances to and from the ports.

Complaints are frequently made regarding inexplicable routing of traffic which are not in the interests of trade. We may give a very recent instance. We believe even at present considerable quantities of goods destined to stations south of Tanjore, Madura and Tinnevelly, from Madras Beach and Egmore, on the South Indian Railway, are booked from Royapuram on the Madras and Southern Mahratta Railway via Arkonam Junction.

There have been frequent complaints against the system of levying two sets of rates—one for railway risk and the other for owner's risk. Without assuming any liabilities for loss or damage, railways charge full freight rates practically under this system, and we commend to the Committee a full enquiry into the technique of these two different rates.

General.—The railway workshops should be utilised as the training ground, without racial distinctions, for the youth of the country with mechanical and industrial aptitudes to become the future loco-foremen, mechanics, engine-drivers, carriage builders, electricians, fitters, etc. These workshops should be so equipped as to be capable of furnishing almost all necessaries and stores required for railway working, and to dispense with as many articles as are now imported from outside the country, excepting those that are indispensable absolutely.

The administration of the railway should be carried on as much as possible through indigenous agencies, affording opportunities for the educated young men of the country to hold superior and responsible posts in the service of railway administration.

The inadequacy of passenger and goods vehicles to cope with the traffic offering in Southern India is the subject of long-standing and serious complaints. The congestion in passenger trains is enormous, and practically no regard is shown to the maximum limit of passengers for a compartment. The scramble for goods wagons has led to extensive corruption, and we have heard of as much as Rs. 50 being paid to secure a single wagon for loading. Complaints are also made of preferences shown in the distribution of wagons. It will be for the Committee to ascertain how far the increase in ton-mileage has been met by increase in goods vehicles.

We desire to call attention to the anxiety of railway companies to kill all competitive traffic by waterways, in view eventually to be free to levy their own rates when they have secured a monopoly of traffic. For instance, the East Coast Railway line of the Madras and Southern Mahratta Railway has killed all traffic by the Buckingham Canal route, and the result is to-day that rice, chillies and firewood have to pay heavier rates by railway than they would have to if they had the choice of the canal and the railway routes. Again, the South Indian Railway and the British India Steam Navigation Company have entered into an agreement regarding the carriage of the grains traffic of the Tanjore delta, whereby both the companies have combined to eliminate competition to the advantage of both. The B.I.S.N. boats that once used to load at the subordinate ports of the delta no longer do so, leaving this traffic open to the railway company, and notwithstanding some agitation in the Local Legislative Councils, it has not been possible for the public to know the exact terms of this agreement.

The South Indian Railway corridor carriages are abhorred by the public, and should they have to be used at all, should be used only for suburban traffic or short distances. Long-distance passengers using them find themselves miserable.

STATEMENT No. 30.

M.R.Ry. Diwan Bahadur Mocherla Ramachandra Rao Pantulu Garu, B.A., B.L., M.L.C., President, District Board, Kistna.

I am the President of the District Board, Kistna, which owns the Bezwada-Masulipatam Railway. The above Board has had also two more projects for railway construction, the Nidadavole-Narasapur Railway and the Gudivada-Bhimavaram Railway of the total mileage of 87·91. As a member of the Pilgrim Committee appointed by the Government of India for this Presidency I have had the opportunity of travelling over the two railways' systems in this Pre-

See oral evidence, paragraphs 4966/4979, 5022/5057.

sidency and acquainted myself with the conditions under which the Pilgrim traffic in South India is dealt with I have been a member of the Madras Legislative Council since 1910 and during this period many questions relating to railway administration and development came up for consideration in the Council.

2. I do not propose to deal with all the points raised in the questionnaire, but shall confine myself to a few broad questions of railway policy and administration and to the position created by company management in Southern India.

Secretary of State's Control.

3. The first point to which I should like to refer is the position of the Secretary of State in Council in regard to the administration of railways in India. At present the Secretary of State in Council is the final authority with whom the Boards of management of the various railways enter into contracts. Whatever may be the justification in the past for this control of all railway policy and administration by an authority who is at a distance of 6,000 miles from all current of Indian public opinion, it will no longer be possible to maintain this position. It is very necessary to bear this point in view in a consideration of the problem. Under the terms of the Government of India Act, the Railway Budget will have to be submitted to the vote of the Legislative Assembly except probably to the extent to which such portion of railway expenditure that may be classified by order of the Governor-General in Council as "Defence." Except therefore in regard to strategic railways on the frontiers the whole of the Railway Budget of the year, its distribution and the destination of the grants to the various railway administrations will come up for detailed discussion and the distribution of funds can only be made with the approval of the Legislature. Similarly all loans raised in India either for railway or otherwise would have to be embodied in the budget of the year. It will no longer be expedient for the Secretary of State to conclude agreements with the railway companies in England over the head of the Government of India and of the local Governments and if he does so notwithstanding the reservation of certain powers to the Governor-General in financial matters, he cannot in the normal course of things hope to obtain the assent of the Legislative Assembly. This aspect of the question should, I venture to think, be placed in the forefront of the deliberations of the Committee.

The Government of India.

4. The Government of India must therefore in the nature of things be hereafter the primary authority with whom all questions relating to railway development, railway finance and administration will have to be settled. It is desirable, therefore, to lay this down definitely. Unless this position is accepted there is a great likelihood of the Secretary of State coming into conflict with the Government of India and the Indian Legislature which will have the power of voting the funds required for the annual Budget. The Secretary of State cannot ordinarily supersede the decision of the Indian Legislature in these matters. I also believe that in the altered circumstances the continuance of management by boards domiciled in the United Kingdom with advisory boards in India will not conduce to the smooth working of the Indian railways. If it should be decided by the committee to recommend the continuance of company management, all contracts with the railway companies either domiciled in the United Kingdom or in India must be entered into by the Government of India. I would suggest that such contracts should be concluded by the Government of India only after obtaining an affirmative resolution of the Legislature in India. These precautions are necessary in the interests of the people of India when contracts extending sometimes for 30 or 40 years are made by the Government for the working of Indian railways. It has been said in justification of the present powers of the Secretary of State that he is able to raise loans for railway development in the United Kingdom. If it is necessary for the Secretary of State to perform this function he can do this as the Agent of the Government of India and now that there is a High Commissioner for India for agency work, I believe that that functionary may do this work equally well for India. The company management of railways through the boards domiciled in England is sought to be justified on the ground that the boards are instrumental in securing English capital for Indian railways. The facts are, however, the other way. The Secretary of State has raised £370,180,560, while the company have contributed only £41,398,548.

The Railway position in South India.

5. The evils of the present system will be apparent from the position in Southern India in regard to railways. The contract with the South Indian Railway was made in 1910 by the Secretary of State against the wishes of the Local Government and the people of this Presidency and can only be terminated in 1945. This is a fitting illustration of the influence of the railway boards in England who have direct access to the Secretary of State to force a decision against the expressed wishes of the authorities in India and of the people of India. Similarly in the case of the Southern Mahratta Railway, the contract can be terminated by the Government only in 1937. The Government are the owners of the lines leased to these companies and are also the holders of the great bulk of the profit sharing capital in the new companies formed for working the lines. Nevertheless the Government have not reserved to themselves any effective power to terminate these contracts on reasonable notice and subject to the payment of suitable compensation. The power reserved can only be exercised in the almost impossible event of utter failure of the company to fulfil its obligations. The result is that these two companies are in a position to dominate the whole situation in South India in regard to railway development and to block up all new extensions by any other agency.

District Board Railways.

6. This brings me to the subject of District Board Railways in the Presidency. The District Boards in Madras have shown a commendable public spirit in undertaking the construction

of feeder lines. This is the only province where local bodies have attempted railway undertakings of some magnitude The district board railway projects existing and projected are mentioned hereunder:—

Board.	Miles opened.	Miles projected.	Capital cost in lakhs.	Net income in lakhs 1919-20.	Percentage.	Accumulated cess in lakhs at the end of 1918-19.
1.	2.	3.	4.	5.	6.	7.
Coimbatore	25·04	40·90	E. 11·39 D. 18·44	1·33	11·7	7·07
Guntur...	21·50	86·75	E. 14·88 D. 41·47	0·54	3·7	4·90
Kistna	51·80	87·91	E. 22·53 D. 54·27	2·63	11·7	25·69
Salem	3·86	45·16	E. 4·74 D. 20·33	0·31	6·6	7·70
Tanjore	135·06	42·73	E. 54·43 D. 24·52	4·23	7·8	32·12
North Arcot and Chingleput	60·00	20·50		Not known.		
South Arcot	—	39·33	14·12	—	—	11·22
Canjam	—	76·30	41·95	—	—	1·90
Codavari	—	27·36	25·16	—	—	3·95
Canara, South	—	14·28	10·70 10·50 13·28 13·06	—	—	—
Kurnool	—	21·13	10·00	—	—	6·33
Cuddapah	—	8·82	8·82	—	—	1·59
Madura	—	55·19	22·91	—	—	8·20
Nellore	—	46·85	28·42	—	—	4·27
Ramnad	—	12·43	7·68	—	—	8·26
Tinnevelly	—	71·18		Not known.		
Trichinopoly	—	52·16	24·71	—	—	4·27
Vizagapatam	—	35·0	28·18 21·81	—	—	3·70
	263·2	909·4				

E. Existing. D. Under discussion.

It will be seen from the above statement that there are schemes for the construction of 909·4 miles of railways in the various districts in the province. Most of these schemes have been under consideration for very many years and the progress of many of these schemes has been held up on account of objections raised by the South Indian Railway, who have consistently opposed the construction of some of these lines, though desirable from the public point of view, on the ground that they will affect their traffic. In one case, the Manargudi-Tirutaraipundi Railway, the company even refused to agree to the decision of the Railway Board that no protection to the company was necessary. Sometimes unreasonable claims for compensation for short circuiting have been set up, greatly delaying the progress of the schemes. I am therefore of opinion that no improvement is possible until the present dominant position of these companies is cut down. If it is possible under their existing contract to terminate them, this must be done. If it is not possible to do so negotiations may be carried on for the purpose, and if the financial liability is not un reasonable an attempt may be made to bring the railways in South India under State control. It is impossible to carry out the present programme of district board railway projects in this Presidency, or any other development schemes until the difficulties created by the existing rights of the railway companies are removed. The district boards are also obliged to accept whatever terms are offered by these companies both for construction and working of the district lines. I believe the State will deal with these questions from a broader standpoint than the companies have done in the past. In acting as they do the companies are looking not only to their own interest but to the interests of Government who are the predominant partners in these concerns. But my point is that the action of these companies for working the lines has considerably retarded the development of the railways in Southern India. I would also strongly urge that whether the contracts of these companies are terminated or not, means should be devised for constructing and working of the district board lines already projected without any further delay and on reasonable terms. The railway board has taken no interest in pushing these projects through. I do not think there will be any more difficultiies in financing these schemes as I understand that the Local Government has been allowed to place the funds required by the boards on the Provincial Loan Account.

State versus Company Management.

7. On the broad question of State versus Company management, I am of opinion that in existing circumstances the State management is likely to serve public interests in India much better than the Company management. In Southern India, during the last 20 years, many railway grievances have been brought to the notice of the Local Government in the Legislative Council by interpellations and resolutions, but in most cases the Local Government is not in a position to afford any redress. The questions relating to platforms, waiting rooms, refreshment rooms, siding, shortage of wagons, over-bridges, overcrowding of passengers, opening of new railway stations and booking offices, supply of drinking water, food supply, sanitary arrangements, and many others have been repeatedly pressed on the attention of the companies through the Local Government, but nothing tangible could be done, as the Local Government has very little power over the railway administration. The Railway Board, which is the controlling authority, has done

very little to assert its authority and to remove many long-standing complaints even of a trivial character. Many important suggestions have been made by the Pilgrim Committee appointed for each province in regard to various questions relating to Pilgrim traffic. For a detailed statement of the suggestions made for removing these complaints, I would invite attention to the reports made in the various provinces by these committees. It would be interesting to find out how many of these suggestions have been given effect to. In Madras, where I was a member of this committee, the South Indian Railway denied that there was any overcrowding of trains in dealing with this class of traffic, and it was also denied that passengers were carried in open trucks. It was with the utmost difficulty that the committee could pursue their investigation which eventually led to the establishment of this fact. So far as I know nothing tangible has been done to effect any improvement in the existing position, and I do not think that any improvement in the existing position would be effected so long as the ultimate control is vested in the Railway Board sitting at Delhi. Local Governments are now deprived of their legitimate sphere of influence and control in the interests of the well-being of their own province.

Wider Employment of Indians.

8. Another equally important ground on which I support the State management of railways is that Indians have better prospects of employment in the superior services of State railways than on the Company-managed lines. A reference to the distribution list of officers on railways in India would fully bear out the statement that on Company-managed lines the number of Indians employed in superior posts in almost negligible.

8 (*a*). The following statement will show the position of Indians in the railways in India:—

Names of Railways.	In June, 1918.		Percentage of Indians to the total number.
	Number of Europeans in superior service.	Number of Indians in superior service.	
State Railways worked by the State.			
North Western Railway	209	45	17·7
Eastern Bengal Railway	130	31	19·2
Oudh and Rohilkhand Railway	45	15	24·6
State Railways worked by Companies.			
Bengal-Nagpur Railway	135	17	11·2
Bombay-Baroda and Central India Railway	129	7	5·2
East Indian Railway	188	23	10·9
Great Indian Peninsula Railway	210	13	5·8
Madras and Southern Mahratta Railway	113	9	7·4
South Indian Railway...	83	3	6·7

The Indians employed are generally on the lowest grade of the appointments. From a newspaper account of Colonel Magniac's evidence, I find that his objection to State management is that the Government is committed to the employment of Indians on superior posts on State railways, whereas the company-managed lines are not so committed. He seems to object to this commitment. On the identical ground urged by Colonel Magniac, I prefer State management to Company management, and would commit the Government to a policy of wider employment of Indians in superior posts in all railways, whether company-managed or otherwise. I would urge this both on grounds of economy and efficiency. The whole of the superior staff now employed on the Company-managed lines is European in its composition, and human nature being what it is, I do not expect any railway company managed by boards in England to desire the employment of Indians in superior posts.

The Railway Board.

9. I am entirely in favour of the abolition of the Railway Board as at present constituted. The centralisation of the control of railway administration in a single authority for the whole of India is incompatible with the present policy of decentralisation, and will not contribute to the removal of the various local grievances relating to railway administration in the provinces. I am in favour of the constitution of Provincial Boards on the lines suggested by the Government of Madras, with substantial financial and administrative powers for the management of railways. It may not be possible to constitute immediately these boards in view of existing obligations, and if they cannot come into existence till after the termination of the contracts, the existing system of control over these companies through the medium of the Railway Board should not be continued any longer, as it has failed to justify its existence. Such of the powers of control and supervision as are now possessed by the Railway Board to safeguard the interest of the travelling public should be vested in the Local Governments and administrations, except in regard to matters where central control is necessary and desirable. In regard to these matters the Government of India should directly exercise these powers. Unless the Local Government are given substantial powers, I do not think it will be possible to expect any improvement.

I will summarise my views as follows:—

(1) The Secretary of State should no longer possess any powers to make arrangements with railway companies in England, and all administrative financial powers now possessed by him should be transferred to the Government of India.

(2) Even if he seeks to exercise his powers of control and supervision, there is a great likelihood of his coming into conflict with the Indian Legislature which will have the power of voting the funds placed on the Railway Budget. The Secretary of State cannot ordinarily supersede the decisions of the Indian Legislature.

(3) Under the altered circumstances, the continuance of boards of management in England will not conduce to the smooth working of Indian railways, and that these boards will have to look to the Government of India much more hereafter than in the past. They will have to be in India hereafter if company management is desirable.

(4) State management of railways is preferable to company management.

(5) In Southern India the two railway systems have tended to block enterprise by district boards for railway expansion, and, if possible, the contracts of these two railways should be terminated.

(6) Under any circumstances, means should be devised to carry out the present railway programme of district boards.

(7) The Railway Board should be abolished, and replaced by Provincial Boards.

(8) If the constitution of Provincial Boards is not feasible immediately, the Local Governments should have the powers of the Railway Board over the railways within their jurisdictions, except in matters that may be reserved to the central authority.

(9) There must be a more equitable distribution of funds, and that South India should get its legitimate share.

STATEMENT No. 40.

THE TRUSTEES OF THE PORT OF MADRAS.—LETTER DATED 17TH JANUARY, 1921.

As requested in your letter No. R.C. 15, dated the 30th December, 1920, I have the honour to submit the views of the Trustees of the Port of Madras.

See oral evidence, paragraphs, 4980/4998.

Part I.

The board are of opinion that, except in the case of purely strategic railways, the management should be by companies on a profit-sharing basis. In their opinion, the incentive to give an efficient service run on economical lines is greater with a company, who have a more personal interest in the result, than with Government management.

The board consider that companies should hold a larger proportion of the capital than they do at present.

Part II.

The board are of opinion that the Railway Board requires strengthening and enlarging and that each group of railways should be represented on it, as it is practically impossible for three men to be personally conversant with the requirements of the whole of India.

Part III.

The Board are of opinion that the funds provided for railways are utterly inadequate.

The Board are of opinion that, if the railways show a deficit on working, the rates should be raised to prevent the railways being a burden on the general taxpayer.

Part V.

The board do not consider that the carrying capacity of the railways serving Madras is adequate. Improvements should be made by duplicating congested portions of the line, by providing more rolling stock, and by making greater use of the existing stock.

2. The chairman will attend before the Committee at Madras at 11 o'clock on the 24th January, 1921, to give any further evidence that may be required.

STATEMENT No. 41.

THE RAILWAY PASSENGERS' ASSOCIATION, MADRAS.

The object of my Association is to protect the interests of the passengers in the railways of South India, especially the South Indian Railway, and the third-class passengers in particular who form the large bulk of the travelling public.

See oral evidence, paragraphs, 4999/5021.

We have no experience of the State-managed railways, nor have we given, as a body, our attention to all the questions raised in the first part of the questionnaire published by the Committee. But my Association feel very strongly that under the system in which the South Indian Railway is at present worked, the interests of the Indian passengers, especially of the third class, are neither consulted nor cared for, and a great deal of racial discrimination is shown both in the services and in the treatment of passengers. The needs and the conveniences of the travelling public have not only been not sufficiently attended to, but also their complaints, representations and requests have generally been treated with indifference. In the services the Anglo-Indian officials in the lower grades are being treated with such marked favour that even their rude and overbearing treatment of the Indian passengers receive, little attention at the hands of the management. The higher branches of the service have been kept as a monopoly for the Europeans, thus resulting in the creation of a body of officials at the top of every department who are either unable to understand the needs of the Indian passengers or do not care to study and understand them. Indian officials will naturally do both. In these circumstances, my Association is driven to the conclusion that these and other evils cannot be totally removed until the people of the country secure the means of influencing the railway policy in all matters administrative and financial. With this end in view, my Association supports the suggestion that while in some matters where uniformity is required the control may be with the Government of India, in all matters affecting the travelling public, the Local Governments and their Legislature should be endowed with powers of control in regard to the State and Company managed lines alike, so as to enable them to afford relief to the public, Provincial Railway Boards

should be constituted, and a good deal of the powers of control possessed by the present Railway Board transferred to them. Also, with regard to the whole of the railway policy, the Government of India should be the deciding authority, and not the Secretary of State.

Under State management my Association believe, for several reasons, that things will improve. First of all, my Association believe that the State management in the nature of things looks to the interests of the public, while the company management looks primarily to the profits. Next, the profits made by the State are used for the benefit of the public, and could be more easily made available for the benefit of the travelling public. Thirdly, the Government management will not be partial to Europeans as the companies are. Lastly, the State management will be under the control of the Provincial and Imperial Governments, and these can be influenced more easily by the representatives of the people. We do not, however, suggest that everything will right itself even then, as we believe this will not be possible until the people get an effective control of the affairs of the State. We only state here our belief that things will improve greatly under State management.

Finally, we only wish to state that whatever the Railway Committee may propose with regard to management and control of railways, something must be done to safeguard effectively the interests of the passengers. If control is not given to Local Governments and Local Legislatures, then we want as a small beginning in this direction an independent committee of officials and non-officials to be appointed by the Government for each section of the railway; for instance, one for the metre gauge section of the South Indian Railway, and another for the broad gauge lines in South India, with a staff of inspectors under them to protect the interests of passengers and improve the conditions of travelling. It will be a vigilance department without any powers to interfere directly with the railway management except through the departmental heads or the Agent. But they will co-operate with them in rendering assistance to passengers. They will have also power to move the Government on any matter affecting the interests of the travelling public. A complaint book should be kept with the guard of every train for the use of the passengers, and these should be sent to the Vigilance Committee, with the remarks of the officers of the departments concerned, every month. There should also be inspectors specially deputed to look to the interests of the passengers travelling by each of the long-distance trains, and sectional inspectors to supervise the passenger traffic by the local trains. We desire that it should be the special concern of the members of the Government in charge of railways to see that each railway management frames a programme every year for effecting improvements in different sections of the railway and these are carried out within the period. At present the Government Inspector of Railways seems to be unable to do anything effectively in this direction.

As I have mentioned already, my Association do not propose to enter into the technicalities of railway management, control, or finance. The Association only wish to bring to the notice of the Committee that the usual excuse of the South Indian Railway for not effecting the improvements most urgently needed is want of funds, and request the Committee to give its best attention to the question of providing sufficient funds for improvements in the existing lines. We do not feel the need for opening up new lines so great or so urgent as providing the existing lines with better sort of rolling stock, a larger number of passenger vehicles, quicker and better train services, and greater conveniences at railway stations.

My Association beg to bring to the notice of the Railway Committee some of the most crying needs that require the immediate attention of the railway management. We simply enumerate them as most of them are admittedly so.

Accommodation and Services.

The most crying evil is over-crowding. Want of bare accommodation for passengers exists not only in the suburban trains but also in the long distance trains. The train services are slow and insufficient. A quicker train service is specially and urgently needed by the suburban passengers. At present it is not unusual for some of the shuttle trains that run between Pallavaram and Madras Beach, a distance of about 12 miles, to take two hours to cover the distance. A double line service between Egmore and Chingleput with quicker and a larger number of trains running between them can alone meet the demands of the suburban passenger traffic. There should also be a larger number of passenger vehicles and locomotives than there is at present available for daily traffic and a reserve to meet the demands of festival and marriage seasons.

We beg also to point out that but for over-crowding in trains, the casualities at the time of accidents should be much less than at present.

The third class carriages of the Indian Railway should be better designed especially for the long distance train services to give the passengers a more convenient sitting posture. The seats at present are narrow and the backs too straight. This is specially so in the new corridor carriages. The carriages are mostly leaky and in the summer they become extremely hot inside. The third class carriages should be provided with hooks and pegs for hanging coats, turbans, etc. Better provision should also be made to deposit the personal luggage of the passengers. These arrangements are much better in the M. & S.M. Railway than in the S.I.R. Railway.

The carriages reserved for females are particularly unsuited to their needs. It should be borne in mind that many of these often have babies in arms or are expectant mothers. The seats should be certainly broader and arranged always breadth-wise and more sitting accommodation must be given to each individual.

My Association also wish that an intermediate class must be introduced in the South Indian Railway to suit the convenience of the travelling public.

II.—Special Convenience to Passengers.

At many of the stations the third class waiting rooms are small, dirty and unprotected by proper walls and windows. They are mostly verandahs or covered sheds open on two sides.

There should be special smoking carriages attached to every train.

The corridor carriages with central corridors are no doubt convenient for the suburban traffic but they are a new and intolerable nuisance in the long distance trains, especially to people travelling with ladies and children. Side corridors may be a convenience but unless the corridors are kept free from any obstruction they become a worse nuisance.

It should be possible for third class passengers in through trains to reserve their seats single or any number beforehand. At present there is no guarantee of accommodation and railway journey has become quite uncertain.

At some of the stations the over bridges have no coverings, for instance Basin Bridge, Perambur and Tiruvallore. In the hot noon it is an actual torture to be compelled to walk over them. They become very hot. In the rainy season they are dangerously slippery.

Even second class station platforms have no covering. In the rain and in the sun, the children, women and old people have to shift for themselves as well as they may.

The platforms at some stations are not long enough to receive all the carriages in long trains and at many stations it is the usual practice to receive trains at the crossing time on a side line without any platform and people have to cross the line nearest the platform indiscriminately at all points, and take train on the loop line standing in the dangerously narrow space between the two lines. This is particularly dangerous during nights as there is no lighting arrangement on the loopline side.

At most of the stations there is no provision to supply water to the passengers. In a country like this a free supply of water at all stations is an imperative need. There should be at least a well and a tap with a pump, attached to it wherever possible, and at all important stations, there should be three or four taps on the platforms accessible to the passengers.

Return tickets even without any concession should be issued between all stations for the convenience of passengers of the third class.

Return tickets at concession rates should be issued to people going in parties and to places of pilgrimage.

The Indian refreshment rooms generally are neither decent nor convenient and the food supplied in them is far from satisfactory. Without an eye to the profit that these may bring to the management, the contracts for these must be given to a more respectable class of contractors than mere hotel-keepers, and rooms of the kind available for Spencer & Co., for their refreshment rooms should be made available for people messing in the Indian style. Or they should be managed departmentally.

All long distance trains should contain buffets where besides light refreshments for scheduled prices, drinking water would be supplied to passengers free.

Tickets are never issued even at important stations during all hours. The windows are kept open but tickets are not issued till a short time before the departure of a train. There is always a rush at the booking office and the excuse is want of sufficient hands to attend to the public.

The rush at the booking office is intolerable during festivals and special arrangements are but rarely made to meet these demands.

III.—Sanitation.

The third class carriages, the lavatories in them, and the waiting sheds at the stations are generally kept in a very insanitary condition. These should be swept, disinfected and cleaned regularly.

The trains should be cleaned at all junction stations especially the lavatory. And there should be a scavenger travelling by every long distance train.

The water tanks in third class carriages are generally emptied before the train runs a part of the distance. They should be filled regularly.

The design of the lavatories in the third class carriages has to be improved to keep them more sanitary.

Passengers suffering from infectious diseases should be segregated.

There should be provision in every long distance train for the accommodation of the people who may suddenly become sick and compartments should be specially provided when required for the convenience of the sick passengers if previous notice is given.

First aid should be available in all long distance trains and the guards and the other railway servants should be trained to giving first aid.

When a passenger travels partly by the main line and partly by a branch line and takes a through ticket by the main train, he is charged the mail rate throughout, but if he takes a separate ticket for the branch line he is charged a lower rate. This is unfair.

The practice of charging a registration fee for booking I and II class seats in the South Indian Railway is also unreasonable as the seats are not booked until tickets are purchased.

V.—Racial Discrimination.

European and Anglo-Indian third class passengers are given special reserved accommodation in all trains including the suburban shuttle trains. They are provided with more room than they strictly need, even when the trains are overcrowded. Besides they are not prevented from travelling by compartments other than those reserved for them. This has become intolerable to the self-respecting travelling public. Whatever occasion there might have been for such a reservation in the past, such preferential treatment only tends to create racial animosity. It is therefore strongly felt by the travelling public that anything like an insidious distinction ought not to find favour with railway managements.

Preference is also shown to Europeans in providing retiring rooms to them alone. If not in words in deed, preference is shown to these classes of people in the matter of providing refreshment rooms and dining cars. People living in Indian style have to go without these conveniences or with conveniences of a much inferior nature.

VI.—General.

At all junction stations there should be arrangements to send out in a few minutes' notice, special break-down trains to places of accident carrying immediate relief.

All railway servants should receive a training in giving relief when accidents occur. It is also necessary that the staff of the company should be men of better culture.

At all enquiries held to investigate the causes of accidents, an Indian non-official should be included in the Committee of enquiry and it should be open to the public and the press.

My Association only wish to add that in providing better conveniences for Indian passengers and in seeing that the railway management do not neglect their duty in this direction, the Government of this country are under a special obligation for more than one reason.

The railways in this country to a large extent belong to the Government and are constructed at the expense of the general tax-payer. Also there are no competing lines to induce the management to make travelling by their line specially attractive to the travelling public. Thirdly the Indian travelling public, the third class passengers especially, are mostly illiterate and unable to understand or assert their rights. Lastly the companies, wherever the management is in their hands, are in the hands of foreigners thousands of miles away, who cannot in the nature of things appreciate and understand the needs of the passengers.

In conclusion my Association are of opinion that the Railway Committee should propose a plan by which sufficient funds will be available for the management of railways to get rid of the difficulties arising from lack of funds, for attending to the improvements in the directions stated above, whatever may be their proposals regarding management, control and finance.

The Association are also of opinion that over and above all this the control and supervision of the Government, even when the State is not the managing body, ought to be more real than what it is, and they should see to it that justice is done to the claims of the passengers especially the third class passengers who are the real patrons of the railways. The Government should take the public into their confidence and have their comforts properly attended to. And it should be made possible for the public to bring pressure on the Government through the Legislative Councils whenever it may become necessary for them to do so for the redress of their grievances.

STATEMENT No. 42.

The Rice, Grain and Sugar Merchants' Association, Madras.

See oral evidence, paragraphs 5058/5067.

The Rice, Grain and Sugar Merchants' Association, Madras, having considerable stake in the ultimate results of the Railway Committee now sitting in Madras, propose to submit its views to the Committee on a few items of its terms of reference which concern them most intimately. The Association proposes to delegate the following gentlemen to give evidence in support of the views herein expressed: Messrs. Janoo Hussan, Hajee Habib, Peer Muhamad, Tar Muhamed Ayoob, Haji Jamal, Noor Muhamed, Tar Muhamed Janoo and Mr. Pooran Lall. The Association further begs to send herewith three copies of rules for information of the Committee.

2. Regarding items I, II and III of the terms of reference of the Railway Committee, the Association is in entire agreement with the views expressed by the Madras Government in their memorandum on the railway policy to the Committee. The Association emphasises on the abolition of company management, on the separation of railway and the Government finances, on the division and organisation of suitable groups and sizes of railways, on the establishment of local boards of directors largely represented by the traders and people at large whom the railways are recognised to serve, on the abolition of the present Railway Board, and so on.

3. The Association lays special stress on the rigidity and wooden character of the present system of control by Government regarding the rates, fares, and the machinery, as well as its mediation between the traders and the railway companies in settling disputes. The Government of Madras rightly, but only partially, have pointed out the inadequacy or incompetency of the Railway Board in dealing with such questions. The Madras Government have plainly stated the error of the railway authorities (S.I. Ry.) in having sacrificed the public interest wherever they ought to have been more careful towards it and less vigilant to their dividends. Mr. Moir goes even further in his evidence in exposing the corruption and negligence of the lesser folk of the company, but mildly suggests the negligence of duty of the superior authorities of the said railway.

4. The Association submits to the Committee that the present system of administration in the Traffic Department is highly undesirable, unjust and supremely corrupt. The railway companies as at present staffed in this Presidency are a menace to the traders, and effectively cripple the free flow of goods from one place to another. From the moment goods are brought to the despatching station up to its delivery in the destination to the purchaser, the number of catastrophes to which the goods are subjected reduce the merchant to utter poverty, never more to think of trade any longer. This state of irresponsibility of the railway staff, who inflict heavy loss on the traders, is encouraged by the existing rules of the company. The risk note forms from A, B, C up to H, for instance, help the lower subordinates to a number of vagaries which the authorities cannot deal with adequately owing to defective rules. The Association begs to place on record a few of the vagaries of the railway authorities for the information of the Committee. For instance, bad storage, both in the despatching station and at the destination, of goods transported; mostly open sheds, and often no sheds at all, are provided for goods brought and waiting for delivery. The goods are thus exposed to wet and dry weather. The merchants often receive complaints from purchasers that goods are damaged, and this means loss to the sender. During transport, or even before it, during the period goods wait at the destination for delivery, immense loss is sustained in the quantity of goods sent (foodstuff). All the bags, for instance, do not reach the destination; oftentimes full bags do not reach; mostly bags are carelessly huddled and handled, causing immense waste. Secondly, the risk note forms are so disadvantageous to the traders that they always meet with injustice and loss at the hands of the superior authorities. The company does not hold itself responsible for any damage or loss, even were such caused by the negligence and theft of the companies' servants. In such cases the traders are advised in all earnestness to seek legal aid for redress. It is hard in practice to take legal measures always and to succeed therein if persisted and launched. Thirdly, the railway risk form as against owners' risk does not work in practice. The rates for the former (railway risk) are nearly double that of the latter. Naturally, the whole trade mostly is carried on at owners' risk, which means irresponsibility on the part of the clerks and staff. The maximum owners' risk rate that existed before the war ought well be the railway risk rate in the future. This will be conducive to good trade fairness and justice. The

scarcity of the wagon supply is well recognised by the Madras Government and Mr. Moir, the late Director of Civil Supplies. It seems easier to find foodstuffs in times of scarcity, but merchants have to look for the station master and his staff for wagon supply before they could organise their goods for despatch. The mamool for wagon supply ranges from Rs. 10 to 50 per wagon. This chance of securing it depends on preference and money value. It is more or less subjected to auction. Delays in transhipment, high cost of changes in various gauges, enormous damage, slackage loss, weigh heavily on the merchant classes.

5. The Association humbly begs to state that the risk note forms be modified entirely, and framed in such a way as to ensure the safety of the public and the traders.

6. The Association humbly begs to place on record its protest against the present rates of tariff of goods.

7. The Association begs to submit that the third-class passengers are put to great inconvenience and hardship for the heavy railway fares they are paying.

8. The Association hopes to know when and where its representatives should be present to offer evidence before the Committee.

9. The Association hopes that the Committee will record these views.

STATEMENT No. 43.

THE AGENT, H.E.H. the Nizam's Guaranteed State Railway.—MEMORANDUM DATED 24TH JANUARY, 1921.

Question 1.—Railways should be managed to provide transportation at the lowest possible cost, consistent with the kind of service required of them and to effect this object railways should be managed in a similar manner to other successful industrial enterprises. The best results are most likely to be obtained when railways are worked by companies directly interested in the profits, because, in this case, the principle of payment by results is applied to the principal officers of the company and also important questions of policy and management are decided by a board of directors composed of individuals who have attained success by reason of their aptitude for dealing with similar general problems.

See oral evidence, paragraphs 5139/5186.

The interests of the State are not entirely served by obtaining transportation at the lowest possible cost because it is not possible to define accurately the kind of service required. Those interests of the State which are likely to reduce profits (and therefore eventually increase the cost of transportation) should be safeguarded by a body distinct from that responsible for managing the railways as concerns for selling transportation at a profit.

Usually, the interests of the State are identical with those of a company working railways to yield the maximum profit and it is therefore reasonable to adapt to railway management the methods found to be successful for managing private enterprise. When interests diverge, the most satisfactory settlement is likely to result when the efficient use of the machine and the requirements of the State are separately represented.

My experience has been gained as a railway man employed by a company working their own lines and also working the lines of His Exalted Highness the Nizam on a profit sharing basis.

Questions 2 & 4.—The ideal system of company management of State lines is to make the interests of the working company identical with those of the State. The company's profits should be assured in such a way as to give the company strong inducement to work and maintain the railway efficiently and to advocate its improvement, development and extension whenever the results would pay for the cost at market rates. The company should provide an adequate guarantee to compensate Government for any failure on the part of the company to carry out the terms of the contract. The improvement, development and extension of railways, not directly justified by the profits yielded, should be the concern of Government.

For the above reasons I consider that the capital of a working company should be paid to Government as a guarantee liable to forfeiture, in part or whole, as damages, in the event of the company failing to maintain or work the railways in accordance with their contract. The company should be paid for services rendered, a sum depending on the surplus profits and connected with them by a suitable sliding scale. The capital of the working company should be fixed from consideration of the possible loss to Government, but should be sufficiently large to attract suitable interests.

I am not aware of any case on the N.G.S. Railway of undesirable delay caused by the Board sitting in London nor has it been found difficult to keep the Board in touch with local conditions. In recent years one Director has usually inspected the line each cold weather. In some cases Directors at a distance are able to form a better judgment on the dry facts of the case, uninfluenced by local prejudice, than they would if they were personally acquainted with some of the conditions.

Question 3.—The working company should be domiciled in the country where the most suitable board of directors can be found and where the necessary capital can be raised. I am uncertain whether suitable boards could be formed in other parts of India, but I do not think it would be possible to find a suitable board in Hyderabad. I consider the management by a London board satisfactory.

Other considerations being equal I would certainly advocate Indian boards to manage Indian railways but it is not in the interests of the State to risk the efficiency of the railways for sentimental reasons.

Question 5.—The functions of a board of directors is to decide questions of general principles and policy and important questions of operation and also, by reviewing the results of the work, ensure that their principal officers are running the business satisfactorily. They are not called upon to deal with matters of detail management but to decide questions demanding exercise of judgment of a high quality. The type of direction necessary can be given by successful business men, who are able to spare the relatively little time required for the duties, but it is desirable that some members of a board have practical experience of railway management and preferably of the local conditions on the particular line. A director's judgment is formed on carefully prepared reports submitted by the executive staff not on personal observation.

Question 9.—Apart from the necessity of avoiding payment of English income tax on rupee capital, the utility of an Indian board could be investigated by the formation of subsidiary Indian working companies subscribing part of the guarantee but having the right to withdraw from the undertaking, the Indian board having the status of a committee of the London board. The success of this organisation would probably lead to increased authority being given to the Indian board from the London board and eventually lead to purely Indian working companies.

I am not able to say whether the above arrangement would render the London company liable to be taxed on the profits paid to the Indian company or to suggest a plan to relieve the London company of this liability.

Questions 10 & 11.—I should prefer a much larger board of an advisory character, responsibility being vested in a single officer. I consider the board should be more representative, consisting of permanent technical officers, representatives of business and financial interests and of the general public. The Chief Engineer should exercise functions analogous to those of the Chief Inspector of the B.O.T. Special subjects should be dealt with by suitable committees and the entire board need meet only seldom.

Question 12.—The railway system in the Hyderabad State would have been benefited by a more consistent policy on the part of the railway board, and in certain cases I think more favourable treatment would have been obtained had their case been considered by a more representative body

The control exercised over technical matters by the Railway Board through the Senior Government Inspector, is not sufficiently uniform nor stable as regards practice and policy.

Question 27.—The total revenue of the Hyderabad State has increased from 8½ crores in 1899 to 6½ crores to-day. It is estimated that the indirect benefits accruing from the railway accounts for over one crore of rupees per annum. During the same period the gross earnings of the railway have increased by 98 lakhs, approximately the same figure as the estimated indirect benefit of the railways to the State. In one particular district the land revenue has increased from 13½ lakhs in 1900 to 19½ lakhs to-day. The earnings of the railway stations serving this district have increased in the same period by nine lakhs. In addition to the land revenue of this area it is estimated that the Customs and Excise have certainly doubled in the same period. It appears from these figures that the increase of Government revenue resulting from the railway is roughly equal in amount to the increase in the gross earnings of the railways.

Question 34.—Traffic is regularly restricted at certain of our junctions owing to the inability of the adjoining line to take the traffic as it offers.

STATEMENT No. 44.

THE CHAMBER OF COMMERCE, BOMBAY.—LETTER DATED 23RD DECEMBER, 1920.

See oral evidence, paragraphs 5187/5237.

I am directed to refer to your letter No. 1, dated the 13th November, 1920, in which my Committee are invited to consider the main issues involved in the Terms of Reference of the Indian Railway Committee, and, in reply, to address you in regard to each specific term in the order in which it appears in the Railway Board's resolution, No. 405 F.—19, dated the 9th October, 1920.

"(1) To consider, as regards railways owned by the State, the relative advantages, financial and administrative, in the special circumstances of India, of the following methods of management:—

(*a*) direct State management;

(*b*) management through company domiciled in England and with a board sitting in London;

(*c*) management through company domiciled in India and with a board sitting in India;

(*d*) management through a combination of (*b*) and (*c*);

and advise as to the policy to be adopted as and when the existing contracts with the several railway companies can be determined."

My committee prefer to regard the question of direct State management as a separate subject, as, in their opinion, the other methods of management permit of joint consideration. In that connection, they are of opinion that, from the standpoint of administration, State management cannot be regarded as advantageous, as it tends to remove the element of competition so necessary, from the public point of view, to the development of railways, and introduces what may best be described as the political element into the administrations concerned. Under such management, my committee feel that decisions affecting important questions of staff management, such as appointments and promotion, are liable to be influenced, in the first case, by extraneous political considerations, and, in the second, by the seniority of the individuals rather than their efficiency.

The relative advantages of the two methods from the financial point of view have also been considered, but my committee can observe no undue advantage on either side.

My committee, for the reasons above indicated, favour the adoption of the principle of company rather than State management in the case of all railway administrations in India, with the exception of any railway serving a strategical frontier, such as the North-Western Railway.

With regard to the question of the location of the board of directors in the case of company-managed railways and the alternatives suggested in Sections (*b*) (*c*) and (*d*), my committee are of opinion that a combination of (*b*) and (*c*) is to be preferred.

The exact manner in which the two methods should be combined has been the subject of considerable discussion, and my committee are disposed finally to recommend the adoption of the following scheme:—

(1) The retention of a board in London of the same strength as at present.

(2) The institution in India of an executive board or committee.

(3) The powers to be delegated to the Indian board may be generally described as those relating to questions of local policy—other than those connected with new construction—and administration.

(4) The personnel of the Indian board to consist of the agent, one of the directors of the Home Board, and a suitable representative of the community of the place in which the board is located.

My committee are of opinion that the value of such a board in India as above described will be particularly apparent in the settlement of labour disputes, the recurrence of which for some time to come is to be feared. They attach also considerable importance to the directors of the Home board serving on the Indian board in rotation, partly because of the difficulty likely to be experienced otherwise in finding suitable members locally, but more especially for the reason that there will always be a member on the Home board whose experience of Indian conditions is of reasonably recent date. In this way the principal argument against a board located at home, namely, that it is out of touch with Indian conditions, will lose a great deal of its force.

"(2) To examine the functions, status and constitution of the Railway Board, and the system of control exercised by the Government of India over the Railway Administration, and to recommend such modifications, if any, as are necessary for the adequate disposal of the railway business of the Government."

With the object of establishing a control which will ensure a more confident and enterprising policy of railway expansion, an improvement in administrative methods, and a rapid disposal of business, my committee consider that it is essential that the Railway Board should be endued with fuller authority to manage railways on commercial principles, and that it should be freed from all unnecessary restrictions, especially in regard to railway finance.

In the opinion of my committee, therefore, the first step necessary is to give the Railway Board complete control, under the Government of India, of the arrangements for financing railways, both as regards capital and revenue. My committee realise that such a step will entail the removal of all control by the Finance Department of the Government of India of the Railway Budget, but as the result will be the utilisation of surplus railway earnings for railway development to a greater extent and in a more enlightened manner than at present, they are definitely in favour of the change.

On the assumption that the Railway Board will be granted complete financial control as envisaged above, and with a view to the recognition of the paramount importance of railways in the development of India, my committee consider that the President of the Railway Board, as head of the railways, should have an extensive knowledge of railway policy and practice, and that he should be a member of the Viceroy's Executive Council. They consider, further, that the President should be supported by a board composed of men selected for their technical capabilities and representing the various branches of railway administration, and that, if necessary, the number of members of the board should be increased to allow of such representation.

"(3) To consider arrangements for the financing of railways in India and, in particular, the feasibility of the greater utilisation of private enterprise and capital in the construction of new lines."

Before proceeding to consider the various specific means by which the capital required for railway development may be raised, my committee desire me to state, as their unanimous and considered opinion, that in view of the serious deterioration experienced on Indian railways on account of the war and the urgent need for improved facilities and new construction, no source from which such capital may be raised should be neglected.

Subject to the conditions noted below, my committee desire to recommend the adoption of the following methods of raising the capital required for financing railways in this country, in addition to the utilisation of surplus railway earnings for railway purposes:—

1. By the State ... ... By Government Loans.
2. By the railway companies ... ... By (*a*) the issue of sterling capital in London.
   „ (*b*) the issue of rupee capital in India.
3. By private enterprise.

As a condition precedent to the adoption of the foregoing methods of borrowing, my committee desire strongly to urge that a programme of the requirements of railways for a period of not less than five years be drawn up.

Secondly, with regard to 1, my committee are strongly of opinion that in the event of Government raising the money themselves as a part of their general borrowings, the proportion to be raised for railway purposes should be fixed beforehand and credited *in toto* to the railway account and held available to be drawn upon as required under the programme. The sole authority for the disposal of such money would then be the Railway Board as reconstituted in accordance with my committee's previous recommendations.

With regard to 2, my committee desire me to point out that if permission is granted to railway companies to raise sterling capital in London, such a contingency would be a point in favour of the retention of the London boards.

In connection with 3, my committee are of opinion that the utilisation of private enterprise and capital for the construction of new lines should be encouraged, and that to this end the terms granted to promoters should be revised in accordance with the altered conditions of the present value of money.

"(4) To report whether the present system of control by Government of rates and fares and the machinery for deciding disputes between railways and traders are satisfactory, and if not, to advise what modifications are desirable."

My committee consider that the present control by Government over rates, involving as it does the fixing of maximum passenger fares and the classification of the various items of goods traffic, together with the maxima and minima to be charged for those classes, is adequate, and they are unable to suggest any modifications in respect thereto.

My committee are also of opinion that the existing machinery for deciding disputes between railways and traders is satisfactory, and they feel that if the Railway Board were given more power of control it would only result in the Board having to deal with a number of appeals, the majority of which, it would be found on investigation, ought not to have been referred to that body. Such procedure would not only hamper their administration, but would also increase the expenses of their office. In arriving at the above decision, my committee have taken into consideration the fact that, in ordinary cases, the courts of law are open to the claimants when the latter feel they are not

able to obtain satisfaction from the railway, and that recourse to the Commission for which provision is made in Chapter V of the Railway Act is only necessary in such cases, comparatively few in number, as cannot be disposed of in the courts of law.

" (5) To make recommendations that may seem germane to the enquiry."

My committee are of opinion that the whole ground of the present enquiry is covered by their recommendations in regard to the preceding terms of reference, and they do not desire to make any further suggestions under the above head.

STATEMENT No. 45.

Khan Bahadur ADARJI MANCHERJI DALAL, B.A., President, District Local Board, Broach, Chairman of the Railway Committee of the District Local Board, Broach, and President, Broach Merchants' Association, Broach.

See oral evidence, paragraphs 5238/5263.

With reference to your letter No. 15/R./C., dated Calcutta, 31st December, 1920, enclosing a copy of the questionnaire of the Indian Railway Committee, I beg to state my views on the subject as below :—

Part 1.—*Management of Railways.*

At the outset I must confess that the question can be discussed both for and against according as one is disposed to take broad or narrow views. It is true that it is a difficult question to answer off-hand and dogmatically. But if we eschew narrow grounds and focus our attention on a policy which should be decided on general, political and financial considerations, then a correct answer can be given. On broad principles we should unhesitatingly vote in favour of State management as against Company management which, consciously or unconsciously, aims at profit-earning considerations which are not in the interest of the State or the public. It is their duty, as company-paid management, to get as much out of the State or the public. However able and conscientious a company management may be, it cannot, if it is true to its salt, work in the interest of the State or the public. On this broad fundamental principle, State management, even though it may prove bureaucratic, and in the beginning less efficient, is better than Company management. When once this main fundamental principle is conceded, we come to actual and practical working whether the State working will be as economical and as efficient as company management. In the beginning, when the railways were built by private companies, they had the right to manage and develop their own traffic and prospects, and by accumulated experience the management became expert, to which the State could not have laid any claim. As times advanced the question of nationalising railways came to the surface, and gradually all the world over the railways owned by private companies passed into the ownership of the State, with the result that the latter or the public became owners of most valuable assets the profits of which went to the State and the people, and the benefits of accumulated experience, enterprise and expert knowledge of private companies accrued to the State. Some time elapsed in this transition stage, and the question arose whether the profit-sharing concern of the State and the private companies should not be dissolved and the State should or should not assume absolute control of the profits or the management, or both. This gradual evolution of private companies and proprietorships, and the second stage of part-proprietorship and profit-sharing covenants, and then the nationalisation of the railways, was quite in the fitness of things. The war then intervened, and political considerations compelled the States and Governments all over the world to assume control of the management of the railways for the prosecution of the war, which had paramount urgency and priority over other commercial and economic considerations. Whether the State managed the railways well or ill during war times should not be considered purely from the commercial or economic points of view while the war lasted. But now that the war has terminated and the world is bent on reconstruction and economic recuperation, the question arises whether the State should or should not in public interest permanently control the management and dissolve the profit-sharing partnership between the State and the private companies or enter into a fresh agreement whereby better advantages could be derived by the State. We have now to consider the details and the *pros* and *cons* of company management as against the State. Without recording a dogmatic opinion from a study of the question and from experience acquired of so many years, and especially of the five years of the war, I am inclined to vote in favour of State management. Whoever is the owner and proprietor of railways holds a virtual monopoly, and it is preferable everywhere, and more so in India, that that monopoly and privilege and power should be in the hands of the State rather than in the hands of private persons or companies. The State alone, both in theory and practice, has in its power to bestow on the people, to a far greater degree than private companies could do, the maximum advantages which railways could give by means of lowest tariffs. The only disadvantage which can be apprehended from State management is inefficiency and wastefulness from want of experience and paucity of trained and expert hands. But this argument is not wholly correct. Some of the best, most experienced and expert hands in the company management belong to the State lent by Government, and there is no cause of apprehension that the State cannot find as trustworthy and competent hands to work the railways on its own account as private companies. Granting that the State cannot have the same opportunities of selecting fit and trained men as the private company directors on account of their being in constant association and touch for a number of years in railway surroundings, there is nothing to prevent Government from taking over the present staff to manage these railways on their own account. In that case, the principle being the same, the servants now belonging to the companies who are too apt to lean to the interests of their employers who are dividend-earning syndicates, will throw all the weight of their influence and intelligence on the side of the State. It is also argued that in Europe and America during the war the State mismanaged the railways to the detriment of public interests, and therefore the private companies could be relied on to manage their own business. But in studying the question more deeply, we find that in Europe the Continental State managements of the railways showed better results in trade and development of industries, facilities and conveniences to the public than by private companies, and especially so when we compare the German and the Belgium State manage-

ment with the management of the railway companies in England. From my study of the question, I find that it is due to the excellence of German railway tariffs imposed by the State that the coal, iron and other industries of Germany have been so marvellously developed as compared to the costly system of tariffs of British railways managed by English private companies. With the development of iron, pig, coal and textile industry, sea and water traffic, both goods and passenger, was also developed in Germany, and this has contributed to the enormous growth and development of their iron industry, so much so that, in spite of a longer distance of their mines from the seaboard, thereby costing more in transport charges than in England, which is geographically more favourably situated, Germany could compete with England by laying down cheaper rails and engines at the very door of England. England, by pursuing a mistaken and antagonistic policy to sea and water traffic, prevented the development of the latter and converting it as feeders to the railways, lost that advantage which Germany seized. A number of managements of private companies are necessarily expensive, and there is hardly any chance of uniformity, simplicity and smoothness which contribute to economy and efficiency. In India we find the same English ideas of management of throttling sea traffic by a short-sighted policy, with the result that some British ports and sea traffic declined and was attracted to the native States, which had sea communications with their hinterland railways, by a system of judicious tariffs by the native States. The B.B. and C.I. Railway Company from its commencement tried to kill the sea traffic of the Gujerat ports, which, if allowed to develop their natural resources, could have been large feeders to the main parent line running parallel to the sea. In Germany, on the other hand, we find on the Rhine railways running on both sides of the river, and, between the two, big steam-propelled steamers, launches, crafts are plying, carrying an enormous traffic. Both the tariffs should be so fixed as to be beneficial to each other. In trying to cut one, both suffer, because the resources of both have no scope of development. Now, if the State were to manage such a railway, it would not sacrifice the interest of its own people, and as a result Broach, Surat and other Gujerat ports would have been vastly developed. The State will not sacrifice the interest of a community or industry, however small, for the sake of profit, which cannot be expected from a private company. Messrs. Killick, Nixon and Co. introduced steamer service between Broach, Bombay, Karachi, etc., and the traffic of the Broach port, which had gradually dwindled down to vanishing points from its pristine prosperity, began to revive. Geographically, Broach and Surat ports are favourably situated for the interchange of traffic from distant places by direct sea communications from Arabia, the gulf, the Malbar ports, and the Kathiawar, etc. In pre-British times such a traffic flourished, which the company-managed railway ruined. Of course, in the natural course of trade a railway will necessarily capture some of that sea traffic, but to deliberately throttle and kill its natural traffic by imposing unwise and injudicious tariffs can only be perpetrated by the privately-managed company for its own benefit. The B.B. and C.I. Railway imposed block rates for the ports of Broach to drive away the steamer company from Broach, which the railway company, morally or legally, had no right to do, and in doing so succeeded in forcing Killick, Nixon's boats to abandon the port of Broach. But even after achieving that object the company persisted in maintaining that inequitable tariff for the extinction of the indigenous river traffic with one flimsy and paltry excuse or another for several years, until the Government of Bombay intervened, and the Railway Board were obliged to restore the *status quo*. In the interval most of the traffic was diverted to the Kathiawar ports which should have naturally come to Broach and Surat. Strong protests were made by the public and the Press, but the privately-managed companies defied public opinion, and even defied Government. The latter attached too much weight and importance to the opinion of railway people, and the Railway Board either could not or would not remove such a scandalous perpetration of injustice. Sir Robert Gillan, late chairman of the Railway Board, be it said to his credit, removed this obnoxious tariff through the influence and ability of Sir Dinshaw Watchha, who was then in the Imperial Legislative Council, and who convinced Sir Robert of the disabilities which the public in general, and Gujerat merchants in particular, had been suffering at the hands of the railway company.

The following are some of the results of State management in foreign countries which would accrue to India if the Indian railways were managed by the State:—

(1) The profits from the railways are used in the service of the State for the common good, instead of going to private capitalists or shareholders.
(2) Appreciable reductions are made in passenger fares and rates for goods to give an impetus to trades, industries and facilities of the country.
(3) Unfair rates and differential tariffs are avoided.
(4) In spite of heavy indebtedness incurred in nationalisation, the State-owned and State-managed railways have proved a financial success.
(5) State being the manager, the railways are taken out of politics.

We notice these results in Germany, Belgium, Austria, France, Japan and America, and the Colonies and India can carry out the policy with greater success than any other nation, because the private companies are alien, and draw away all the profit of the country which would remain in India to fructify.

Some of the disadvantages of company management in India are as under:—

(1) The interests of third class passengers are not properly watched as they should be.
(2) Injury to Indian trade and industries.
(3) The annual drain of crores of rupees from India.
(4) Indians are prevented from occupying posts of responsibility and high emoluments on the railways.
(5) Manufacture of railway equipment and material is not attempted in India.
(6) The influence of Indian public opinion is not felt by the private companies and Indian interests suffer.
(7) Preferential rates and treatment of European merchants and manufacturers.
(8) Killing of waterways competition and retarding their natural growth and development.
(9) Wastes of multiplied managements.

Company management of railways is thus retarding the social, industrial, economic and political progress of India.

Part II.—*The Location of Boards.*

The aim of company management being the largest profits and dividends for their own shareholders—Indian or British—regardless of the interests of the State, it is immaterial whether the boards are located in India or England. The transfer of location is not likely to reverse the aim and object. England being the centre of industries, finance and power must remain the place for location although it may be desirable to have it located in India. But when the State assumes the management the boards disappear and instead of the boards railway committees of experts and experienced railway men should be formed, whose location should be in England and India, half the members in rotation to visit India and work in India for six months. It should be one committee, purely advisory, to work under the railway board.

Part III.—*The Railway Board.*

The present system of control by the Railway Board is very unsatisfactory, owing to the centralisation in its general administration. It should be reconstructed and contain the ablest Government experts to protect the interests of Government, and a full representative element should be introduced to represent the commercial, textile, and jute interests, and the Indian and European Chambers of Commerce, and other industrial concerns. Such a constituted Board should have wide powers given by legislature in finance to raise loans, frame tariffs and to disburse money for repairs, renewals and extensions, etc. It should elect its own chairman, who should have a direct representative on the reformed councils, both legislative and the Council of State. The Board should have complete control over railway finance both as regards raising capital and expenditure. Capital should be raised either in India or England where money could be obtained cheap, but as far as possible preference should be given to Indian capital by paying a slightly higher rate of interest than in England, and the Board should always remain in touch with the London Consultative Committee. On the Board Indian representatives should be adequate. In short the constitution should be such as to keep in view the central aspect, *viz.*, the interests of the Indian people from the national, economic, and financial points of view. The Board was originally formed with the object of adjusting the different interests of different companies without sacrificing the interest of the State and the public. But in course of time the Board became a partisan organization to watch the interests of the companies of England only, whose chief agents and engineers were appointed to the Board and who aspired to the membership or chairmanships of the Home Boards. Civilian and military members were appointed on the Board, but they had no experience and their views could not prevail over the combined opinions of other members whose sympathy, naturally, was on the side of their own companies which they had served. Exigency of public service and retirement brought about constant changes, and the civilian or the military member had no opportunities of acquiring thorough experience, or as soon as he proved efficient and experienced he has to make room for a successor. In this way the company representation becomes all powerful. All these should be thoroughly overhauled, and we should aim at State ownership and State management in the first place, and secondly, to the creation of a portfolio in the Government of India for a Minister of Communication and Transport responsible to the elected Legislature and assisted by a Board on which popular representatives shall be in a majority, or at least equal to the permanent officials. Let us infuse in the present system of the Boards, which are more or less an interested body, a spirit of public conscience and amenable to public opinion and criticism.

Part IV.—*Railway Finance.*

The Railway Board, as newly constituted, should be allowed to raise money where it could borrow cheap, either in India or England, preference being given to India, with the help and advice of the London committee for extensions and improvements. It is true that the Indian Government have to raise loans for other public purposes, and therefore if the Railway Board were allowed to enter the Indian money market, Government might not successfully float their other loans and public works might suffer. This is only partially true, because when the railways are owned by the State and when all the profits and control go to the State, there is no reason why the choice of the venue of raising money should be restricted, for railways are as important and as urgent as any other work. Again the policy of Government to absorb the entire net surplus receipts of the railway in the general revenue is neither fair nor business like. They must act as private firms and joint stock companies do, *viz.*, carry balances after setting apart a certain sum for debentures or loan payments, sinking funds, for repairs, renewals, depreciation and for further extensions. Many a time deficits in Indian budgets are balanced by surpluses from railway profits, and the railways are starved, its permanent way and rolling stock inadequately equipped, without any chance of extensions. It is due to this that for a large continent like India with such valuable profit-earning assets, the resources of the company remain undeveloped. It is a serious flaw in the budget and the system should be changed. If railway net surpluses are ear-marked in future for railway repairs, depreciations and extensions, the Railway Board and the public will not have to complain bitterly of congestion and inadequate transports. To absorb all the railway profits in the general revenue, and then to dole out grants often quite out of proportion to the railway needs and the company's demands is a very bad policy for the country. Government have fortunately borrowed in past years at 3½ to 4 per cent., and therefore all the surplus profits over that percentage should go to depreciation and renewals and extension in certain proportions. It is difficult nowadays when Government cannot borrow either in England or India at less than 6 to 7 per cent. to raise money for railways, but by an adjustment of the railway profits and ear-marking the surpluses, it will be possible for the Government to attend to renewals and depreciations which have been wholly neglected especially during the war and the rolling stock almost worked to death. Had this policy been pursued long ago, we should have been in possession of a highly efficient and adequate rolling stock and even spared money for extensions. All are crying for more transport facilities, wagons, engines, more trunk lines and still more feeder lines, but the huge surpluses being absorbed in the general revenue of the State, funds for further development cannot be supplied. We all admit that the country badly

wants a large increase in the number of wagons, engines, materials, etc., for existing railways and for further extensions. We all know that the country has entered in right earnest into industrial enterprises such as coal, hydroelectric, iron and steel, textile and others too numerous to mention, and that in course of the next few years for this additional output, thousands of wagons and hundreds of engines, steel rails and sleepers and railway materials will be required, and if the Government and the public would not make provision for money, the results would be most serious for industrial growth. In order to move this enormous output, both the State and corporations and industrial magnates should co-operate. It is not fair that Government alone should be blamed. In the present state of the money market, Government cannot borrow unless the rate of interest is still further increased, which would enhance the cost of haulage and react on the cost of production. By co-operation the question can be solved and money raised. Government setting apart all surpluses over 4 per cent. specially for railway needs, and the interested industrial agencies and companies to borrow as best they could, either to invest in railway trucks and engines to be made use of for their own requirements or handing them over to the Railway Board on certain conditions of deferred payments with interest. There is no reason why the jute and coal and other industries should not raise a few crores for carrying their own manufactured or mined articles and the iron and steel syndicates can also afford to invest for the transport of their own goods. In the same manner textile and other industrial concerns should raise capital for their own requirements. Large export and import firms such as Messrs. Ralli Brothers, Grahams, Forbes Campbell & Co., and others should also provide money for the transport of their goods. Again the terms on which private companies have been hitherto allowed to float companies for feeder railways should be revised. District boards and corporations should be helped to enable them to raise money to build narrow-gauge railways by guaranteeing them to earn a better rate of dividend than now and Government should also share profits and losses with them, because district boards and public corporations are all State agencies and whether the profits are large or small, the State is the ultimate gainer or loser. All the old ideas that borrowings should be done by the State alone should be revised and re-adjusted in view of altered circumstances. If the public and interested industrialists want money for railways they must shoulder a part of the responsibility. Government on the other hand should release railway surpluses for being used for railway requirements only, and in this way the railway programme should be framed so as to put the existing railways into a thoroughly efficient state and enable the State to build more and help private companies and corporations to build feeder railways by granting them more advantageous terms. The present railway policy of increasing tariffs all round to pay the enhanced working cost is the result of adopting the policy of the State having to do everything without the public co-operating and taking its share of the burden. By the State taking over the management from the private companies, considerable savings could be made by a uniformity of management, strict control on expenditure and the Railway earnings will show better financial results than now. If this question is not seriously tackled now, the growth of the country will be retarded in its industrial, agricultural, and economic aspects on progress. Enhanced cost of transport means enhanced cost of production, which in its turn will prejudicially affect the present and future growth of the wealth of the country.

Part V.—Control of Rates and Fares.

The newly constituted board should so control rates and fares as to have no differential or preferential rates for goods moved from one town and place to another, and there should be no favour to importers of foreign goods which are disadvantageous for our indigenous industries. There should also be a provision in public interest that rates should be revised every three or five years or less, such a statutory provision and special machinery being devised for that object. Railway tariffs as now fixed are unfavourable for the new industries indigenous to the country. Just as in taxation a certain protective tariff encourages infant industries, so in railway tariff particular attention should be paid that purely indigenous industries and especially new industries such as Indian mining, agriculture, textile, tea, indigo, iron and steel should have fair and equitable tariffs erring on the side of leniency, and rates for luxuries which are imported into India should bear its share of increased tariffs. I have shown in Part I how the powers vested in the present railway companies and in the Railway Board to frame tariffs without any check or control by the Government and in defiance of public and Government remonstrance have crippled water and sea traffic of ports from a short-sighted and mistaken policy. I am of the opinion that the Railway Board or railway companies should not be allowed to frame risk notes to suit their own interests which are against public interest and public conscience. On the strength of these risk notes they evade their responsibilities to pay damages. This is a crying evil and one of the greatest blots on the railway administration. They shelter themselves under their spurious risk notes which the merchants are compelled to sign because without them they cannot move their goods. It gives loop-holes to railway managements to be perfunctory in their management and responsibility and is the cause of enormous thefts, pilferings and deterioration in goods which could be avoided if the whole risk is borne by the company as carriers.

Individual merchants and companies become powerless on account of this absolute power possessed by a railway official or agent, which even the commissioner of a division does not possess. Again in matters of facts and assessment of damages, much public time and public money are wasted. Assessment committees or arbitration boards should be appointed in important centres so that claims could be settled expeditiously and economically between the railways and the public. On these committees proper representations should be allowed to merchants to deal fairly in the interest of both parties.

I beg to enclose with this memorandum a printed copy* of the Railway Report which the District Board have adopted and submitted to the Government of Bombay in regard to narrow-gauge railways for the district of Broach, and I beg to invite the Committee's attention to the Foreword to that Report which expresses my views generally on railway expansion for India, especially narrow-gauge railways.

* Not reproduced.

STATEMENT No. 46.

Mr. A. C. RUMBOLL, C.I.E., Agent, Great Indian Peninsula Railway.—NOTE DATED 4TH JANUARY, 1921.

See oral evidence, paragraphs 5264/5311, 5503/5524, 5539/5551.

Question 1.—My view is that the public interest is best served by running railways primarily as business undertakings, and consequently that they should be managed by companies and not directly by the State. I would except such frontier railways as may be required to be managed by the State on military grounds. The profit-sharing basis is suitable. My reasons are that a State Department is unfitted constitutionally for the detailed conduct of a business concern. I think this has been the experience of most countries where it has been tried. The tendency is to make promotions, except with rare exceptions, by seniority; to discourage enterprise; and to prefer inertia to a really active policy. A Department of Government is also open to undue political pressure and may be compelled to act on political opinions, which may be transient and shared only by a minority.

On financial grounds, I incline to the view that Government may be compelled to widen and modify the existing method of financing railways and may have to rely more on share capital raised by companies.

My experience of 34 years has been in the traffic department of company managed railways, that is, the Indian Midland and G.I.P. Railways. During the last few years I have on several occasions acted as Agent.

Questions 2 *&* 3.—I am in favour of management by a Company domiciled in United Kingdom with a Board of Directors in England and in the event of capital being raised in India, a subsidiary board in India representative of such capital. My reasons are:—

(1) The impossibility of obtaining a suitable Board in India.
(2) Boards in London are not subject to undue pressure from political or local influence, as a Board in India might be.
(3) If Government decide to make more use of companies to raise capital, a board situated in London would be in touch with the money market there.

Question 4.—Yes. I think the principle of co-partnership is sound but I am strongly in favour of extending its application by allowing the companies to raise new capital which would share *pro rata* in the proceeds of the undertaking.

Question 5.—This can be and is now avoided by directors making visits to India. It is a matter for consideration whether a Board of Directors appointed in India, who would have little or no railway experience and little time to spare from their business to acquire it, would not be even more out of touch with the conditions than a board in London constituted to some extent of railway men with a practical knowledge of railways. The delay complained of has been caused more by lack of finance than by the fact that the board is located in England. In matter of urgency the cable is freely used. I consider that such delays as occur would be greatly increased if the reference were to a Government Department acting as a court of first instance. I do not, however, think that public or railway interests have been prejudiced to any extent worth mentioning by the alleged delays on the part of Home Boards.

Questions 6 *&* 7.—It would be most difficult to get suitable and efficient Boards of Directors in India, more particularly in the case of those railways not having their headquarters in Bombay, Calcutta or Madras. The best men available are those most occupied with their own business who would not have the time to devote to a railway directorate. Further, in the case of European representation there would be constant changes, which would militate against their efficiency and the interests of the railway to which they were connected.

If one may judge from other appointments made by Government the appointment of a permanent Chairman by Government would lead to the reverse of continuity. If the posts, as they would have to be, were well paid they would be claimed and obtained by senior officers of Government whose stay in India is likely to be short and who find themselves in need of more frequent leave than younger men.

Question 8.—It is a possibility which should, I think, be borne in mind.

Question 9.—See reply to Question 2.

Question 10.—I consider that the principle of control by a qualified body such as the Railway Board is sound and should be continued, if present defects are removed.

Question 11.—The Railway Board should consist of a President, and three members, who, while acting as a consultative body with the President on questions of policy, should each be responsible for a particular portion of the work, for example there should be one member strong in engineering, one in operation and another in finance. The President to have power of decision in matters when there is a difference of opinion. Each of the members should be supported by efficient secretaries, assistant secretaries and office for the work he has to perform. Promotion to the presidency should not be seniority on the Board, but suitability for the position. The salary attaching to members should be such as will attract the best men. The Board has suffered in the past from the fact that it has not always been able to get the best men. It is, I think, essential that the President and Board should be men of mature railway experience.

Question 12.—I do not think the Railway Board at present interferes too much in detail, but where it, in my opinion, has failed is that it has not initiated and guided the railway policy of the country in certain matters of vital importance to the efficiency of the working of railways as a whole. I would instance the introduction of the vacuum brake. This is probably due to the Board not being sufficiently represented on the operative side.

Question 13.—Yes.

Question 14.—Yes. The difficulties that the Railway Board have had to contend with are mainly due to insufficient capital, and the complaints of the public will be found in a great measure due to that.

Question 15.—I consider that their financial powers and powers of delegation should be greatly increased.

Question 16.—The Railway Board should be a Railway Department with the President on the Executive Council, the members having the status of a Secretary to Government. Railway matters cannot be adequately represented in Council when in charge of a member who has little or no direct knowledge of railway work and its requirements.

Question 17.—Sufficient funds have not been provided for either new construction, improvement of existing railways or renewals. Maintenance has, I think, been sufficiently provided for in the past but the position is changing and unless means are given of raising more revenue the standard of maintenance will deteriorate.

Question 18.—Yes. It is of little use constructing a network of railways as was done some years ago in the Central Provinces, until the main line is developed to carry the additional traffic It only adds to the traders' charges if railways cannot move the traffic as it offers.

Question 19.—It is difficult to state what amount should be provided annually for capital purposes. Wages and the cost of material have gone up so considerably that money provided does not go so far as it did. Given regular annual grants and an adequate spending organisation the railways could for some years probably spend all the money that could be raised for them. For the G.I.P. Railway, I estimate provisionally that we ought to have in the next 10 years at least 40 crores for major capital and programme revenue works (I do not distinguish in this behalf between capital and programme revenue) and housing. Minor capital works are difficult to estimate but might be put provisionally at 1½ crores in the same period.

Question 20.—Yes. They should, I think, be raised wherever they can be obtained most cheaply. I am not impressed with the argument that India should not have external creditors when money so raised and spent on railway development will return indirectly many times the dividend actually paid on it.

Question 21.—The present terms are not suitable. A rebate from the earnings on interchanged traffic will have to be given by the main line so as to permit under present conditions of a dividend of 6 to 6½ per cent. or a similar interest will have to be guaranteed, with a share in the profits beyond that figure. The working railway should be paid 55 per cent. of the earnings.

Question 26.—(*a*) Yes I think the result has been vicious in that the lack of railway development has reacted on the general revenue position of Government.

(*b*). Railway rates must be raised so as to provide a reasonable return on the capital. The conditions differ on various railways according to the cost of working. It is not easy to say what the percentage of increase should be. The G.I.P. have proposed to the Railway Board that the maximum class rates for the carriage of goods traffic should be increased as under:—

——	Present.	Proposed.	Increase.
	Pie per maund per mile.	Pie per maund per mile.	Per cent.
Class I	·333	·44	33
„ II	·500	·66	33
„ III	·666	·88	33
„ IV	·833	1·00	20
„ V	1·00	1·25	25
„ X	1·500	1·875	25

Proposals have also been submitted for an increase of the classification for certain commodities and an increase of 25 per cent. in the rates for the carriage of parcels. I am not sure that these measures, when coupled to the increased revenue to be derived from the enhancement of rates within existing powers, will suffice. Much will depend on the further trend of wages and prices of material, etc.

Question 27.—The figures as represented by a return of nett profits on capital point to Company managed railways being more advantageous that State managed railways. If the other charges for interest, etc., include the money paid towards the redemption of the annuities issued in payment of the purchase of Company managed railways they would be still more to advantage of the Company managed lines. It stands to reason that, under the conditions now existing, the officials of a Company managed railway will take more interest in the development of a railway on which they may have to spend their whole career and on whose prosperity their future mainly depends than the officials of a State managed railway, who are here to-day and there to-morrow and whose future depends more on seniority than merit.

The nett profits on capital are, I consider, satisfactory to Government and the public. They show that railways have been able to provide considerable direct revenue for the welfare of the country.

Question 28.—Railways require to know well in advance what money will be allotted to them during a particular year so that they may make the arrangements necessary for the spending of it, and to have the assurance that funds will be provided in subsequent years so that works commenced in one year may be carried to completion. Under the present system it is only known four months before the commencement of the year what grant is likely to be given in the following year and then it may be reduced before the year starts. With the railway finance amalgamated with the general finances of the country, the claims of railways are considered with those of other departments and the funds granted for railways are liable to be drawn on for other purposes. It is understood that in other countries it has been arranged that the railway funds shall be kept separate from the other finances and perhaps some arrangement of that sort can be made in India. Railways make money for the State, if not by their earnings, by indirect means such as by increasing the land revenue and the prosperity of the people, and therefore their development, if well ordered, will provide Government with the means of meeting demands from other sources. What railways need more than anything else is regular and even allotments.

As regards the N.B. to this question, it may be that there are no lapses in theory, but in practice there are. The following communication received from the Railway Board four months from the close of the year will illustrate this :—

> " I am directed to inform you that five lakhs have been allotted in the six months' estimates with a view to making a commencement on the construction of the Warora Pisgaon Railway from Majri to Rajur. I am to request that you will make arrangements for construction to proceed as quickly as possible with preliminaries up to the limit of this allotment. There is no expectation at present of any money being available for this line in next year and work may have to be temporarily suspended."

Two facts are brought out in this letter (1) the granting of a capital grant at the close of a year, when it is next to impossible to spend it and (2) the commencement of the construction of a railway, when the prospects of being able to continue the same are uncertain.

In connection with the second point, I would like to draw attention to the Itarsi Nagpur Railway (238 miles) which is ultimately to form part of the connection between the United Provinces and Punjab on the one hand and Madras and Southern India on the other. The construction of this Railway was started in 1908 and the grants given yearly together with capital spent in each year since is given below :—

Year.	Grant.		Capital expenditure against grant for year.	Capital expenditure to end of year.	Total interest paid to end of each year.	Percentage of interest on capital expended to end of each year.
	Applied for.	Sanctioned.				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1908-09 ...	...	9,83,000	9,79,262	9,79,262	13,426	1·37
1909-10 ...	58,50,000	21,07,000	20,82,196	30,61,460	78 026	2·55
1910-11 ...	66,00,000	50,69,000	48,51,643	79,13,105	2,64,303	3·34
1911-12 ...	95,45,000	43,26,000	43,23,782	1,22,36,885	6.20,266	5·07
1912-13 ...	83,00,000	46,32,000	43,52,516	1,65,89,401	11,38,178	6·86
1913-14 ...	53,37,000	38,25,000	39,79,228	2,05,68,629	18,37,439	8·93
1914-15 ...	54,41,000	32,50,000	33,47,365	2,39,15,994	26,75,546	11·19
1915-16 ...	53,82,000	33,10,000	30,56,409	2,69,72,403	36,21,399	13·43
1916-17 ...	20,00,000	3,97,000	3,29,497	2,73,01,900	46,55,075	17·05
1917-18 ...	1,00,000	1,34,000	84,420	2,73,86,320	56,98,591	20·81
1918-19 ...	3,00,000	1,84,000	4,32,676	2,69,53,644	67,37,844	25·00
1919-20 ...	3,65,000	3,32,000	2,65,700	2,72,19,344	77,63,939	28·52
1920-21 ...	10,00,000	10,00,000	...	...	...	...

NOTE.—The estimated cost of completing the Chord line is 43 lakhs.

Up to the present the line has only been opened between Itarsi and Parasia (134 miles). The section between Amla and Nagpur (104 miles) still remains uncompleted. Allowance must be made for the war, but even when this is done, the disadvantage of constructing a railway without being able to see ahead that money will be available for its completion is very prominently brought out before the war period. It is not necessary to labour on the increase under certain heads that is thereby made to the capital cost of the railway by such a policy, but I would lay stress on the system of accounting which treats interest on such unproductive capital as a standing charge against the nett earnings of the undertaking and omits it from the capital cost of the line. It is better not to commence the construction of a railway than that it should be made by the methods described.

Question 29.—Yes. Regulation seems unavoidable and I think the present system is satisfactory.

Question 30.—Yes.

Question 32.—The machinery has not been used. Experience has shown that most disputes are capable of settlement, if not through the medium of the Law Courts, by representation to the railways themselves or to the Railway Board. The contracts between the companies and the Secretary of State might include a clause to the effect that the decision of all questions of undue preference shall rest with the Secretary of State. If the capacity of railways were brought up to requirements the cause of many disputes would be removed.

Question 34.—No. The question is mainly one of finance and in some cases the opening up of new railways before the main lines have been sufficiently developed for the new traffic. Given more capital, and this entails the provision of sufficient revenue to pay a reasonable return on such capital, the capacity of railways could be brought up to requirements.

Question 35.—An analysis of the complaints against railway working as at present constituted whether by the State or by companies will show that they are caused by the development of railways being behind requirements, in other words through lack of funds. The difficulty is mainly one of finance.

The alleged inattention to the needs of 3rd class passengers on the part of railways worked by companies is common to all railways both State and Company worked. Government provides the capital, and railways can only use it to the best advantage for the development of their system. Overcrowding exists due to want of carriages both for adding to existing and provision of new services. The situation has been aggravated by the War. It must not be overlooked that the railway companies have no power to raise money themselves except with the authority of the Secretary of State. Notwithstanding the drawbacks that railways have had to suffer, much progress has been made in ameliorating the conditions of travel for 3rd class passengers. Improved carriages have been provided, and also better waiting accommodation.

Again the complaints of unequal treatment generally arise owing to traffic not being moved as it offers and this is due to either want of rolling stock or facilities.

STATEMENT No. 46 (*a*).

(SUPPLEMENTARY INFORMATION PLACED BEFORE THE COMMITTEE by Mr. RUMBOLL, Agent, G.I.P. Railway, when giving oral evidence.)

DETAILS OF CAPITAL AND REVENUE EXPENDITURE, ETC.

Total Capital Expenditure.

	G.I.P.	I.M.	Total.
31-12-1900	28,37,81,554	10,31,35,002	38,69,16,556
31-12-1910	38,70,57,310	12,42,18,805	51,12,76,135
31-3-1920	(for the undertaking)		68,92,90,236

G.I.P. Railway Company's Share Capital ... £2,575,000

Secretary of State's Capital ... ... Rs. 65½ crores approximately.

Debenture Stock £3,500,000

Annuity payment for purchase by Secretary of State of original Company's Capital (£34,859,217-17-6) = Rs. 2 crores.

Length of Line.

	G.I.P. (undertaking).	Worked lines (5'-6" gauge).	Total.
	Miles.	Miles.	Miles.
1900	2,344·42	329·24	2,673·66
1910	2,419·33	482·22	2,901·55
1919-20	2,561·62	559·45 201·37*	— 3,322·44

* 2'-6" gauge.

(*Revenue Account of the Undertaking including State Lines.*)

	Gross Earnings.	Working expenses.	Per cent. on gross earnings.	Nett earnings.	Per cent. increase over 1900.
1900 ... 1st half ...	1,91,80,343	94,34,379	49·19	97,45,964	—
1900 ... 2nd „ ...	1,91,81,888	1,10,00,409	57·35	81,81,479	—
1910 ... 1st half ...	4,15,00,689	2,00,86,271	48·40	2,14,14,418	78·36
1910 ... 2nd „ ...	3,15,08,250	2,09,46,529	66·48	1,05,61,721	78·36
1919-20 ... 1st half ...	6,50,49,923	4,29,40,611	66·01	2,21,09,312	184·71
1919-20 ... 2nd „ ...	7,12,43,141	4,23,11,459	59·39	2,89,31,682	184·71

Traffic.

	Passenger Miles.	Per cent. increase over 1900.	Ton Miles.	Per cent. increase over 1900.
1900	*794,738,737	—	797,910,634	—
1910	*1,653,678,161	108·01	1,852,730,198	132·20
1919-20	*3,230,258,120	306·45	3,039,922,177	280·98

* These figures include all coaching traffic on passenger basis.

Rolling Stock.

	Coaching (in terms of 4-wheelers).	Per cent. increase over 1900.	Goods.	Per cent. increase over 1900.	Locomotive.	Per cent. increase over 1900.
			(in terms of 4-wheelers.)			
1900	1,786	—	7,926	—	747	—
1910	3,186	78·38	14,666	85·03	988	32·26
1919-20	3,356	87·90	19,556	140·73	1,235	65·33

Rolling Stock sanctioned but not yet put on Line.

Engines.	Coaching Stock.	Goods Stock.
	(in terms of 4-wheelers.)	
47	161	1,873

Rolling Stock for which Estimates have been Submitted and Sanction is Awaited.

Engines.	Coaching Stock.	Goods Stock.
	(in terms of 4-wheelers.)	
...	840	4,467

Details of Rolling Stock and Passenger and Goods Traffic 1910-1919.

(Figures taken from Administration Report.)

—	No. of passengers carried.	Passenger (in terms of bogies) stock.	Passenger engines.	Goods traffic (tons).	Goods stock (in terms of 4-wheelers).	Goods engines.	Engines duplicate stock.
1910	25,641,111	1,431½	343	3,294,544	14,477	624	21
1911	26,477,586	1,158½	351	3,103,167	15,809	659	15
1912–13 ...	28,570,163	1,203½	351	3,842,450	16,568	659	24
1913–14 ...	30,590,740	1,265½	372	5,491,281	17,556	701	27
1914–15 ...	28,025,957	1,292	387	4,491,009	18,321	758	33
1915-16 ...	28,473,672	1,331	415	6,317,351	18,695	777	38
1916–17 ...	30,998,202	1,410½	405	5,713,842	18,703	790	36
1917–18 ...	28,458,028	1,447	405	5,583,728	18,715	790	40
1918–19 ...	31,051,120	1,441½	405	5,826,319	18,725	790	41
1919–20 ...	37,047,635	1,440	405	5,428,362	18,704	790	40

NOTE.—Engines for mixed traffic have been shown in the statement.

½ passenger engines.
½ goods engines.

In column 3 the figures are for stock actually carrying passengers and do not include such coaching stock as mail vans, brakes, etc.

Number of Employees on G.I.P. Railway.

Officers, December, 1920.

—	1 Total No. of officers.	2 Indians.		3 Anglo-Indians.		4 2 and 3 in relation to 1.
		No.	Percentage to total No.	No.	Percentage to total No.	
Agency	8	—	—	2	25 %	25 %
Engineers	84	9	10·7 %	4	4·8 %	15·5 %
Traffic	45	4	9 %	13	28·8 %	37·8 %
Locomotive	35	—	—	3	9 %	9 %
Carriage and wagon	9	—	—	2	22 %	22 %
Audit	17	2	12 %	7	41 %	53 %
Medical	10	3	30 %	—	—	30 %
Stores	9	—	—	3	33 %	33 %
	217	18	8·28	34	15·67	23·95

Subordinates, 1918-19.

		Per cent.
Europeans	1,453 =	1·41
Anglo-Indians	1,313 =	1·27
Indians	100,577 =	97·32
Total ...	103,343	100·00

Great Indian Peninsula Railway.

(Incorporated in England.)

Statement showing capital and programme revenue demands as put forward in the July forecast as sanctioned in the budget orders, modified grants as they stood at end of the year and the actual expenditure for the G.I.P. and lines under construction.

(Figures in thousands.)

Year.	G.I.P. Railway open line and lines under construction excluding State lines.													Remarks.
	Demands as put forward in the July Forecasts.				Demands as actually approved by Railway Board and incorporated in the budget grants.			Modified grants as they stood at the end of the year.			Expenditure in each year.			
	Open line.	Construction.	New lines.	Programme revenue.	Open line (*a*).	Construction (*b*).	Programme revenue.	Open line.	Construction.	Programme revenue.	Open line.	Construction.	Programme revenue.	
	1	2	3	4	5	6	7	8	9	10	11	12	13	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1905–06...	1,29,40	21,93	—	—	73,00	17,00	—	69,12	18,34	—	78,28	14,79	—	
1906–07...	1,87,39	6,67	—	—	1,09,70	26,67	—	61,98	22,80	—	66,72	28,35	—	
1907–08...	1,54,05	22,00	34,00	—	1,19,09	11,27	—	1,71,12	13,18	—	1,70,40	11,71	—	
1908–09...	2,26,83	13,70	26,00	—	1,31,70	7,00	—	1,68,28	16,63	—	1,93,17	13,76	—	
1909–10...	2,23,72	58,50	10,50	—	1,58,78	27,50	—	48,84	20,76	—	48,10	22,18	—	
1910–11...	2,18,13	70,00	—	—	1,53,22	44,00	—	1,17,96	52,65	—	1,21,96	50,81	—	
1911–12...	1,67,25	99,34	2,00	—	1,29,88	63,94	—	1,40,06	44,26	—	1,23,31	43,68	—	
1912–13...	1,43,37	83,00	15,00	—	1,20,02	68,00	—	2,20,82	52,32	—	2,08,87	50,35	—	
1913–14...	2,57,43	80,39	—	—	2,88,89	38,39	—	3,12,26	45,74	—	3,04,55	46,81	—	
1914–15...	3,38,09	65,99	15,00	—	2,27,93	46,00	—	2,70,51	36,36	—	2,71,18	37,22	—	
1915–16...	4,16,03	83,82	—	1,75,65	2,90,15	69,00	89,49	2,17,31	52,10	76,84	2,11,55	49,37	69,87	
1916–17...	2,60,47	37,00	—	80,36	57,72	10,00	19,93	64,02	5,61	27,23	55,04	3,65	22,94	
1917–18...	75,14	3,00	—	34,93	76,74	3,00	25,94	87,85	1,64	13,14	77,66	55	8,03	
1918–19...	1,17,85	5,00	—	30,30	64,22	5,00	46,92	75,57	— 2,84	24,15	72,67	— 4,92	20,03	
1919–20...	68,26	4,15	—	47,98	3,74,15	3,65	1,71,17	1,68,89	2,63	29,45	1,65,01	1,93	18,68	
1920–21...	4,71,95	17,50	—	2,42,31	1,36,07	10,00	1,81,59	—	—	—	—	—	—	

Note.—Grants in connection with proposals under "New lines" are included under construction in columns 6 and 9 when sanctioned. The requirements under the programme revenue figures were only entered in the July forecast from 1915–16.

For explanation of differences between the budget grants and actual expenditure under open lines and constructions, please see statements "B" and "C."

Explanations of differences under "programme revenue" cannot be given as they are not recorded.

(*a*) Includes budget grant for Indian Midland Section.

(*b*) Includes Warora Belapur Extension, I.N. Railway and Harbour Branch Extension.

GREAT INDIAN PENINSULA RAILWAY.

(Incorporated in England.)

Statement of explanation of differences between Budget grants and actual expenditure on lines under construction for the years 1905 *to* 1920.

(Figures in thousands.)

Period.	Construction.		Difference.	Explanation.
	Budget.	Account.		
	Rs.	Rs.	Rs.	
1905–06	17,00	14,79	— 2,21	Outlay to the extent of Rs. 6,98 on Harbour Branch without budget grant and less expenditure amounting to Rs. 9,19 was incurred on Warora-Chanda Bellarpur extension.
1906–07	26,67	28,35	+ 1,68	*Less*—Expenditure about Rs. 5,22 on Harbour Branch and increased expenditure about Rs. 6,89 on Warora-Balarshah extension.
1907–08	11,27	11,71	+ 44	*Less*—Outlay to the extent of Rs. 4,72 on the Harbour Branch and excess outlay about Rs. 5,15 on Warora-Balarshah extension, the net result being an increase of Rs. 44.
1908–09	7,00	13,76	+ 6,76	Outlay incurred on Itarsi Nagpur Railway was without budget grant.
1909–10	27,50	22,18	— 5,32	*Less*—Work on Itarsi Nagpur Railway.
1910–11	44,00	50,81	+ 6,81	Due to works in connection with "Formation" and "Bridge Works" on Amla Hirdagarh section having been pushed forward.
1911–12	63,94	43,68	—20,26	Lapse was due to late receipt of sanction to the construction of Division No. 4, Itarsi Nagpur Railway.
1912–13	68,00	50,35	—17,65	Materials were not available to full extent of the original budget and work on Division No. 1 Itarsi Nagpur Railway was approaching completion
1913–14	38,39	46,81	+ 8,42	Land debits on Itarsi Nagpur Railway were not anticipated and outstanding debits for permanent way materials were raised.
1914–15	46,00	37,22	— 8,78	Due to anticipated land debits not raised in 1914–15.
1915–16	69,00	49,37	—19,63	Due to closing down of works due to material not being available.
1916–17	10,00	3,65	— 6,35	Due to more stores returned from Itarsi Nagpur Railway, to less debit raised on account of Harbour Branch and to the adjustment of credit of rent of acquired property at Masjid.
1917–18	3,00	55	— 2,45	Due to large credits to Itarsi Nagpur Railway for released material and to Harbour Branch for rent recovered for Masjid property for which no provision was made in the budget.
1918–19	5,00	— 4,92	— 9,92	Due to credits afforded to Itarsi Nagpur Railway for released permanent way material and to Harbour Branch extension for rent of buildings at Masjid.
1919–20	3,65	1,93	— 1,72	Due to less expenditure on earth work than anticipated.

Great Indian Peninsula Railway.

(Incorporated in England.)

Itarsi Nagpur and Harbour Branch Extension Railways' Construction.

Statement showing grants asked for, grants actually sanctioned, modified grants as stood at the end of the year and expenditure against the same year by year and to-date and also the interest paid to Government year by year on the Capital expenditure and charged to the G.I.P. Railway Undertaking.

Year.	Itarsi Nagpur Railway Construction.						Harbour Branch Railway Extension.					
	Grants asked for.	Grants actually sanctioned.	Modified grants as stood at the end of the year.	Expenditure.		Interest paid to Government and charged to G.I.P. Railway Undertaking.	Grants asked for.	Grants actually sanctioned.	Modified grants as stood at the end of the year.	Expenditure.		Interest paid to Government and charged to G.I.P. Railway Undertaking.
				For the year.	To the end of the year.					For the year.	To the end of the year.	
	Rs	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1908-09	—	—	9,83,000	9,79,262	9,79,262	13,426	—	—	—	—	—	—
1909-10	58,50,000	27.50,000	21,07,000	20,82,198	30,61,460	64 600	—	—	—	—	—	—
1910-11	66,00,000	40,00,000	50,69,000	48,51,643	79,13,103	1,86,277	—	—	—	—	—	—
1911-12	95,40,000	60,00,000	43,26,000	43,23,782	1,22,36,885	3,55,963	—	—	—	—	—	—
1912-13	83,00,000	62,00,000	46,32,000	43,52,516	1.65,89,401	5,17,912	15,00,000	6,00,000	6,00,000	7,48,097	7,48,097	8,037
1913-14	53,37,000	25,37,000	38,25,000	39,79,228	2,05,68 629	6,99,261	27,02,000	13,02,000	7,49,000	7,02,276	14,50,373	43,123
1914-15	54,41,000	35,00,000	32,50,000	33,47,365	2,39,15,994	8,38,107	11,58,000	11,00,000	3,86,000	3,73,901	18,24,274	61,915
1915-16	53,82,000	(a) —	33,10,000	30,56,409	2,69,72,403	9,45,853	30,00,000	19,00,000	19,00,000	18,80,859	37,05,133	95,067
1916-17	20,00,000	3,00,000	3,97,000	3,29,497	2,73,01,900	10,33,676	16,00,000	7,00,000	1,64,000	35,420	37,40,553	1,51 077
1917-18	1,00,000	1,00,000	1,34,000	84,420	2,73,86,320	10,43,516	2,00,000	2,00,000	30,000	(c) — 29,176	37,11,377	1,48.913
1918-19	3,00,000	3,00,000	— 1.84,000	(b)—4,32,676	2,69,53,644	10,39.253	2,00,000	2,00,000	— 1,00,000	(c) — 59,139	36,52,238	1,47,903
1919-20	3,65,000	3,65,000	3,32,000	2,65,700	2,72,19,344	10,26,095	50,000	—	— 69,000	(c) — 72,917	35,79,321	1,43,908
1920-21	10,00,000	10,00,000	—	—	—	—	7,50,000	3,00,000	—	—	—	—

Note.—Interest calculated at 3½ % per annum on the Capital drawn up to 31st March, 1915, at 4½ % per annum from 1st April, 1915, to 31st March, 1918, and at 5½ % per annum from 1st April, 1918.

(a) In April, 1915, the Railway Board sanctioned a grant of Rs. 50,00,000.

(b) Credits due to heavy return of stores.

(c) Due to rents collected and sale proceeds of demolished buildings of Masjid properties of Harbour Branch Extension

GREAT INDIAN PENINSULA RAILWAY.

(Incorporated in England.)

Statement showing the interest, year by year, from the commencement of the work, on the outlay on the Divisions Nos. 3 and 4 of the Itarsi Nagpur Railway Construction, to end of 1920 (not yet open for traffic).

Years ending.	Amount of interest. Rs.	Years ending.	Amount of interest. Rs.
31st March, 1912 ...	2,154	31st March, 1918 ...	3,16,243
,, 1913 ...	26,569	,, 1919 ...	3,14,787
,, 1914 ...	82,559	,, 1920 ...	3,01,713
,, 1915 ...	1,52,728	Total ...	17,31,349
,, 1916 ...	2,26,276		
,, 1917 ...	3,08,320		

GREAT INDIAN PENINSULA RAILWAY.

(Incorporated in England.)

Statement showing the Capital and Programme Revenue Expenditure of the G.I.P. Railway undertaking, excluding native or non-budget lines from 1st April 1901, to 31st March, 1920 (i.e., since the amalgamation).

(Figures in thousands.)

	Capital Expenditure.														Capital and Programme Revenue.								Total.	
	1901-02.	1902-03.	1903-04.	1904-05.	1905-06.	1906-07	1907-08.	1908-09.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.		1916-17.		1917-18.		1918-19.		1919-20.		Capital.	Programme Revenue.
															Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
G.I.P. Railway (*a*) ...	29,73	29,36	71,11	1,12,72	78,28	66,72	1,70,40	1,93,17	48.10	1,21,96	1,23,31	2,08,87	3,04,55	2,71,18	2,11,55	69,87	55,04	22,94	77,66	8,03	72,67	20,03	1,65,01	18,68	24,11,39	1,39,55
Agra-Delhi Chord Railway.	—	—	—	—	10,86	2,97	54	18	4,04	2,96	7,69	1,41	1,27	1,52	10	—	41	—	71	—	28	—	27	—	35,21	—
Bhopal State Railway	2,06	2,73	1,40	86	24	1,10.	1,23	1,12	1,15	92	98	78	82	46	15	—	10	—	—	—	36	—	24	—	16,70	—
Baran-Kotah Railway	—	—	—	—	—	—	—	—	1,39	—	31	51	—	—	—	—	95	—	1,74	—	34	—	—	—	5,24	—
Cawnpore-Banda Railway.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	65	—	29	—	68	—	52	—	72	—	2,86	—
Total	31,79	32,09	72,51	1,13,58	89,38	70,79	1,72,17	1,94,47	54,68	1,25,84	1,32,29	2,11,57	3,06,64	2,73,16	2,12,45	69,87	56,79	22,94	80,79	8,03	74,17	20,03	1,66,24	18,68	24,71,40	1,39,55

(*a*) In 1911-12 the accounts of the G.I.P. and I.M. Railways were amalgamated; the expenditure shown against G.I.P. Railway under the years 1901-02 to 1910-11, however, includes the Capital expenditure of the I.M. Railway.

Prior to 1915-16 Programme Revenue was not specially shown in the grants.

Programme of Works which will be required during the next ten years.

(Figures in thousands.)

	Rough Cost.
Staff quarters (10 years programme)	3,00,00
Dadar-Matunga Estate	44,00
Bridge renewals, etc. (10 years programme)	3,00,00
Station remodelling (small) (10 years programme)	1,00,00
Station isolation, etc.	20,00
Sungam Bridge	14,78
Electrification	4,00,00
Crossing stations, S.E. Line	** 14,04
Lengthening platforms along the line	3,00
Nasik—Removal of Locomotive and Carriage shops	4,50,00
Relaying	8,08,00
Remodelling Schemes.	
Mazgaon remodelling	54,00
Poona ,, ...	38,00
Dhond ,, ...	43,00
Lonavla ,, ...	30,00
Bhusaval ,, ...	32,00
Manmad ,, ...	42,50
Kalyan ,, ...	12,00
Gwalior ,, ...	25,00
Itarsi Traffic Yard	29,00
Itarsi Locomotive Yard	15,80
Sohagpur—Removal of Loco. Depot	3,00
Ghorpuri Transhipment Yard	2,80
Nagpur remodelling	28,50
Victoria Terminus Station	29,50
,, ,, Station buildings	25,00
,, ,, Washing sidings	4,00
,, ,, Stabling sidings	3,00
Jhansi remodelling	4,50
Jhansi (station building)	1,70
Chalisgaon remodelling	6,15
Igatpuri remodelling	33,87
Nasik Road remodelling	6,45
Banapura ,, ...	1,05
Gadarwada ,, ...	11,00
Delhi—Additions, etc.	1,48
Sholapur—Loco. Depot	14,44
Doubling.	
Jubbulpur—Itarsi—152 miles ...	2,05,20
Agra—Delhi—122 miles	1,64,70
Poona—Dhond—48 miles	64,80
Itarsi—Bhopal—48 miles	1,12,00
New Lines.	
Amraoti—Morsi—Narker	87,50
Warora—Pisgaon—Rajur	22,53
Kurla—Trombay Line	12,50
Itarsi—Nagpur	40,00
Mumbra—Panwell—Belapur Light Railway	21,25
Removing Reversing Station Bhore Ghat.	44,00

	Rough Cost.
Water Supply.	
Bhusaval—Water supply	10,00
Ghangapur—Water supply	1,00
Badnera—Water supply	6,00
Manmad—Water supply	6,00
Baroti—Water supply	1,50
Bridges.	
Manmad overbridge	2,60
Nasik overbridge	2,40
Regrading between Igatpuri and Bhusaval—	
Miles 101 —102 -0·08 ...	1,52
,, 110¾—111½-0·08 ...	
,, 111½—112¾-0·34 ...	
,, 119 —120 -0·27 ...	
,, 124¾—126¼-0·30 ...	
,, 143½—144½-0·18 ...	
Regrading between Bhusaval and Itarsi—	
Miles 337 —338 -3·02 ...	17,15
,, 340 —341¼-4·03 ...	
,, 364½—366 -6·06 ...	
,, 381½—382½-2·02 ...	
,, 438½—439 -2·02 ...	
Regrading between Itarsi and Jubbulpur—	
Miles 567—568 -3·02 ...	8,07
,, 590—591⅛-5·05 ...	
Drainage.	
Bhusaval—Drainage scheme ...	3,00
Nagpur—Drainage scheme ...	42
Dhond—Drainage scheme	50
Hospitals.	
Bina	2,50
Jhansi	2,50
Bhusaval	2,50
Alma	2,00
Sholapur	2,00
Lonavla	50
Small dispensaries	2,00
Schools.	
Sholapur	86
Bhusaval	1,06
Institutes.	
Dhond	1,00
Bhusaval	1,00
Office.	
Poona—District Engineer's Office ...	0,45
Bhusaval—Joint Offices	2,50
Manmad—Joint Offices	1,40
Widening of Tunnels.	
Thull Ghat	60,00
Bhore Ghat	90,00
Total ...	39,58,47
Rolling Stock	5,00,00
Grand Total ...	44,58,47

Summary showing number of tons of Public Merchandise hauled during half year ending 31st March, 1920.

Particulars of traffic.	Number of tons.					
	Up.	Percentage.	Down.	Percentage.	Total.	Percentage.
Special Rates	2,052,673	75·76	558,357	58·23	2,611,030	71·18
First class	387,978	14·32	195,328	20·35	583,306	15·90
Second class	155,387	5·74	96,444	10·05	251,831	6·83
Third class	67,411	2·49	71,132	7·41	138,543	3·78
Fourth class	22,520	0·83	15,069	1·55	37,589	1·03
Fifth class	23,340	0·86	23,180	2·41	46,520	1·28
Total ...	2,709,309	100·00	959,510	100·00	3,668,819	100·00

STATEMENT No. 47.

Messrs. KILLICK, NIXON & Co., Bombay.

1. *Management of Railways owned by the State.*

See oral evidence, paragraphs 5312/5339.

With the exception of railways serving a strategical frontier such as the North-Western Railway we favour management through companies domiciled in England with Boards sitting in London combined with the creation of local boards in India.

We favour company as opposed to State management because:—

(1) We consider company management tends to greater efficiency.
(2) State management removes the element of competition necessary to effective management and development of railways.
(3) Under State management appointments are liable to be influenced by political considerations and promotions by seniority rather than by efficiency.

We favour London boards acting in conjunction with local boards as opposed to boards in India because we do not consider the large amounts which will have to be borrowed for renewals, development and improvement of existing railways and the construction of new lines can all be found in rupees in India. London boards are therefore a necessity if access is to be obtained to the world's money markets.

We regard it as most important that local boards should be created in India and that considerable powers should be delegated to such boards particularly in matters of local policy, certain establishment questions and in the settlement of labour disputes. The advice of local boards would also be of value in the event of companies being permitted to raise rupee loans in India.

We consider a suitable personnel for the local board would be (1) the Agent of the Home Board, (2) a Director of the Home Board, serving in rotation if possible, (3) a nominee of the local Government, (4) a suitable representation of the local community both European and Indian. If Directors of the Home Board served on the Local Board in rotation it would remove one of the main objections to boards sitting in London, *viz.*, the lack of touch with existing conditions in India.

2. *The Railway Board and the Government of India Control.*

We consider that the control of railways should vest in a Railway Member of the Government of India assisted by technical advisers representing the various branches of railway administration.

In other words, in view of the extreme importance of railways to the development of India, we would create a separate department of the Government of India for Railways which would not be under the control of the Finance and Commerce and Industry Departments.

3. *Railway Finance.*

We consider that the supply of funds for railway purposes has hitherto been totally inadequate and that it will continue to be so so long as railway revenues are merged in the general finances of the country and the railway capital programme depends entirely on the power of the Government of India to provide funds either by borrowing or from its general balances.

As regards expenditure out of revenue it is generally recognised that renewals have been neglected during the War and that revenue, which should have been expended on keeping lines up to standard or in the alternative been put to a special reserve to be expended when found possible, has gone into the general coffers of the State.

This, of course, must cease and would naturally do so if the procedure we advocate of divorcing the railway earnings from the general revenues of the country is carried out.

But in as much as large amounts of money have disappeared in this way and that revenue will not now be capable of bearing all the arrears put upon it we suggest, ample provision being made annually for ordinary maintenance, that the money necessary for arrears of renewals be found by means of special short term loans of ten, fifteen or twenty years duration, raised by the companies themselves for this purpose, repayable as to capital and interest out of revenue, a similar procedure being followed by the State in the case of State managed lines.

Until these renewals have been taken in hand no good will in our opinion be obtained by raising large amounts of capital for improvements and extensions. We suggest that no good purpose will be served by spending money on more wagons and additional sidings until the existing lines are brought up to date and made fit to carry the heaviest locomotives and train loads. We go further and say that, unless measures of this nature are taken, the profits at present obtainable from the railways will tend to diminish rather than increase.

As regards capital, provided the steps indicated for renewals and maintenance are taken, the amounts required for improvements to existing railways and new construction will be large, and we are of opinion that no borrowing source can be neglected whether it be in rupees in India or in sterling in Europe or America.

We suggest capital programmes for a period of years be drawn up and that capital necessary be borrowed (*a*) by the Railway Department raising the amount necessary by rupee loans in India and by sterling loans in England and allotting the money among the various companies, or (*b*) that each company be allowed to arrange for its own requirements subject, of course, to the supervision of the Railway Department, and that if and when necessary these borrowings should be assisted by guarantees from the Government of India or (*c*) by a combination of both.

We are of opinion that all the capital that can be obtained by these means should be devoted to the improvement and development of existing lines and the construction of railways of major importance, private enterprise and capital being utilised for the financing of branch lines and lines of minor importance.

Provided what are known as branch line terms are revised to correspond with the current value of money, we are of opinion that all the capital for financing necessary feeder railways is available and can be raised by promoting firms in India.

The branch line terms referred to we regard as satisfactory generally, but investment in companies promoted under them would be further encouraged by a more liberal interpretation of

detail. We further consider that a larger mileage could be made available for finance and construction if Government were prepared to encourage the grant of additional guarantees by Local Governments or other bodies.

4. Government Control of Rates and Fares, Settlement of Disputes.

We consider the existing control adequate and satisfactory.

5. General.

We have no further remarks to offer.

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STATEMENT No. 48.

THE INDIAN MERCHANTS' CHAMBER AND BUREAU, BOMBAY.—LETTER DATED 17TH JANUARY, 1921.

See oral evidence, paragraphs 5363/5396.

With reference to your letter No. 15-R.C. of the 31st December, 1920, enclosing a copy of the Questionnaire of the Indian Railway Committee, I am directed by the Committee of this Chamber to send hereby their views on the subject.

Question 1.—My Committee are of opinion that railways owned by the State should be managed directly by the State. My Committee draw your attention in this connection to the representation they addressed to the Secretary, Railway Board, dated 1st December, 1916, a copy of which is herewith enclosed marked Appendix A for ready reference, in paragraph 3 of which they gave all the reasons, why the management of Railway Companies should be by the State.

(*a*) The management by companies has been proved to be adverse to the interests of Indian trade and industry, as was evidenced by statistics given in their speeches by Sir Vithaldas D. Thakersey, Sir Ibrahim Rahimtulla, Mr. Vijiaraghavachariar, and others who moved resolutions in the Imperial Council.

(*b*) Companies are after all out to make profits, and they naturally manage railways entrusted to their charge purely in the interests of their shareholders and the ultimate interests of the country as such thereby suffer.

(*c*) Even with regard to management on business lines, my Committee fear that undue prominence and attention is given to foreign trade at the expense of the indigenous trade and industries.

(*d*) The experience of War has shown, as in England, that company management is not suitable for mobilising the resources and energies of a country. India has, at present, to carry on a serious struggle for the development of her trade and industries, and if this struggle is to succeed, railways should contribute a large quota to it. This, however, will not be possible while they are managed, as at present, by foreign companies with but an indirect interest in the development of India's resources.

(*e*) The absolute indifference evinced by the present railway management to the grievances of third-class passengers is a scandal which would not have been tolerated in any other country for so long a time, bearing in mind specially the fact that it is these passengers who contribute the largest passenger income to the railways. The chronic over-crowding of third-class passengers and their treatment by the railway staff as if they were cattle is in itself a grave condemnation of the present management.

(*f*) The Committee have always noted with a deep concern the closing of all the doors of employment in higher grades in railways to Indians. This is a grievance to which the attention of the Government has been drawn time after time by leading Indian publicists, but apparently nothing has been done in the matter. While the Indianisation of services is going on all over the country, it is surely an anachronism to find railways being kept as a sacred preserve for Europeans and Anglo-Indians. Such an Indianisation of railway services will not be possible till the management is taken over by the State. In short, the reversal of Lord Lawrence's railway policy of state construction and management has been, as Sir Gilford Molesworth observed, disadvantageous, and the continuance of such a reversal is, in the interests of the people of India generally, to be strongly deprecated. My Committee have got experience of company management of railways, which supports them on what they have observed above.

Question 2.—My Committee are for absolute direct State management and are not in favour of any modification being introduced in the system.

Question 3.—My Committee are not in favour of company management at all whether the domicile be in India or the United Kingdom. The evils of company management with their domicile in the United Kingdom have been detailed above. My Committee believe that there will be no amelioration in these conditions even if companies have their domicile in India. What is wanted, in fact, is a management which will look to the interests of this country as a whole. Sir Ibrahim Rahimtulla, moving his resolution in the Imperial Council, observed, " the interests of India demand that the centre of control of the management of the entire system of railways should rest with the Government of India, and that they should be worked primarily in the best interests of the people of India," and that, " though nobody disputed the fact that the railways should be worked on a commercial basis, what we objected to was that they should be worked *purely* on a commercial basis irrespective of every other consideration."

Questions 4, 5, 6, 7, 8 *and* 9.—My Committee have not answered the above questions as they are against any compromise being made with regard to the retention of the present most harmful and unjust management of railways by companies.

Questions 10 *and* 11.—(*a*) My Committee do not approve of the system of control by the present Railway Board as satisfactory. It consists entirely of railwaymen who are out of touch with Indian commercial people and specially with Indian public opinion.

(*b*) My Committee urge that the Railway Board should be reconstituted and should have in future four members and a chairman, that is, in all five members. Of these at least three should be Indians, one of whom should be a representative of the Indian commercial community.

In this connection my Committee point out with regret that even such an acknowledged authority on railway matters as Mr. S. C. Ghose, who was appointed as special officer to the Railway Board, was not taken as a member of the Board, showing how the present Railway Board is entirely oblivious of the claims of Indians and of the interests of India.

Question 12.—My Committee have not much experience of this, but from what they have seen of the relations and inter-relations between the railway companies and the Railway Board, they think that the present exercise of its powers by the Railway Board with regard to railway companies is extremely weak. This evil will, however, be eliminated when the management is taken up entirely by the State, and the Railway Board will then be able to exercise all its powers with regard to railway management.

Question 13.—In matters relating to the requirements of the travelling public and of trade, it has been seen on all occasions that the Railway Board hardly interferes with the different railway administrations in the exercise of its powers. The result is that representations from the public to the Railway Board against railway companies remain unheeded and unattended to.

Question 14.—The powers of control in such matters already possessed by Government have not been sufficiently exercised in the public interests.

Question 15.—The powers entrusted to the Railway Board should be ample and broad to allow them to exercise complete jurisdiction over the entire Indian railway management when it is taken up by the State.

Question 16.—The Railway Board is at present under the Department of Commerce. My Committee are of opinion that the Member for Commerce should always be an Indian. If, in future, railways are placed in charge of another department, say a department of communications, as has been suggested in some quarters, the member in charge of this should likewise be an Indian. My Committee believe that the railway department is of so vital an importance to this country that it should always be in the charge of an Indian member of the Executive Council of the Government of India.

Question 17.—My Committee do not consider as satisfactory the present system of financing by making railway finance depend on the exigencies of the general budget of the country, which is altogether wrong and unbusiness-like. The supply of funds should depend upon the needs of the railways whether for new construction, for maintenance, or improvement of existing railways.

Question 18.—Although there can be no dispute about repairs and renewals being a first charge on available funds, my Committee would like to emphasise that the present policy of delaying very necessary extensions just because there is no money is wrong and unbusiness-like. If such extensions can be satisfactorily shown to be profitable and advantageous to the country, the money ought to be found by loans raised for the purpose, even at a higher rate than that current for Government borrowing.

Question 19.—It is difficult to fix the approximate amount that could be provided annually for capital purposes; this will entirely depend upon the resources for the time being, but there is no doubt that the need is very great.

Question 20.—The capital funds required should be raised in the cheapest market, preference being given, other things being equal, to India.

Question 21.—My Committee do not consider that the existing arrangement for supplementing by means of the branch-line terms the Government of India's resources for railway construction are satisfactory, they will have to be modified owing to the changed conditions in the monetary market, in order to induce capitalists to invest in railway constructions, liberal terms should be offered. Such new companies should always be Indian with Indians as agents and more than half the number of their shareholders must be Indians.

Question 22.—The method should be by debentures raised by the Railway Board and in India as far as possible. In the present state of the world's finance and the great depreciation suffered by non-redeemable loans, people will more readily take terminable bonds redeemed by a suitable sinking fund created for the purpose.

Question 23.—Nil.

Question 24.—As the War has made people familiar with big issues, it should be possible to raise at least ten crores annually in this country and ten million pounds a year in England. England even in pre-war days invested 200 million pounds abroad annually, and a very considerable share of it went to South American countries whose political as well as financial position was not very sound. There is no reason why India should not get money in London, provided it pays the price, *viz.*, the market price of money for the day.

The Government have so far adopted the short-sighted policy of refusing to pay more than 3½ or 4 per cent. and strangled railway development in spite of the knowledge that on the whole we were earning over 6 per cent. and on many sections more. This is not business. Any good merchant would borrow even at 5 per cent. if he knew the venture would return him more than 6 per cent., and this ought to be the policy for our railways, which are a business venture, and the financing of it ought to be treated in a business-like way.

Question 25.—The raising of a separate loan for railway purposes will not, we believe, adversely affect the general loan proogramme of the Government, because if we look more closely into the matter we find that the main capital purposes for which loans have had to be issued in the past have been railways and irrigation. If these two requirements are satisfied very little further loan capital is required, and it ought to be possible to raise such small sums as may thus be necessary without any difficulty. There is, of course, an occasional budget deficit to be considered, but it is bad finance to provide for such deficits by permanent loans. Current expenditure ought always to be covered by current revenues, and when a deficit occurs, it ought to be covered by sufficient additional taxation in the following year, the deficit being temporarily covered by ways and means advances.

The Railway Loan here advocated is a loan issued by the Government of India on account of the Railway Board and primarily secured on the revenues of the railway and generally on the general credit of the country as the railways are a business venture of which the proprietor is the country.

Question 26.—The railways are the one item of public utility from which the general taxpayer most widely benefits as either producer or consumer, and so it is a mistake to talk of " burden on the general taxpayer " for the interests of a section of the people.

Any increase in rates is sure to work detrimentally to the trade and industry of the country as well as to agriculture, which very largely depends on railways to reach profitable markets. Therefore, *there should be no increase until a deficit is proved.*

It should be remembered that the bulk of the money has already been secured at 3½ per cent., and Government is not going to pay 6 per cent. on it to-day, therefore *present* interest rates do not affect the *bulk* of the present investment. Further, it is by no means certain that interest rates will remain as high as they are to-day. We had heard similar arguments about commodity prices, and commodities are falling rapidy to normal. The level of prices determines the total volume of finance required at any given moment, and so with a return to normal commodity values the strain on the money markets of the world will be appreciably relieved and money should become appreciably cheaper. The principle to be followed, therefore, in an increase of rates, should be similar to that for, say, the Port Trust; *i.e.*,

(i) Rates should be such as to cover current liabilities with a reasonable margin in hand for further development.

(ii) The increase should be higher on luxuries and lower on necessities either of life or of industries, *e.g.*, coal; because increases on such prime necessities work up with cumulative effect and unduly inflate the cost of the ultimate product.

(iii) Such increase should be preferably in percentages on present tariff *in the form of surtax* so that when the development of revenues justifies it such surtax might be easily reduced or struck off.

All efforts should be directed to the best development of our railway property to get the largest revenue out of it not by increased rates, but by greater efficiency. Any one can raise rates and get more revenues from a thing like railways, because they are the greatest monopoly in any country, and the people are *absolutely at its mercy* particularly so in a country like India, where other competing forms of transportation practically do not exist. In America and England, where the railways are mainly private property, the permission to increase rates is most grudgingly given and only on indisputable proof of its necessity. Here the principal owner is the Government itself, and so any increase should be still more carefully considered and avoided as long as possible.

Question 27.—The statements are altogether misleading. The only relevant figures are those of column 2nd showing nett earnings on capital. The 3rd, 4th, and 5th columns only show how the profits were used by the proprietors, and have no relevance to the question in hand.

Nett earnings of 6¼ to 7¾ per cent. (averaged as they are of good and bad results) cannot but be called very satisfactory for a thing like railways.

The present accounting is faulty. There are thousands of miles of railways built primarily with an eye to the defences of the country. If they do not earn enough, the deficit *ought to be charged to the military budget*, and such lines ought not to be a burden on the productive lines. The present procedure does serious harm by showing the earnings to be less than they actually are and thereby discouraging further development.

It is not possible to say without a much further inquiry than is possible to us at what figure we should put the additional advantage to Government. However, it may be useful to note the more important aspects of this question.

(1) Military advantages:—

(*a*) efficiency of mobilisation of men and of stores.

(*b*) the cheapness of transportation of same.

(2) Revenue advantages:—

(*a*) increase of land revenue at periodic settlements. (This primarily depends on the enhanced value of the products of the land, and such values again depend upon greater market ability and greater facility of contact with world markets.)

(*b*) increase of such other revenues as depend on the *volume* of the country's trade and of its commercial transaction, *e.g.*, customs and stamps. Excise also depends considerably on it as it bears a direct relation to the general prosperity of the population.

(*c*) Famine Relief:—

An appreciable saving in cost of movement of food and fodder.

Question 28.—It has already been pointed out above that grants from the budget, lapse of grants, and " providing as much in each year as Government possibly can " are fundamentally wrong and unbusiness-like. Whatever plans and estimates for development have once been decided upon, the finance *for the whole* must be then found and the work carried through to completion.

Question 29.—Nil.

Question 30.—My Committee think that Government do not exercise adequate control over Railway administrations in respect of rates and fares.

Question 31.—Powers in this respect delegated to Railway administration have not been used in the interests of the public. The recent increases in the rates for coal and in fares for the general public on several lines are quite recent instances in point to show such increases are made by the railway companies without any reasonable and sufficient grounds and causing a

deal of inconveniences and troubles to the public. On reading pages 151, 202 to 205, 210 to 221, 228 to 236, 318 to 323, 311 to 313, 409, 411 to 421, and 452 to 456 of the " Monograph on Indian Railway Rates " (1917-18), by Mr. S. C. Ghose, one will at once be convinced that the railway rates for exports and imports have been unnecessarily reduced (*e.g.*, the case of hides, *vide* pages 452 to 456) and that the rates for exports and imports are preferential as compared with the internal traffic rates.

Question 32.—Though there is such a provision for the appointment of a railway commission to settle disputes between railway administrations and traders, my committee are not aware of any occasion when such a commission has been appointed. They should like to suggest that in every leading commercial town there should be a committee of leading Indian commercial people who should act as a committee of arbitrators whenever there is any dispute between the railway administration and traders. The traders generally are not aware of any expedients to redress their grievances and are practically helpless in the hands of railway officials. This sort of helplessness has been responsible for a good deal of embitterment between the trading community and the railways to remove which and to replace by better feelings the only course is to have such a committee as is suggested here. Traders will then know to whom to turn in case of any complaint and will even in case of adverse decision be reconciled to it, coming as it will from a committee of their own people.

APPENDIX A.

COPY OF LETTER DATED 1ST DECEMBER, 1916, FROM THE INDIAN MERCHANTS' CHAMBER AND BUREAU, BOMBAY, TO THE RAILWAY BOARD.

1. I beg to acknowledge receipt of your letter of the 27th June, 1916, No. F. 16, asking this Chamber to give their opinion on certain questions connected with the management of Railways. Under instructions from the Committee of the Chamber, I have the honour to address you as follows:—

2. As early as 1880 the Government of India laid down as their future policy that they would acquire all the railways when the time came for exercising the option that rested with them under the contracts with Railway companies. In accordance with this Resolution, all the trunk Railways have been acquired by the Government, leaving a small percentage of shares to the old companies, with whom agreements have been entered into to manage them, and who are paid a remuneration for doing that work. The question that now awaits solution is merely whether the lines owned by Government should be managed by themselves or by managing Companies. So far as my Committee are aware, in no other country in the world there prevails a system similar to the one adopted in India, of owning the Railways and yet handing over the management to Companies. In countries where railways are managed by Companies, they are owned by them, while the state managed Railways are the property of the State. The system obtaining here is probably the outcome of the basis upon which the work of constructing the railways was initiated in this country.

3. My Committee have given careful consideration to the various arguments in favour of each of these systems of management and also to the conditions applying to this country and have come to the conclusion that the management of Railways by the State is best suited to this country for the following reasons:—

(*a*) There will be an annual saving of about a crore of rupees which are paid at present to managing companies as their share of profits.

(*b*) Competition between different Railways is considered in some countries as beneficial to trade and industries, resulting in lowering the rates to attract more traffic, and in providing facilities. Instead of a healthy competition, however, we have in this country a form of competition which in many respects has proved adverse to trade and industry and to the interests of agriculturists. The fact is that each management tries its best by a manipulation of the minimum and maximum rates laid down by Government to divert trade to the ports which it serves. The different companies compete to carry the largest quantity of cargo for the longest distance possible over their rails and in order that they may be able to do so, block rates, which mean full maximum rates authorised by Government, are levied on all the cargo which is carried to ports other than those they serve. Trade and commerce instead of being developed on natural lines are thus retarded by artificial diversion of traffic. Sir Vithaldas D. Thakersey, speaking in the Imperial Legislative Council in 1912 on his resolution on the policy followed in fixing goods rates, emphasised this aspect of the management of railways by companies. He observed that interprovincial trade suffered owing to the so-called block rates quoted by practically all railways in order to draw all available traffic to their own lines and to prevent as far as possible traffic from their own stations going on other companies' lines. " This from the railway company's point of view may be perfectly justifiable as no company can be expected to tolerate the transfer of its own traffic to other lines, if it can possibly prevent it. But from the country's point of view, it is clearly not advantageous that merchants should be compelled to send their goods not by the route which gives them readiest access to the best market but by a route which brings the most profit to the railway which happens to pass through the particular places." After saying this he asked the pertinent question: " These hardships are unavoidable in countries where railways are owned by private companies, but why should they be tolerated in India where the railways belong to the State?"

(*c*) Opinions may differ on the question, whether State or company management would be better for a country, but they have been almost unanimous in holding it to be one of the principal functions of railways, to develop and help indigenous trade and industries. Indian railways have so far taken little initiative in this question of the development of industries. Only recently, in May, 1915, the Railway Board issued

a circular to different railway companies bringing to their notice " the question of the assistance which can be rendered by railways in the development of indigenous industries by the quotation of favourable rates, for the carriage of raw material required in manufacture and the carriage of the finished product." Nothing is known up to this time of the action taken by different railway systems in this direction. So long as there is not one responsible and central authority of the State to utilize the railway system for the development of industries, it is useless to expect that any effective action will be taken. All the anomalies of rates, on the ground of large quantities and long distances, which really help the export of raw materials and widespread distribution of imported manufactured goods, as against indigenous manufactured articles will disappear only if there is one central management which holds that railways have to look to the industrial and economic needs of the country, side by side with earning dividends for shareholders and revenue for the State.

(*d*) Owing to the unchecked competition of railways the trade of places depending on water traffic has been practically killed, which would not have been the case if there had been State management of railways, for the State would not have looked merely to railway profits at the sacrifice of the trade and industry of several of our small sea ports. An instance in point is afforded by Broach, the trade of which is practically killed by the manipulation of rates by the railway company serving that place. How justifiable this grievance was can be gauged by the strong support the Government of Bombay gave to the petition of Broach merchants while forwarding it to the Government of India. Lord Sydenham in supporting this complaint, said that " railways were made for India and not India for railways."

(*e*) The congestion of traffic on all railways is one of the thorniest questions their administrations have to deal with. This question, in the opinion of my Committee, can be solved if there is a central State administration to organise and make the best use of the wagon capacity of different systems, instead of there being so many different managements.

Although there have been large additions during recent years to the rolling stock of the different railways in the country, we continue to hear the cry of shortage of wagons during busy seasons, whenever there is congestion of traffic on any line. My Committee think that the fault lies mainly with the system that does not allow the shortage on one line to be remedied by the surplusage on another line rather than with the shortage of wagons in the country. In fact in slack seasons hundreds of these wagons have to lie idle. What is really needed is a scientific and systematic marshalling of these wagons which cannot be carried out at present, owing to the divided control of railways.

(*f*) Under the present system of management by companies, whatever grievances and complaints of the public there may be, whether with regard to the employment of Indians or the treatment of third-class passengers or important questions affecting trade and industry, managing companies give but a tardy response to public opinion. My Committee acknowledge that Government even now interfere in several instances with success. They recall with feelings of thankfulness the intervention of the Government, at the time of the serious complaint regarding undue preference on the G.I.P. Railway in 1911. Such instances, however, of Government intervention are rare, as Government cannot go out of their way and interfere too often with the management of companies. If the management is in the hands of the State, our representatives in Provincial and Imperial Councils can get any information required by interpellations and get grievances redressed by drawing the attention of the Government. Under these circumstances, my Committee are of opinion that management of railways by the State is in this country essential for the development of trade and industries and for the working of railway lines in the best interest of the country. If the administration of Indian railways is in the hands of the Government of India they can help the development of industries of this country by placing large orders for their requirements of the railways with Indian manufacturers. They have already declared that as far as possible articles of Indian manufacture should be purchased by Government departments in India, provided that the quality and the prices are not unfavourable as compared with those of the imported articles. Under the system of company management, the boards of directors being in England, practically all the orders will continue to be placed in England as hitherto and Indian industries will permanently lose the custom which would be theirs if the railways were State managed.

4. The present question has apparently arisen in consequence of the fact that the term for the management of the East Indian Railway Company expires in 1919 and, that notice under the contract must be given during 1917. If it is not possible for Government to arrive at a definite conclusion in regard to the general policy to be laid down for the future, my Committee think that the best course would be to give the required notice to the present management of the East India Railway Company and to take that line over under State management. The total mileage of trunk lines owned by the State is about 25,000, of which 8,000 miles are managed by themselves and 17,000 miles by managing companies. If the East India Railway which has a mileage of 2,800 was taken over under State management, the proportion of mileage would be about 11,000 under State management and about 14,000 under company management. The next contract to fall in, is that with the G.I.P. Railway, the term of which expires in 1925. During the intervening period of about six years additional experience will have been obtained and this will prove useful in coming to a decision on the subject. Of the total mileage owned by the State, nearly half will have been during that time under State management and the remainder under the management of companies. An added advantage will be that of the four Indian ports, viz., Calcutta, Karachi, Bombay, and Madras, the two former will be served by railways managed by the State, while the two latter by railways under the management of companies. Under all these circumstances my Committee would strongly urge upon Government either to determine as their future policy that State-owned

railways shall be under their own management, or in the alternative to take over the management of the East India Railway Company and to postpone their decision in regard to the policy to be pursued in the future till a few years further experience is obtained by working the lines under both the systems, with a more proportionate division of the total mileage and a more suitable distribution of traffic as regards the ports, than what prevails at present.

5. Apart from the varied advantages mentioned above by the taking up of the management of the East India Railway Company, my Committee are of opinion that the financial gain to the State will be such as would itself justify such a step. Under the terms of the contract between the Secretary of State and the East India Railway Company the amount that is at present payable to its stockholders is 4 per cent. on the capital stock of £6,550,000 equal to £262,000 plus a share of surplus profits which, looking to the last three years' figures, are not below Rs. 24,000,000, which means a total of Rs. 63,30,000 per annum. These figures do not take into account the higher profits in future years which must continue to increase with the development of the industries and trade of the country. If the East India Railway Company is taken over in 1919 the Government shall have to pay an annual sum of £294,750 equal to Rs. 44,21,250 till 1953. Government will thus save Rs. 19,08,750 every year (63,30,300—44,21,250) by terminating the contract and taking up the management. This saving for 33 years will, on a 4 per cent. interest basis, work up to Rs. 12·59 crores approximately. Even if there were no other reasons in favour of State management the financial gain only should be sufficient reason for Government's accepting the proposals of my Committee and terminating the contract of the East India Railway Company in 1919.

STATEMENT No. 49.

Sir VITHALDAS D. THACKERSEY, Kt., Representative of the Millowners' Association, Bombay.

Part I.

Question No. 1.—Railways owned by the State should be managed by the State.

See oral evidence, paragraphs 5363/5396.

I am looking to this question from the point of view of what is best in the interests of Indian trade and commerce and industries and their rapid development. I had occasion to study this question in connection with the resolution on the question of Indian railways which I moved in the Imperial Legislative Council on 1st March, 1912. In my speech, a copy of which is attached here for ready reference, in support of the resolution, I endeavoured to show how the railway system in India has come to be developed into a huge profit making concern rather than the means of encouraging the development of industries in the country; nay, instances can be shown where the railway policy has actually helped to push on by favourable terms the goods of foreign manufacture at the expense of the products of Indian industries. All the trunk lines in India now are owned by the State and until they are managed through the State agency it would be difficult to expect the profit-sharing companies to look to the question from the purely Indian point of view, as they would have no special interest in framing tariffs to secure the promotion and the development of indigenous industries at the sacrifice of revenue. To them it matters little whether the matches are made in Ahmedabad or Rawalpindi or whether they are made in Japan or Sweden. Their policy in the past, under which they gave extremely low rates for foreign matches and put every kind of obstacles in the way of Indian match factories, resulted in giving preference to foreign manufacturers. When questioned, they generally take shelter behind the argument of cheap cost of carriage for long loads and wagon loads. At the present stage of the industrial development of the country when there is great need for starting pioneering efforts in the direction of factories, it is the duty of the State to carry their raw materials and their manufactured articles at a lower rate, certainly not at a higher rate than the rate charged for carrying foreign goods, irrespective of the quantity of the goods and distance over which they are to be carried to these factories. The State has a larger and more permanent interest in the country and it can afford to sacrifice to a certain extent immediate gain from this larger interest secured by the development of industries in the country while the profit-sharing companies that work to immediate gains will naturally refuse themselves to be guided by these considerations.

Another disadvantage in the company management is the desire of each company to appropriate the traffic to its own line. It is quite natural, but when by manipulation of minimum and maximum rates laid down by Government they try to diverge the traffic to their own ports, the merchants are put to a great loss and inconvenience. The one method which they employ is the introduction of block rates in order to prevent other companies' lines from getting the traffic, and thus trade and commerce, instead of being developed on natural lines, are retarded by artificial diversion of traffic, as it compels the merchants to send their goods not by the route which gives them the readiest access to the best market, but by a route which brings the most profit to the railway which happens to pass through the particular places. If all the railways are managed by the State, it will have no interest in maintaining this pernicious system of block rates as the revenue, by whichever route the traffic is carried, will go to the State.

The question of rolling stock will greatly be solved by the State taking over the management. The very fact that during the War and under stress of circumstances Government have introduced the pool system for goods wagons in order to economise the rolling stock is a strong argument in favour of one management.

A further advantage will be that there will be few objections raised against the construction of new lines on the plea that they affected vested interests. If the railways in India are to be developed to anything like the extent now developed in America and Europe, the traffic of some of the railways must be affected. It is in the interests of the country that it should rather earn a somewhat smaller return on 70,000 miles of railway and withdraw all conditions which hamper the development of every part of it than earn a larger return on 35,000 miles only and prevent the opening up of undeveloped tracts. Many instances can be quoted where the maintaining of vested interests has prevented large undeveloped parts from being developed and where merchants are prevented from getting a cheaper transit by shorter routes and are compelled to send their

goods by circuitous routes. With the State taking over the management, it will lay larger stress on the development of the country than the present narrow view of the companies earning profits only.

Further, the country will save enormous sums it pays to the companies as their share.

The companies have in the past tried their best to kill sea routes and ports by manipulation of tariff. An instance of this in the experience of this Presidency has been found in the case of the Bombay Baroda and Central India Railway trying to kill the Broach port, which was a very important port at one time, and could be so if left unhindered. This has been a very serious case where the consideration of profits has overridden all considerations for the good of the merchants. How the rates were manipulated by the Bombay Baroda and Central India Railway was clearly described in a petition presented to the Collector by the citizens of Broach, consisting of merchants, shipowners, millowners, tradesmen, etc., in December, 1910. The Government of Bombay, too, strongly supported the contention of the people, and His Excellency the Governor was obliged to remark, in referring to this petition, " Railways are made for India and not India for railways." If the Committee will go through that petition and the minutes of the Government of Bombay, they will be perfectly convinced that this attitude will form one of the strongest arguments to discontinue the present system of the company management.

And lastly, the most important advantage to the country will be that the stores required for the railways will be bought in India as far as the industrial development of the country would permit, instead of in England; this fact will alone enormously stimulate the industrial development of the country as the railways are the largest consumers of stores.

Questions Nos. 2 to 7.—As I have already said in reply to Question No. 1, I am against company management, but if Government ultimately decides not to take over the management themselves, I would certainly insist that the managing companies should be domiciled in India. At present they are absolutely out of touch with the needs of the people, and public opinion, except so far as their agents in India report to them.

In case of the Board domiciled in India, it is not absolutely necessary that all members of the Board should be skilled in railway work. There must be on the Board practical men who are in touch with the people and who know their requirements, also members who can be useful to the Board by their knowledge of industries and the method of helping them.

Question No 8.—The question is a curious one. In all countries where railways are managed by companies, the Board is composed of local men and experienced directors who are often interested in particular industries or areas, and no question is raised as regards their impartiality being prejudiced, and even in India there are a few companies where the Board is composed of local men.

Question No. 9.—I think that the combination of the system of management by companies domiciled in England and in India is impracticable.

Part II.

I do not consider the present system of control by the Railway Board satisfactory. The Board is generally composed of railway experts and on it there is no member who is in touch with the requirements of the trade and the needs of the people. The Board should be strengthened by having Indian members of vast experience. The Railway Board in the present system is often powerless to prevent the injustice being done by the manipulation of maximum and minimum rates by the railway companies, and moreover, it connives, to a certain extent, at the present policy of railways, which aims at making large profits instead of providing convenience and facilities to trade and industries, because thereby it can take the credit of giving the largest revenue to the Government of India; and thus I do not consider that the powers of control already possessed by the Government has been sufficiently exercised in public interest.

Part III.

Question No. 17.—I do not consider the supply of funds for railway purposes has hitherto been adequate, both for new construction and for the maintenance and improvement of existing railways.

Question No. 18.—I consider that the policy hitherto adopted of devoting a greater part of the available capital funds to the improvement of equipment and rolling stock of existing railways, and of devoting only a relatively small portion to the purposes of railway extension, is satisfactory and is sound in principle.

Question No. 19.—It is difficult to fix the approximate amount that should be provided annually for capital purposes; this will entirely depend upon the resources for the time being, but there is no doubt that the need is very great and as much money as could be utilised for the purpose consistently with other obligations of Government should be provided for the purposes.

Question No. 20.—I am of opinion that the capital fund required should be raised in India as far as possible and borrowing outside India should be avoided; the other advantages to the country are so great that even if Government have to pay a little higher rate of interest for Indian borrowing, it is advisable to borrow in India rather than outside India; but after the capacity of the Indian market is fully utilised, if any additional amount is required and could be seecured at a reasonable rate from the United Kingdom, I have no objection to its being utilised.

Question No. 21.—I do not consider that the existing arrangements for supplementing by means of the branch line terms the Government of India's resources for railway construction are satisfactory; they will have to be considerably modified owing to the changed conditions in the monetary market. I am of opinion that in order to induce capitalists to invest in railway construction, very liberal terms ought to be offered. After all, the Government have the option of buying all the public companies at the end of a fixed period, and the Government should not grudge the public earning good dividends on their shares during the period. The larger dividend the public will earn, there will be greater inducement for the public to subscribe to the railway

shares, and thus a very large mileage will be built up by public companies. The choice of the Government is not between public companies earning larger dividends and the Government providing all necessary capital at cheap rate, but the choice is between public companies earning larger dividends and providing larger mileage of railways for the Indian requirements, or practically no railways at all, as past experience has shown that the demand for the existing lines are so great that the Government are not able sufficiently to cope with their existing requirements. I should suggest the guaranteeing of a higher rate of interest or rebate from the main lines and the expense by the Government of a smaller share than half after the guarantee dividend is earned. Care should, however, be taken that the shares are not made the monopoly of a few, but public subscriptions are invited and every Indian given an opportunity to subscribe; otherwise good lines may become the monopoly of a few capitalists.

Question No. 22.—I am not in favour of increasing the ordinary share capital of the main line companies as they already earn good dividends and there is a great future to earn higher interest when the country is developed and more branch lines are built, but preference share capital may be issued. This remark does not apply to public companies which may be allowed to raise as large a share capital as is legitimately required for the extension of their lines.

I am in favour of the capital being raised by railway debentures and terminable bonds. As to what method of raising capital would be employed, it would depend upon the circumstances of the money market and should be decided at the time.

Question No. 25.—As to the effect on the ordinary Government borrowings, there is no doubt that the very large borrowings for the very special purpose of the railways may to a certain extent affect the ordinary borrowings, and that is the reason why I am in favour of encouraging public companies to raise capital and construct new railways.

Question No. 26.—I strongly believe that the new railway construction depending upon the power of the Government of India to provide finance must suffer for want of sufficient funds, and has in the past been detrimental to railway improvement and development. In order to meet increased rate of interest and other increased charges, railway rates should be raised in order to make the railways self-supporting, but beyond this point they should not be unnecessarily raised in order to make them profit-making concerns.

Question No. 27.—The statements given show that the railways are making handsome profits after paying interest and other charges, and so long as this is done without detriment to the development of Indian industries, there is no objection. Moreover, it is impossible to estimate the indirect advantage to the country through the development of areas served by them, but this is enormous.

Part IV.

Question No. 30.—I do not consider that the Government exercise adequate control throughout the railway administration in respect of rates and fares.

Question No. 31.—I do not consider that the powers in this respect delegated to the railway administrations have been sufficiently used to meet the complaints of the public. The Railway Board has often helped the railway companies to earn larger profits so that the Railway Board can also show larger profits for Government.

Part V.

Question No. 34.—It is a fact admitted on all sides that the carrying capacity of the various railways is inadequate to the requirements and needs of the various industries served by them. The chief reason is the shortage of capital for the necessary expenditure, but to this may be added the failure to take advantage to the full of the existing rolling stock as indicated by the slow movement.

(*Enclosure not reprinted.*)

STATEMENT No. 50.

See oral evidence, paragraphs 5397/5417.

Mr. GOVERDHANDAS I. PATEL, B.A., Representative of the Ahmedabad Millowners' Association.—MEMORANDUM DATED 2ND FEBRUARY, 1921.

Questions 1 *and* 2.—As State management is found generally very rigid in its working, company management is preferable, with a Board of Directors in India and with able commercial men, railway experts and men with experience of finance and administrative ability appointed on this Board along with representatives of public and social service. On this basis the company management is preferable to State management. Company managements are generally more elastic in working than State management. State management could only be selected provided the subject becomes a transferred subject in the hands of a Minister. The above opinion is found from our experience as members of the commercial community and the study of various enterprises run under company and State managements.

Question 3.—The companies should be domiciled in India as direction of railway affairs by others would be detrimental to the economic interests of the country and would doubtless tend to events of great humiliation and differential treatments.

Question 4.—As the net earnings of railways are increasing rapidly since some years the proportionate share of the net earnings should be suitable and sufficient to keep their interest in the undertaking.

Question 6.—The Board of Directors for companies domiciled in India should be constituted in a manner as to give:—

(1) adequate representation to commerce and industry.
(2) economic development of the country.
(3) development of indigenous industries.
(4) comforts and requirements of passengers.
(5) equal treatment to all the different communities of the public and also administrative facility to the Government.

Question 7.—The Chairman of the Board may be a person skilled in railway work nominated by the Government, but he should not be a permanent Chairman. Nomination should be made at least at the end of three years. In this Board there should be some members skilled in railway work.

Question 8.—We do not see the imperative necessity of such directors, who might be actively interested in particular industries as would prejudice their impartiality. However, the question is very delicate in regard to the drawing of a line between partiality and active interest in the conscience of an individual.

Part II.

Question 10.—Control by means of the Railway Board is not satisfactory at present. There is no adequate representation of various national interests in the present Board and the economic development of the country is retarded under the present system. A radical change in the constitution of the Board, as suggested in our answer to Question No. 6, is imperative.

Question 11.—We have answered this query in our reply to Question No. 6.

The subordinate officers of the Board should for the most part be Indians and not foreigners who would be looking forward to return home after their retirement when their mature judgments are required for the benefit of the country and higher development of the national welfare.

Question 12.—The functions exercised by the Board are not found satisfactory in practice, as it is mostly composed of persons who are connected with the companies managing State railways and who are aspirants for the directorship in London after their retirement. It is impossible to safeguard the interest of the nation when there is a conflict with the companies themselves.

Question 13.—The present Railway Board possess adequate powers for railway administration but the requirements of the travelling public, trade and industry, and development of indigenous industries are greatly overlooked. As the Board consists of members who are not permanent residents of this country it is natural that they cannot be expected to be so very keen as to consider wholeheartedly all the minute details necessary for the growth of public welfare and industrial development.

Question 14.—Government powers are not being sufficiently exercised in the interest of the public, as the machinery to move the Government is, in our opinion, heavy and the masses of India are not able to approach the Government easily, in order to ventilate their grievances and get necessary redress for the same. Sometimes Associations like ours, and such other bodies in spite of regular submission of grievances do not become able to get any relief. In our experience, we have found the Government to be simply a channel to forward the grievances to the railway authorities, without any active interest to take up the matters and get them redressed.

Question 15.—Instead of entrusting any further powers to the Railway Board it is very necessary that the Board itself should be reconstituted in a manner as to give sufficient representation to various important national interests.

Question 16.—The present status is not satisfactory. The President of the Railway Board should have a seat in the Executive Council of the Viceroy.

Part III.

Question 17.—The supply of funds for railway purposes seems to be more than adequate. During the year 1919-1920, the capital expenditure sanctioned was £17·7 millions, which sum is considered to be the largest amount ever allotted during any of the preceding years. There should be a limited capital outlay and minute financial scrutiny (*e.g.*, the purchase of stores, machinery, etc., in the cheapest market of the world) over railway expenditure in the interests of India than that which is already in existence at present. New construction should be given necessary consideration after first making improvements in the existing railways, as well as providing for the maintenance of the same. It is not advisable to go on extending railways on a larger scale until the existing railway systems have been first put on sound lines of management and finance. The present railway systems are considerably vast (as compared with the capacity of the management) and there should first be sound consolidation before any further extensions are taken in hand Rail-roads may be constructed only as funds are raised in proportion to the efficient working and maintenance of the existing lines.

Question 18.—So long as the existing lines have not been kept under proper equipment and efficient working it is not wise to extend other lines without first providing for necessary funds.

Questions 20 *and* 21.—Funds may be raised in India as far as possible and United Kingdom may also be given a chance for unsubscribed funds and borrowing in the cheapest market of the world should be freely put in practice. Care should specially be taken to keep the foreigners away from having a hold on the management.

Question 22.—Capital may be raised by Ordinary as well as Preference shares (only to the extent of forming a company in India but not exceeding the present capital), and also by means of Debentures, and not by terminable bonds.

Question 25.—Borrowing at a higher rate of interest will positively depreciate the value of other systems and methods already in force in ordinary Government borrowings.

Question 26.—(*a*) We do not think the power of Government of India to provide finance by borrowing or from its balances is detrimental to railway improvement and development, so long as Government takes proper precautions to give the railway their proportionate share.

(*b*) Railway rates under pressing circumstances may be increased in such proportions as to prevent railways from becoming a burden on the general tax-payer. Care should be taken to fix them through expert advice of the General Manager, as well as the Board of Directors, after studying the question in all its bearings and also inviting opinions of important public as well as commercial bodies so that people may be satisfied as to the reasonableness of the proposed increase.

Part IV.

Question 30.—Government do not appear to exercise adequate control in respect of rates and fares. Several representations and examples of unequal rates have not been successfully pressed by the Government on the railways. The undersigned would be glad to give some concrete examples of the rates being inequitable and unjust as well as prejudicial to the commercial classes.

Question 31.—The powers delegated to railway administrations have not been wisely used in the interest of the public. Instances may be given of such types. From our experience we find that the railway authorities have never shown any care to listen to such complaints until they were persecuted by representations to the higher authorities. The undersigned had on one occasion taken up the question of inequitability in rates from Ahmedabad to Madras direct and from Ahmedabad to Madras via transhipment at Dadar. The B.B. & C.I. washed off its hands by asking me to refer the matter to the G.I.P., who on the contrary advised me to refer to the S.M. Railway, and the S.M. Railway in their turn requested me to refer it to the B.B. & C.I., thus ending the matter in a circle of farce. Ultimately, upon my serious representation to the Railway Board with a special request that a further negligence will drive me to the limit of publishing the matter in the papers of London and sending the same to the Directors in London, the matter was seriously taken into consideration and after a long period of several months the inequitability in rates which stood very high was set aside and only a charge of one anna was added for transhipment at Dadar.

Question 32.—The settlement of disputes between the railway administration and traders under the present system is not at all satisfactory. There should be a special Board of Arbitration composed of the members representing railway experts, industrial and commercial specialists, persons of public institutions and social service as well as Government officials.

Question 33.—The comforts and requirements of passengers are not taken into consideration by the current railway administration, which requires a thorough purging of all the various existing evils in the form of overcrowding, insanitary conditions of travelling, want of facilities at different stations for food and drink, inadequate lavatory facilities, unnecessary inconvenience and waste of time in purchasing the tickets on the part of third-class passengers and insolent and indifferent treatment accorded to the travellers by the railway servants.

Part V.

Question 34.—The carrying capacities of the railway have not been so wisely spread over the different centres of railway as to meet the requirements and needs of the various industries, *e.g.*, a small village may have a small railway yard and the least convenience of wagon supply, though the indigenous product in the form of corn, cotton or sugar-cane, may be enormous for exportation than some of the big stations which have vast railway yards but not as much transport of commodities as the said small village. Indigenous trade and industrial productions should be calculated accurately by railway and Government experts, and facilities be so distributed as to meet the requirements and needs of each part and section of importance.

Question 35.—It is expedient to open and develop small harbours or ports at such places where river or sea facilities are likely to be of use, so that the burden of traffic on the existing railways may be lessened and greater needs of the general public may be served on the lines of European and American river and canal transport systems.

GOVERDHAN I. PATEL,
Honorary Secretary,
Millowners' Association.

Ahmedabad,
2nd February, 1921.

STATEMENT No. 50 (A).

SUPPLEMENTARY STATEMENT of Mr. GOVERDHANDAS I. PATEL, B.A., the Representative of the Ahmedabad Millowners' Association.—DATED 5TH FEBRUARY, 1921.

I and II.—If State management cannot become a transferred subject in the hands of a Minister which is our "Ultimate Ideal" we would like to prefer State management simple and pure, as an immediate step in preference to company management with a board of directors in London.

IV.—No further share capital should be issued.

VIII.—This is a very curious question, being a reflection on the Indian character, and it would be wise to remain silent over this in view of its all-round applicability.

XXXIII.—Refreshment arrangements for third-class passengers are miserable. The Indian refreshment vendors are charged forty or fifty times more than the European refreshment bars. We would like to recommend the committee to get a statement from the B.B. & C.I. Railway on this important point of sheer injustice to the Indians.

Since more than fifty years the railway company or the Railway Board have not made any move to make arrangements for Hindu refreshment rooms on an important central junction station like the Ahmedabad station. This is a clear example of gross negligence and utter failure of the company and the Government to look after the comforts and needs of the general public.

There are several under-currents of public sufferings which if required the undersigned will be glad to explain with general and particular examples.

Fairs and pilgrimage trips of third class passengers are made under inhuman conditions worthy of contempt.

XXXV.—Indigenous industries of Ahmedabad district and Gujrat have suffered very badly by block-rate systems. By transferring the yarn and piece goods to the fifth class a rise of 125 per cent. had resulted and the water-borne transport facilities were intentionally uprooted by the railway company. We see no reason why Messrs. Killick Nickson or others should not be again given the facilities of water transport systems at Broach, Dholera, Surat and such other places when the railways are short of wagons and transport facilities.

The terms and conditions of the risk-notes should be revised in view of the great injustice caused to the public by the current system.

At least sixty per cent. of the higher and subordinate posts over Rs. 200 should be given to Indians only.

Inter class accommodations ought to be immediately provided for as suggested by the railway board on those lines which have as yet failed to carry out the recommendation.

STATEMENT No. 51.

J. R. REYNOLDS, ESQ., C.I.E.—Manager, Bombay Port Trust Railway.—LETTER DATED 4TH JANUARY, 1921.

I have the honour to state I served on the B.B. & C.I. Railway as a Traffic Officer for 18 years, out of which I was for four years Assistant to the General Traffic Manager, Mr. Hanson. I have also been eight years Manager of the B.P.T. Railway and am therefore perhaps the only officer in India who is serving under a board constituted in India on the lines of the Bombay Port Trust Board and who is also in charge of a broad gauge railway, which is a member of the Indian Railway Conference Association. See oral evidence, paragraphs 5418/5436.

I have no hesitation in saying that work is enormously expedited under a board located in India. I never had anything to do directly with an English board, but I saw the results and have heard much more.

Very often important matters have been dealt with by the Port Trustees the same week as put up to them and the Board have called me to their meetings when necessary to discuss cases.

Nos. 6 & 7.—It appears that a board constituted somewhat on the lines of the Bombay Port Trust Board would safeguard the interests of Government and might be the only possible constitution—railways being public services in any case, and in India largely belonging to Government, might very well be considered public trusts. In fact there seems to be little difference between the position of a port and a railway.

I have not found that the Port Trust Board deals except as required with the technical details of working the railway. Presumably each member watches the interests which he represents. It appears that a railway should employ officers who are capable of carrying on the work of the railway and that its board should confine itself to general policy and finance and not be burdened with small details. I have not yet seen a board which has time to go into such details. For this reason it appears the managing director of the board of a railway should be a railway officer, similar to the agents.

I am in doubt about other members of the Board being skilled in railway work, by which I presume is meant that they are or had been railway officers. It is only in the large centres that railway officers in service would be available and they would be officers on other railways. It appears it would result in dual control. On the other hand it might assist in uniformity of policy and might be met by insisting on reciprocity, *i.e.*, the agents of all railways in one centre being on the boards of all the other railways.

This introduces the question of the composition of the boards in large centres. If Government and the public bodies elect different members for different boards in one centre, there will not be a uniform policy. Of course there may be different out-station members, but it appears doubtful if these will be able to attend many meetings. The number of persons eligible to be members of boards will therefore be rather limited, even in large centres.

It appears a desirable policy for heads of departments to attend board meetings and by this means to introduce the necessary technical element rather than have board members skilled in railway work. The board would thereby get to know its senior officers and the latter would learn the policy of the Board and the railway in general. A great deal of unnecessary work would be saved. I have always found it of the greatest assistance to be present at discussions of the Port Trust Board.

It appears to me that such a system would also help to get over an anomaly which at present exists on Indian railways, inasmuch as the management (or agency) is not always centred in the head of the so-called traffic department.

That the traffic and not any other department is really the managing department appears to be axiomatic, but, be that as it may, the opportunity for the heads of other departments to explain matters which affect them to their board would tend to produce smooth working.

STATEMENT No. 52.

BOMBAY PORT TRUSTEES.—MEMORANDUM DATED 1ST FEBRUARY, 1921.

Borrowings for Capital Works.—The Bombay Port Trustees derive their funds for the carrying out of capital works either by loan from Government or by borrowing in the market by tender for debentures. The debentures are repayable at the end of a definite term of years stated in the debentures (usually from 30 to 60 years) and a fixed rate of interest is paid throughout the term. See oral evidence, paragraphs 5418/5436.

2. From 1899 to 1920 the Trustees have raised about 11 crores of rupees on debentures, the rate of interest being 4 per cent. until 1916, when the Trustees had to increase the rate on the loan raised in that year to 4½ per cent., and to 6 per cent. in 1919. In 1920 the rate increased to 6½ per cent.

3. In addition Government has advanced the Trustees 138 lakhs of rupees during the years 1916, 1917, 1919, and 1920.

4. In the years 1909 and 1910 borrowing in India at a good rate was practically impossible and the Board went to the London Market and borrowed £500,000 in 1909 and £500,000 in 1910. The first loan was floated at £96 9s. 0d. per cent. and the second at £95 10s. 0d. per cent. The rate of interest on the loan was 4 per cent. and the term of the loan was thirty years.

5. Speaking generally the Trustees, in normal times, have had no difficulty in getting their funds for capital works in the manner before mentioned, but the effects of the war have made a marked change in the money market and future prospects are uncertain. A higher rate of interest and shorter periods for repayment are demanded at present, and it is not possible to predict how long the present conditions may continue. At present the Bombay Government is providing the Trustees with funds by allotment from a loan raised by Government from the public for the development of Bombay. The present rate of interest is 6½ per cent., and the loan is repayable to the public in 15 years. Government has agreed to give the Trustees a term of 30 years in which to repay their indebtedness to Government on this loan.

STATEMENT No. 53.

See oral evidence, paragraphs 5437/5470.

Sir M. VISVESVARAYA.—MEMORANDUM DATED 31ST JANUARY, 1921.

The circumstances of the country to-day require a radical change in the existing system of railway operation and administration. The railways fulfil the primary purpose of transportation fairly well enough, but their effect on trade, industry and internal development of the country has not been all that could be desired.

The railway system of the country is its greatest asset. The outstanding railway borrowings amount to nearly Rs. 366 crores or 65 per cent. of the total public debt. The gross railway receipts amount to Rs. 90 crores or nearly one half of the total revenues of the country. In view of the recent pronouncements of Government in favour of industrial development, fiscal autonomy, separation of provincial finance, etc., it seems desirable that the handling of this large sum should be controlled by the State. Such control cannot fail to increase money power and credit and materially aid in the internal development of the country.

As between State working and company working (both forms of operation obtain abroad), State working has undoubted advantages in the present circumstances of India. When the Provinces become autonomous, as they will in due course under the Reforms Scheme, the public would like to see their railways controlled and operated by themselves. Provincial autonomy would lose much of its importance if the railways of the Province which form its chief asset should continue to be administered from outside. In view of the declared policy of the British Cabinet to prepare the country for responsible Government, it would be in the fitness of things to transfer the railways, as speedily as circumstances permit, to the control of provincial administrations.

Scheme for Provincializing Railways.

My suggestions for the future working of railways are briefly these:—

(1) The railway systems of the country should be provincialized. All existing railway lines within a Province should be administered by the Provincial Government, and all new ones projected and constructed under its orders or supervision.

(2) The railways in each Province may be constructed and worked either by the State or companies, or by both, according to the circumstances of each case.

(3) The railway debt of the Government of India (about Rs. 366 crores) should be distributed by Provinces in proportion to the assessed value of the railway property in each.

The Provincial Governments should be held responsible for payment of interest charges and reduction or redemption of the railway debt.

The same Governments should be responsible for getting up new projects, and raising fresh loans as required for their construction. The Government of India Act of 1919 has already empowered the Provincial Governments to raise loans for such purposes.

(4) A few strategic lines on the north-west border and in Burma may be under the direct control of the Central Government, which may exercise special supervision over all trunk lines and general supervision over the entire railway system in regard to standard, gauges, etc., to ensure uniformity of working and to safeguard the interests of the country as a whole. The Central Government should be able to take over under its own control, if required, the entire management of trunk lines in an emergency and it should also retain supervisory power in all inter-Provincial and inter-State disputes.

(5) The Railway Board may be abolished and, in its place, a Minister or Member of the Central Government should be responsible for railway administration along with that of ports, harbours and shipping. He may be assisted by an Advisory Board composed of about seven members representing the various interests of the country.

(6) Similarly the railway system in each Province should be under the control of a Minister assisted (1) by an Advisory Board of seven members representing the various interests, namely, the travelling public, agriculture, trade, industry and labour, and (2) by a competent technical staff. The latter may join in the deliberations of the Board but need not have the power to vote. In future the same Minister may be responsible also for all work connected with provincial ports and shipping.

Aids to Internal Development.

The following measures are necessary in order to utilise the railway system as a laboratory for developing local resources and local talent and enterprise:—

(1) If provincial railway administrations guarantee for a term of years the local purchase of rails, locomotives, machinery and railway supplies generally, business men will be quite ready to start factories for their manufacture. We have every resource required for the purpose save experts, and these may be imported on high salaries. Such a measure will not only give a great impetus to local industries but will lead to enormous savings in the moneys spent abroad. The savings will increase the wealth of the country and will be available for constructing new railways and for other developments.

(2) In suitable cases, the provincial railway administrations should themselves start the manufacture of railway machinery and supplies, till private agencies come to the rescue.

(3) Until local industries are started, purchases may be made by the provincial governments either in open competition or through local firms. This will lead to the speedy establishment of firms of repute locally, and promote circulation of money and credit and business enterprise in the province.

(4) Local Universities should be made to provide the highest training needed for mechanical engineering, loco., traffic and account departments on our railways. At least a dozen graduate apprentices should find employment every year in the higher grades of the railway service of each province.

(5) Railway schools are needed to train subordinates, foremen, mechanics, accountants, etc., and railway workshops should be thrown open to all eligible young men without charging heavy fees for the training and without distinction of race or creed.

Defects in the Existing System.

My experience of the practical working of Indian railways is chiefly derived from Mysore in Southern India where, as stated by the Madras Government, the railway administration is considered unprogressive. As Secretary for Railways for three years and subsequently as Chief Minister of that State for six years, I had occasion to meet, and discuss railway projects and problems with the Members of the Railway Board, and some 200 miles of new railway was built by State Agency in my time.

The Railway Board has over-centralized authority and paralysed local initiative and effort. They seem to work without a policy of their own, and while exercising plenty of control give no lead and show no initiative. They are slow to move and when disputes arise their intervention is not happy. I am not referring to individual officers of the Board who were good men in their own way; I am speaking of the system.

As a result, the railway system of Southern India is a study in irregular alignments and omissions. Three specific instances may be mentioned to illustrate my point:—

(1) There is no through communication, north to south, along the middle or western half of the Peninsula. In the hope of establishing such a communication, the State with which I was connected offered to construct and work a short link of about 110 miles needed between Nanjangud and Mettupalaiyam if the Railway Board consented to finance the British section—a matter of about 30 miles of hill country. But there was no response. For lack of this connection travellers from the Bombay Presidency have to go all the way to Jalarpet, in the middle of the eastern half of the Peninsula, in order to get to Mangalore or any point on the West Coast of the Presidency.

(2) A short length of 300 miles is needed to link up Shimoga on the Southern Mahratta Railway with the West Coast and with Mangalore on the South Indian Railway, but there has been no inclination to discuss this project.

(3) Perhaps the most glaring omission is the refusal to allow the Mysore State to complete a short circuit between Bangalore and Hosur, a distance of 24 miles. The offer of the Mysore Government included compensation to the railway which claimed vested interests, but the compensation was not considered adequate. To this day passengers from Bangalore have to travel nearly 200 miles in order to reach a destination only 20 miles as the crow flies. The railway map of Southern India is tell-tale evidence of this lack of policy and local interest which is causing many avoidable hardships and loss of time and money to the general public.

Railway Finance.

One of the objects of the present enquiry, according to the terms of reference, is to consider the greater utilization of private enterprise and capital in the construction of new lines. This object can be best secured only by treating the railways in each Province as a collective unit controlled by the Provincial Government.

When any considerable body of people in a district of the Mysore State petitioned His Highness' Government for a local railway, they were asked to meet the Government half way. This they did through their District Boards which levied a railway cess and raised loans from the people most interested in the local project. There is great scope for raising loans by enlisting local patriotism in this way all over the country. India is too large an area to attain this object in any other way.

On behalf of special industries, large demands have been made for new lines, or for doubling existing tracks and additions to rolling stock. In such cases, the industries concerned should be asked to find part or whole of the capital, or to supply their own rolling stock, and I believe many of them will respond.

Each Province may make its own arrangements to raise funds or levy cesses from the people; only in exceptional cases need the Government of India be invited to stand security for the loans

The present practice of mixing up railway receipts with the Government of India finance is misleading and has to be discontinued. Only that portion of the net earnings which it may be proposed to merge in public expenditure need be brought on the Government Budget.

For a long time to come, Government will need money for expenditure in many directions, and railways must of necessity be worked commercially. In the Provinces, this is best done under the watchful eye of the Provincial Government. After Provincial finance is separated, the Government of India may claim either a percentage of the net revenues credited in the Provincial accounts; or levy a sur-tax independently of the Provincial Government or a small percentage charge on the gross receipts of each railway or system.

Summary of replies to Committee's Questions.

As my main point is to urge the provincialization of railways, I need do no more than sum up my replies in the order of the terms of reference:—

(i) Direct State management is preferable to management through companies domiciled out of India.

Company management, mainly through indigenous agencies, would become possible if the railway systems are brought under the control of Provincial Governments.

(ii) The Railway Board should be abolished and its place, in the Central Government, taken by a Minister, or Member of Government, assisted by an Advisory Board.

A Provincial Minister and a Provincial Advisory Board should likewise be in immediate charge of the railway system of each Province.

Advisory Boards will answer the purpose, since in each of these cases there will be a separate Legislative body to control or influence the policy of Government.

(iii) The financing of railways should be attended to by the Provincial Administrations concerned. Local interests and patriotism should be enlisted in this behalf and there should be no objection to borrowing from England or from abroad, if necessary, for financing productive undertakings. The formation of indigenous companies should be specially encouraged.

(iv) Rates and fares will be satisfactorily controlled if the railways are provincialized. The raising of railway rates whether of passenger or goods traffic is tantamount to a levy of taxation on the public and as such should be subject to a certain amount of public control.

(v) Among matters germane to the enquiry, the following may be mentioned:—

(1) More humane treatment should be accorded to the travelling public.

On mail trains, the middle class and the third class travelling public should have a refreshment car where not only light refreshments but substantial food of the character to which they are accustomed is provided.

(2) A special effort is needed to enforce civil behaviour towards the local travelling public on the part of railway officials.

(3) All unreasonable discriminations between persons, localities or different classes of traffic should be abolished.

(4) More attention is needed to stop corruption and thefts on railways. Difficulties in these respects were experienced in an acute form in connection with war measures and food control.

To provincialize railways is merely a process of decentralization. It will bring the railway administration of the country into line with recent policy. In some of the larger countries, such decentralization exists already and some of the smallest States in India at present find it advantageous to own and work their own railways. The Provinces should encourage by grants of land and financial accommodation the formation of local companies. Even as a means of developing the executive ability of the people, there is strong justification for this measure.

The present railway mileage is very inadequate, and considerable extension will be necessary before long. How is this to be secured in a reasonable time, unless the people who bear the burdens and share the benefits are brought into closer contact with their respective groups of railways and unless each group is worked in closer co-operation with the interests of the public using it? How are new lines to be financed without enlisting the self interest and sympathy of the people most concerned? How again is the country ever to provide its own experts, if education is not given in our colleges, training not supplied in our workshops and opportunities of service not found on our own railways?

STATEMENT No. 54.

THE GRAIN MERCHANTS' ASSOCIATION, BOMBAY.—NOTE DATED 29TH JANUARY, 1921.

See oral evidence, paragraphs 5486/5502.

Question 1.—My Committee are of opinion that railways owned by the State should be managed directly by the State for the following amongst other reasons:—

(*a*) The management by companies has been proved to be adverse to the interests of Indian trade as was evidenced.

(1) by the preferential treatment of booking goods.

(2) by framing rules detrimental to the interests of the merchants.

(3) by great disregard for the supply of facilities, such as wagons' covered protection for goods awaiting despatch, etc.

(*b*) Companies are after all out to make profits and they naturally manage railways entrusted to their charge purely in the interests of their shareholders and the ultimate interests of the country as such thereby suffer. Even with regard to management on business lines, my Committee fear, that undue prominence and attention is given to foreign trade at the expense of indigenous trade; e.g., rates for carriage from Cawnpore to Bombay are little higher than rates between Bombay and Jalgaum, although the distance in the first case is doubl the second.

(*c*) Exigencies of War and also quick transport of goods require centralization and standardization. This is hardly possible with company management. State ownership management will make it feasible to run rolling stock all over India. Wagons of particular railways at times have to be idle at present times because they cannot be utilized for traffic in directions opposite their own line.

(*d*) Absolute indifference is evinced by the present railway management to the grievances of third-class passengers. The chronic overcrowding of third-class passengers and treatment by the railway staff as if they were cattle, is in itself a grave condemnation of the present management. Only last year a serious accident occurred resulting in deaths and severe injuries to many persons caused by passengers having to travel on footboards owing to the carriages being full to overflowing. This serious incident alone ought to have been a severe warning to draw the attention of the G.I.P. Railway Company that there was overcrowding in their suburban service which existed long before this incident took place, at the same time the company had enough rolling stock to run specials for the Poona races, an index of the working of the company management.

(*e*) My Committee remarked that there is not a single Indian in the higher grades in the G.I.P. and B.B. & C.I. Railways who can enter into the spirit of the complaint of the Indian merchants and try to remove the causes thereof. They feel at being time after time repulsed when attending to settle their claims, to ask for facilities in booking on particular lines, to discuss rates, etc., while the Indianisation of services is going on all over the country, and it is sad to find even a solitary Indian's place usurped when Babu Brijmohanlal, A.T.S., of the B.B. & C. I. Railway retired, who filled that post to the entire satisfaction of the public, and we presume, of the railway company as well. Even at present raw and inexperienced men coming to India for the first time, are posted on responsible places while Indians of ability and experience are neglected.

(*f*) There will be a large saving to the State, which in the shape of the share of profits of the companies in company-managed concerns goes to such companies.

Question 2.—My Committee are for direct State management.

Question 3.—My Committee are not in favour of company management at all, whether the domicile be in India or the United Kingdom. My committee do not think there would be any remarkable change even if companies have their domicile in India, because the motives actuating the line of action will still remain the same. Sir Ibrahim Rahimtulla, moving his resolution in the Imperial Council, observed the interests of India demand that the centre of control of the management of the entire system of railways should rest with the Government of India and that they should be worked primarily in the best interests of the people of India and that nobody disputed the fact that the railways should be worked purely on a commercial basis irrespective of every other consideration by the railway companies.

Questions 4, 5, 6, 7, 8 and 9.—My Committee have not answered the above questions as they are against any company management howsoever such management might be improved.

Question 10 *and* 11.—My Committee do not approve of the system of control by the present Railway Board as satisfactory It consists entirely of railway men who are out of touch with Indian commercial people and specially with Indian public opinion. They suggest its reconstitution with a fair proportion of Indians, of whom at least one or two should be representative of the Indian Commercial community.

Question 12.—My Committee have not much experience of this, but from what they have seen of the relations between the railway companies and the railway board, they think that the present exercise of the powers of the railway board with regard to the railway companies is extremely weak. Complaints with respect to chronic delays in settling claims, moving goods, imposing arbitrary rates without previous notice and requests for better facilities for goods and traffic are invariably referred to the railways concerned by the Board, thus showing that Railway Board has practically no control over railways. At the same time most of the proposals such as increase in rates, framing new rules, etc., put forth before the Railway Board by the Companies are sanctioned by the Board without even being placed before the public for their opinion.

Question 13.—As stated in answer to question No. 12 in matters relating to the requirements of the travelling public and of trade it has been seen on all occasions that the railway hardly interferes with the different railway administrations in the exercise of its powers. The result is that representations from the public to the Railway Board against railway companies remain unheeded and unattended to. My Committee believe that greater powers of control should vest in the Railway Board.

Question 14.—Whether the powers of the control in such matters already possessed by Government have been sufficiently exercised in public interests or not, the fact remains that the Railway Board so far as it affects the public, exists only in name.

Question 16.—The Railway Board is at present, my Committee understands, under the Department of Commerce. My Committee are of opinion that the Member of Commerce should always be an Indian. If, in future, railways are placed in charge of another department, the member in charge of this should likewise be an Indian. My Committee believe that the Railway Department is of so vital an importance to this country that it should always be in charge of an Indian member of the Executive Council of the Government of India.

Question 17.—My Committee do not consider as satisfactory the present system of financing by making railway finance depend on the exigencies of the general budget of the country. The supply of funds should depend upon the needs of the railways whether for new construction, for maintenance or improvement of existing railways.

My Committee are not in a position to reply to questions 18, 19, and 21.

Question 20.—The Capital funds required should be raised in the cheapest market, preference being given on the same terms to, in the shape of debentures or loans only.

Question 22.—The method should be by debentures raised by the Railway Board and in India as far as possible. In the present state of the world's finance and the great depreciation suffered by non-redeemable loans, people will more readily take the terminable bonds, redeemed by a suitable sinking fund created for the purpose.

Question 23.—Nil.

Question 24.—As the war has made people familiar with big issues it should be possible to raise at least 10 crores annually in this country. The country have so far adopted the short-sighted policy of refusing to pay more than three and half or four per cent. and strangled railway development in spite of the knowledge that on the whole we were earning over six per cent. and on many occasions more.

Question 26.—My Committee think that instead of increasing, if that is found absolutely necessary, the rates all round, a revision in rates, such that the articles of luxury are charged more than articles of necessity as food, coal, etc., should be made. Also the great disparity in rates for export goods and goods moved between non-seaport places, should be done away with. This, however, would not affect the older railway lines which have already spent cheap money on capital outlay. Moreover, so long as it is not proved that railways are losing concerns or do not yield sufficient income, there should be no general increase in rates, as high rates work detrimentally to the trade of the country

Any increase in rates is sure to work detrimentally to the trade and industry of the country as well as to agriculture, which very largely depends on railways to reach profitable markets. Therefore there should be no increase until a deficit is proved.

It should be remembered that the bulk of the money has already been secured at 3½ per cent. and Government is not going to pay 6 per cent. on it to-day. Therefore present interest rates do not affect the bulk of the present investment. Further, it is by no means certain that interest rates will remain as high as they are to-day. We had similar arguments about commodity price and commodities are falling rapidly to normal. The level of prices determines the total volume of finance required at any given moment, and so with a return to normal commodity values the strain on the money market of the world will be appreciably relieved and money should become appreciably cheaper. The principle to be followed, therefore, in any increase of rates should be similar to that for say, the Port Trust, *i.e.*,

(i) Rates should be such as to cover current liabilities with a reasonable margin in hand for further development.

(ii) The increase should be higher on luxuries and lower on necessities either of life or of industries, *e.g.*, coal, grain, because increases on such prime necessities work up with culminative effect and unduly inflate the cost of the ultimate product.

(iii) Such increase should be preferably in percentages on present tariff, in the form of sur-tax, so that when the development of revenues justifies it such sur-tax might be easily reduced or struck off.

All efforts should be directed to the best development of the railway property to get the large revenue out of it not by increased rates, but by greater efficiency. Anyone can raise rates and get more revenues from a thing like railways, because they are the greatest monopoly in any country and the people are absolutely at its mercy particularly so in a country like India where other competing forms of transportation practically do not exist. In America and England, where the railways are mainly private properties, the permission to increase rates is most grudgingly given, and only on indisputable proof of its necessity. Here the principal owner is the Government itself and so any increase should be still more carefully considered and avoided as long as possible

Question 27.—My Committee do not desire to answer.

Question 28.—Nil.

Question 29.—Nil.

Question 30.—My Committee think that Government do not exercise adequate control over railway administrations in respect of rates and fares as is shown by the disparity in rates and by the almost autocratic manner in which rates and fares are manipulated without consulting the trade or even informing them beforehand

Question 31.—Powers in this respect delegated to railway administrations have not been used in the interest of the public. The present increases in the rates for coal and grains on several lines are quite recent instances in point to show how such increases are made by the railway companies without reasonable and sufficient grounds, and causing a deal of inconveniences and troubles to the public. My Committee strongly feel that rates of grain were put up at a time when grain was required to be moved from province to province and when a concession rather than an increase was expected.

Various matters of importance to the trade were referred to the railway administrations and some of them to the Railway Board. The Railway Board has almost invariably referred the matters to the railway administrations concerned. Railway administrations have acted almost in all cases arbitrarily ending in reply to arguments with a curt reply referring to their previous letters

(1) Risk Notes with remarks " liable to wet " were being obtained unfairly.

(2) Railway Receipts with marks " said to contain " were being issued to shirk the liability of the railway company.

(3) Risk Notes under forms " A " for old bagging were being obtained, although the bagging was new, as proved by later surveys.

(4) Under the protection of Risk Note A the Railway Companies refuse to hand over even sweepings which admittedly belong to the consignment, even when there is abnormal shortage in direct route without transhipment.

(5) Under Risk Note " B " railway administrations claim immunity even for heavy shortages beyond all ideas of wastage in transit.

(6) Long delays in delivering goods, parts of consignments being delivered as late as two to four months .

(7) Long delays in settling claims of shortages, etc.
(8) Short free time allowed for effecting deliveries and no holidays except two christian holidays allowed, not even the Universal Hindu and Mahomedan Holidays.
(9) Unnecessary annoyance to merchants in having to waste time and energy in addressing in the first instance " The Agent " (who is meant by the word " The Railway Administration ") instead of the Traffic Superintendent or Goods Superintendent or the Deputy Traffic Manager Commercial, who, as the Agent himself says, has full authority to settle the matter.
(10) Abnormal rates of wharfage at Bombay, although shed accommodation at Wadi-Bunder and Carnac-Bridge is tented out to European firms.
(11) Obstinacy of some of the Railway Administrations not to acknowledge or reply to letters addressed to the Agent and other parties.
(12) When the consignments travel over various railways the consignee is not informed which railway is to be held responsible and he has to give notices to and make all the railways concerned parties to the suit.
(13) Opening or closing of booking of goods at stations is not notified beforehand with the result that the staff find it convenient to inform their friends in private of such opening or closing and thus get their price of the bargain and the merchants are compelled to pay abnormally high rates of cartage.
(14) High-handedness of the companies in taking laws into their own hands in their many dealings with the public as will be seen from the Bombay High Court suit No. 2097 of 1920.
(15) Impertinence of the companies upon carrying out their own laws even when the legal judgment of Supreme Court is against them, *e.g.*, claiming that they are not liable for goods left on their premises without obtaining the receipt thereof.

Question 32.—My Committee are not aware of any such Commission having been appointed at any time, although companies have never up till now provided facilities for traffic as laid down in Indian Railway Act. In fact their only remedy at present seems to be a suit in a court of law. This state of things is not at all desirable and my Committee suggest that at least in big commercial towns, there should be a committee of Indian commercial people who should act as a committee of arbitrators.

Question 33.—My Committee recommend the amendment of the Indian Railway Act to the following extent:—
(1) The meaning of the word administration as defined by Section 141 should include general traffic manager, deputy traffic manager commercial, the goods superintendent or traffic superintendent.
(2) Section 77 of the Indian Railway Act should be amended in such a way that there would be no necessity of serving notices to all the railways concerned.

Question 34.—The carrying capacity is not at all adequate. Reasons are that wagons of all the railway companies have no uniformity of structure. The staff at the transhipping junctions where the wagons are diverted are insufficient and inefficient and a good deal of time is taken in transhipping goods from broad gauge wagons to metre gauge wagons.

Question 35.—My Committee recommend the following suggestions in addition to the above:
(1) Overcharges should be refunded even if the claims of notice of such claim are not served.
(2) Risk Note forms A, B, C and H should be amended.
(3) Wharfage should be reduced especially in Bombay.
(4) Free time for taking delivery of the goods should be increased.
(5) The wharfage should be charged on public and gazetted holidays.
(6) Claims should be settled within six months and, to facilitate this, Risk Notes should always accompany the invoices.
(7) Letters addressed by the public to the railway officials should be forthwith acknowledged.
(8) The railway management should be compelled to take charge of the goods after their entry into the railway yard and to be held responsible for these goods.
(9) The railway management should be held responsible for the goods till they are delivered actually to the consignee.
(10) A time limit to despatch the goods after they have been booked must be fixed.
(11) Railway management must notify the increase of rates on every station of their line.
(12) Time of opening and closing of bookings in case there are restrictions should be specifically notified to the public.
(13) Railway management should not be allowed to charge wharfage if the railway receipts are received late on account of postal strike, etc.
(14) There should be representation of Indian mercantile community in railway conference.
(15) There should be an arbitration committee appointed consisting of railway officials, merchants and lawyers to settle claim disputes.

STATEMENT No. 55.

RAI SAHEB CHANDRIKA PRASADA, retired Assistant Traffic Superintendent, Bombay, Baroda and Central India Railway.

Part I.—Management of Railways owned by the State.

Answer to Question 1.—I consider that the railways owned by the State should be managed directly by the State. See oral evidence, paragraphs 5525/5538

I served for about 39 years on both State-worked and Company-worked State railways and am therefore in a position to give my opinions after a long personal experience of both systems. I prefer the State management for the following reasons:—

Firstly. The State management is amenable to the Government of India in India, which can be influenced by the representatives of the people; while the companies' manage-

ments are directed by their Boards sitting in London which are not in touch with the people, nor can they be influenced except where bound by the express terms of their contracts.

Secondly. The State management naturally works in the interests of the public, while companies' managements aim at profits only and overlook the general interests of the public and development of the country.

Thirdly. Treatment of Indian passengers and traders is generally better on State-managed than on Company-worked lines.

Fourthly. As a matter of fact State management is cheaper than the companies'. Take, for instance, the salaries of higher officals, which are higher on the companies' managements than on the Government lines.

Fifthly. Whatever profits are made by the State they are used for the pubic or go towards the reduction of taxation; while the profits made by the companies are divided between the Government and the shareholders of the companies.

Sixthly. Government have a larger field and employ a much larger number of expert officials than the individual companies, and are therefore in a position to obtain the best men on better terms than the companies do. As a matter of fact companies often draw their officers from the Government service by offering them tempting emoluments.

Seventhly. In the matter of raising funds whether for additional works on open lines or for the construction of new railways, Government can obtain loans on cheaper terms than the companies.

Eighthly. Government management must be impartial in the employment of its servants as in the case of public services; companies' management are partial to Europeans and generally against the children of the soil.

Ninthly. Divided interests created in a single concern by the employment of different companies for the working of the State railways are responsible for the following irregularities, which involve large sums of extra expenditure and serious inconvenience to the public:—

(*a*) The complicated tariffs which the Government of India have been trying to get simplified for the last 40 years or more, but have failed on account of opposition of the companies. The puzzling tariffs and differences in the general classification of goods on the different railways lead to over-charges and under-charges against merchants and general public, resulting in serious delays, annoyance, extra expense, long correspondence and at times litigation in the settlement of claims on account thereof.

(*b*) Anomalous rates for goods charged in numerous cases which are detrimental to the development of Indian industries and to the public benefit generally.

(*c*) Difficulties experienced in the provision of carriage and wagon stock on occasions of large fairs and rushes of goods traffic on one railway, while stock might be lying idle on other lines.

(*d*) Longer haulage of goods by circuitous routes created by competition between different administrations where the traffic would be carried by the direct (shortest) route if the working of all State railways were in the hands of the State.

Tenthly. There would be the following advantages if all State railways were managed by the State:—

(*a*) The railways would be managed as one concern upon uniform principles instead of in different pieces under different administrations with divided and conflicting interests.

(*b*) There would be one simple tariff of rates and fares, removing all the puzzling complications which nobody seems to understand at present. It would remove also the block rates at present quoted by one administration against routes administered by other administrations in order to keep the traffic to its own route.

(*c*) All surplus profits which are taken away by the English companies would remain in the State treasury and reduce taxation.

(*d*) Working expenses would be largely reduced by—

(i) Economy in haulage by direct routing of traffic under uniform mileage or through scale rates which is at times carried by circuitous routes.

(ii) Advantageous concentration of surplus rolling stock on occasions of fairs and rushes of goods traffic, thereby reducing capital cost on extra carriages and wagons provided for separate administrations.

(iii) Reduction of salaries of higher officials and abolition of London Board expenses.

(iv) Greater employment of Indians in the superior grades.

(v) Abolition of the hire system for rolling stock interchanged between the separate administrations, and of the division of joint expenses at junction stations between two or more administrations.

(*e*) Help to industries by placing large orders for railway requirements in the hands of Indian manufacturers, instead of obtaining them from foreign countries.

(*f*) Administration of railways as part of the machinery for the general development of the country. If, by giving specially low rates for nascent industries, there is likely to be some temporary loss to the railway on that part of the traffic, the State will be justified in considering it a reasonable charge on the general revenue of the country, while a company working on purely commercial lines will refuse to carry any traffic at a loss. But the action of the Government will be the surest means of permanently enhancing the utility and therefore the profits to the State to be derived from the railways.

(*g*) Finally, State management is more responsive to the public opinion and when thoroughly established would provide better accommodation in carriages and

waiting rooms, proper arrangements for Indian refreshments, larger number of trains to avoid over-crowding of passengers and detentions at present caused to passengers at stations; and it would on the whole give better service to the public all round.

(*h*) So far as economy and efficiency are concerned, the State has decided advantages over the companies' working of railways, as also in the matter of raising capital for the construction of new railways. The Government have a better credit than the private companies and can raise the capital on much better terms.

Eleventhly. The following are the disadvantages from the company management of Indian State Railways:—

(1) The Boards of Directors of the Companies are located in London, over 4,000 miles away, and are not in touch with the Indian public.

(2) Having an eye to profit only, the companies overlook the general interests of the public and development of the country.

(3) Indifference of the companies towards development of Indian industries and their general policy to favour long distance traffic which is generally in foreign trade, *i.e.*, their differential treatment of foreign trade and provincial or inter-provincial trade injuring local industries.

(4) Differential treatment of Indians and Europeans or Anglo-Indians in the matter of employment of the staff, provision of passenger accommodation in trains and at stations, etc.

(5) Conflicting interests created in a single concern by the employment of the different companies, and their rivalry resulting in Block-Rates which are not at times helpful to the development of the material resources of the country, its trade, commerce and industries.

(6) Frequent unreasonableness of the companies, and the present arrangement by which Governments in India have to reason with railway officers who can always evade responsibility by an appeal to their Boards of Directors who correspond direct with the Secretary of State in London, as stated in paragraph 5 of the United Provinces Government letter No. 67-673-R., dated the 7th February, 1917 A similar complaint was made by the Government of India in their despatch No. 28 of 22nd March, 1869, to the Secretary of State, in which they wrote that their decisions were not accepted as final in India, but were habitually referred to the Board of Directors in London (page 98 of Railway Policy in India by H. Bell).

(7) While the maximum of profits goes to the companies, the country does not obtain the maximum advantage it could and should have from its railways.

(8) Want of economy in the use of rolling stock, owing to each administration having its separate stock and charging hire to other administrations, which prevents concentration of stock in times of need on emergent occasions like the Kumbh melas, etc., when one line is unable to meet requirements while stock is idling on another line.

(9) Complicated tariffs of rates maintained by the different administrations involving great expense in staff and printing charges, and serious trouble to the public in connection with overcharges and under-charges due to mysterious tariffs.

(10) As the companies are not owners of the railways and spend large sums of money on behalf of Government, their administration is generally expensive. Take for instance, the high rates of salaries, allowances, and other privileges (houses, saloon carriages, institutes, play-grounds, etc.) of the European officials.

Answer to Question 2.—While I prefer State management, I hold that even that system of administration, as conducted at present, should be remodelled, in order to make it responsive to the needs of the people. I propose the following arrangements for the future direction and management of the State Railways:—

(*a*) The Railway Board should be abolished at once, and the working companies' boards as early as possible under the terms of their contracts

(*b*) All State railways should be provincialized and their control placed under the provincial Governments, except in matters of general and inter-provincial concerns, in which their direction and control should be under the Central Government.

(*c*) A Select Committee from the Legislative Assembly should have the direction and control of the matters retained under the Central Government. Similarly a Select Committee of each Provincial Council should have the direction and control of the provincial matters concerning the railways placed under each local Government.

The Provincial division of the railways may be carried out in a convenient form. The best arrangement would be to begin with the State-worked railways and each of the company-worked lines as lie entirely within a single province, those of the company-worked lines which cover two or more provinces may be allowed to continue to be under the Central Government, until such time as the working of such railways can be acquired or resumed by Government, when the line should be provincialized

By provincializing the railways, it is meant that the administrative control and financial responsibility of railways within the boundaries of the Provincial Governments be placed under the local Government or administration concerned. Take, for instance, the East Indian Railway, which runs from Kalka to Howrah and Jubbulpore, through the following five Provinces:—

(1) The Punjab.
(2) The United Provinces.
(3) The Central Provinces.
(4) The Behar Province.
(5) The Bengal.

The portion lying in each Province should be under the Provincial Government concerned.

An objection might be raised that such a decision of a single railway might create difficulties in working, but such difficulties are more imaginary than real. The division of State lines might be carried out according to the Provincial boundaries, utilizing as far as possible the existing districts or divisions of the Locomotive and Traffic Departments of the railway, which have separate charges administered by District Officers. If any of the Districts cover more than one Province, its boundaries might be altered to correspond with those of the Province. As all State Railways belong to the Government, there should be no difficulty in carrying out such a division, or a division of the financial responsibility.

In Europe similar through lines, say from Brindisi to London, Christiania or Stockholm are owned by four or more States or Companies. In India itself, we have several independent railway administrations between Peshawar and Bombay or between Madras and Cawnpore, etc., etc.; yet there is no difficulty in working or accounting for the through traffic. The existing arrangements in India for the interchange of rolling stock and for the booking and accounting of through traffic worked by different railway administrations could be applied to inter-provincial traffic.

Or as an alternative, the railways might be divided in convenient groups and each of such groups might be placed under a provincial Government, somewhat as the control of the Rajputana Malwa State Railway from Ahmedabad to Ferozepore, Delhi, Agra, Cawnpore, Khandwa was under the Government of Bombay up to 1905.

By placing the control of the railways under the Provincial Governments, we could secure such control and direction as are necessary for the efficient and economical administration of the railways. The Local Governments with their intimate knowledge of the needs of the people, trade and industries, can administer the railways better than the Central Board at Simla or Delhi, and they will be assisted by the representatives of the people under the newly reformed Councils.

In 1871 the Government of India itself thought of creating a Railway Branch in all Provinces, but discarded it on narrow considerations. In 1879 the Secretary of State expressed the opinion that the Government of India would make over to local Governments the executive functions in regard to railway systems. The Famine Commission* of 1880 made a recommendation for Provincial financial and executive responsibility in respect to famine relief railways. In 1884 General Richard Strachey, R.E., C.S.I., F.R.S.,† who was a brilliant member of the Government of India both in India and England, advocated the decentralization of the Indian railway administration; that the railways might be placed under the Provincial Governments both as regards the provision of funds and general control. Colonel Conway Gordon, R.E., late Director-General of Indian Railways, suggested‡ a popular representative system of railway administration for India.

In paragraph 277 of its Report, then Indian Industrial Commission of 1916-1918 drew attention to the absence of representation on the railway bodies of the Provincial Departments of Commerce and Industries and of British and Indian commercial bodies. The Commission recommended the appointment of a Commercial Member of the Railway Board.

The subjects to be dealt with by the Provincial Government should embrace—

(1) Working and management of existing lines.
(2) Additions and alterations in the number and timings of passenger trains.
(3) Comforts and conveniences and necessary accommodation for passengers and goods.
(4) Rates and fares for passengers, goods and other traffic.
(5) Financial matters of the railways.
(6) Further extensions of railways.

In local matters the Provincial Governments should have freedom of action, but in matters relating to through traffic arrangements, they should act under the advice of the Central Board or the Central Government according as it may be decided to keep the Board or the Secretariat System under a Sub-committee of the Legislative Assembly.

The following advantages may be expected from the provincializing of the railways—

(1) The local requirements would receive due consideration.
(2) The work which is unwieldy for a Central Government or a single body like the Railway Board, would be divided into seven or more convenient groups.
(3) It would improve the efficiency of the railways and would tend to greater economy.
(4) The Provincial revenues would have a share of the surplus profits, and this would improve the Provincial finances.
(5) In the case of new lines or extensions, the local authorities would have a free hand and would create local syndicates to raise the necessary capital.
(6) By general improvements which are to follow such administration, greater interest would arise among the people in their railways, which would result in a general advance in agriculture, industries, commerce and general prosperity of the country.

Answer to Question 3.—I am decidedly against the continuance of the working companies so far as the State-owned railways are concerned whether the headquarters of such companies be located in India or retained in London. My reasons are given in the answer to question (1).

Answer to Question 4.—I consider that the employment of the working companies for State Railways adds to the costs of the working of the railways, as is evident from the following considerations:—

(*a*) Higher rates of interest paid on capital raised through companies than on direct borrowing by the Government.
(*b*) Higher salaries, allowances, etc., given to higher officials by the companies than those by the State-worked railways.
(*c*) Surplus profits allowed to the companies.
(*d*) The companies being a third party between the State on one side and the people on the other, the employment of such a third party cannot but add to the expenditure

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* Paragraphs 12-15 of Report of the Indian Famine Commission, 1880, Part II, Chapter V, Section 10.
† Paragraphs 32-37 and 90-91 of the Evidence before the Select Committee of 1884.
‡ Paragraph 4303 of *ibid.*

(*e*) In spite of the fact that the companies have an interest in the surplus profits, there is waste of public money, because close supervision and independent audit control are not applied over the work and expenditure of the Departments, and latterly the salaries and allowances of European officials have been very largely increased. I consider it is wrong in principle to allow companies to raise shares in a property belonging entirely to the State. The people who own the State railways have already their own executive, viz., the Government; it is superfluous to employ the second agency of companies.

Answer to Question 5.—The companies domiciled in England are more objectionable than those in India. It would be an advantage to have the headquarters of the companies moved from England to India, at least for such time as their existing contracts remain in force. Their contracts should, however, be determined at the earliest possible date. I would refer the Committee to the following opinions of eminent authorities and experts about the companies which have been employed by the Government of India:—(The opinions will follow.)

Answer to Question 6. The arrangement suggested in my answer 2 precludes the employment of working companies for State Railways, whether they are domiciled in India or elsewhere.

Answer to Question 7. I do not consider there will be any lack of continuity in the Provincial or Central Boards or Select Committees in India as proposed in my answer 2. I do not consider any need for a permanent chairman skilled in railway work. The technical work may be left in the hands of the executive bodies both in the Central and the provincial Governments. It may be an advantage to have gentlemen skilled in railway work among the members of the Boards or Select Committees, but it need not be necessarily laid down to have such experts as the Railway portfolio has always been held by members of the I.C.S. who were not railway experts.

Answers to Questions 8, 9. These questions do not arise under the scheme I have suggested for the future working of the State Railways.

Part II.—The Railway Board and the Government of India's Control.

Answer to Question 10.—The present Railway Board has failed to meet the expectations of the public and should be abolished and replaced by the Select Committees as suggested in answer 2.

The control exercised by the Railway Board over the railway administrations has been ineffective. I would suggest the re-establishment of the Consulting Engineers and Government Examiners' Departments for the companies' lines, with directions for a closer inspection and scrutiny of the lines and works and the system of working and expenditure in all Departments of the railways. It was upon the Government control and audit of the companies' accounts that the capital for Branch lines was readily subscribed by Indian investors. I think it was a mistake to abolish those Departments upon the complaints made by the working companies before the Special Commissioner (1901-3) and the Committee on Indian Railway Finance and Administration, 1908.

Answer to Question 11. Please see my answers to question 2, 7 and 10. The Executive Officers to be employed under the Select Committees as Secretaries, and Assistant Secretaries, should be experts as they used to be in the Government Secretariats. They should be assisted by Consulting Engineers or Government Inspectors, and Examiners of Accounts. All the powers of the Railway Board should be vested in the select Committee of the Legislative Assembly *minus* such powers as may be transferred to the Provincial Governments.

Answer to Question 12. The functions of the Board according to the recommendation of the Committee on Indian Railway Finance and Administration are confined mostly to indoor work. The Board seldom, if ever, goes out to inspect the lines and works, nor does it employ any staff of independent Inspectors or auditors to exercise control or check over the operations and expenditure of the railways. For these reasons it is evident that the functions of the Board are insufficient and likely to lead to laxity on the part of the officers of the railways.

Answer to Question 13. No. In the first place, the law on the subject is defective, there being no provision in the Indian Railways Act, similar to the provisions of the English Railways Acts of 1873 and 1888, especially those relating to the permanent commission to enquire into public complaints against railways or the obligation of railway administrations to submit to the Board of Trade for sanction of the Parliament, a revised classification of goods and a revised schedule of maximum rates and charges applicable thereto, including terminals. The Indian law on these subjects should be assimilated to that in force in England (sections 8 and 24 of the Railway and Canal Traffic Act, 1888) as promised in the penultimate clause of paragraph 2 of Government of India, Public Works Department, Resolution No. 1446 R.T., dated 12th December, 1887.

In the next place the powers reserved in the contracts of some of the companies working Indian railways are insufficient for the Government to exercise the same control as is exercised by the Board of Trade in England.

I think the clause in the original contracts of the late guaranteed companies gave ample powers to the Government: similarly the clauses in the East Indian Railway contract of 1879 are ample, but the same cannot be said with regard to the contracts of some of the other companies. These contracts have not been published by the Railway Board in their administration reports, as they used to be before, by the Parliament and by the Indian Government. Publication of such important documents is very necessary.

Answer to Question 14. No. The Railway Board have not been able to have the complaints of the Indian public remedied by the railways, especially in regard to the following:—

(i) Overcrowding of trains, due to insufficient numbers of trains usually run for the traffic offering.

(ii) Lavatory accommodation in carriages. The commode in 1st and 2nd class is not suitable for Indians while the latrine in the 3rd class is filthy, stinking, and too small for the large numbers travelling. It has no provision for washing.
(iii) Absence of Refreshment Rooms for Hindus and Mahomedans even at important stations.
(iv) Uncomfortable waiting rooms for 3rd class.
(v) Insufficient arrangements for water supply for passengers.
(vi) Insufficient arrangements and time for sale of 3rd class Tickets causing rushes of passengers to the ticket windows.
(vii) Non-publication of time-tables and tariffs in the vernaculars.
(viii) Insufficiency of carriages and use of goods wagons for passengers.
(ix) Long and serious delays in the supply of wagons.

Answer to Question 20.—Capital funds required for Indian Railways should be raised in India only. I differ from the recommendations of the Select Committee of 1884 and of the Committee on Indian Railway Finance of 1908, and consider the policy laid down in 1869 and 1874 by the Duke of Argyle and the late Lord Salisbury was perfectly sound and should be restored.

Objections have been justly raised in India to the borrowing of outside capital, not so much on the ground of the burden of remitting the interest but because the use of such capital leads to exploitation of India by foreign agencies. The employment of British Companies as Agents for construction and working of Indian Railways has many elements of objectionable exploitation. These companies have not only been pushing on foreign trade by charging lower rates for the carriage of export and import goods than they charge for local traffic and local industries, but they have been employing foreigners almost exclusively in all the higher posts of the railway service. Thus the cost paid for obtaining foreign capital is unduly higher and there is a loss of wealth, work, experience and wisdom, which go away as the men retire to foreign countries. Consequently the people of India have not been benefited to the extent they ought to have been, and have not had due opportunities of acquiring aptitude for higher work on the railways; the most they have got is generally wages for low workmanship, and this is no compensation for the enormous advantages reaped away from the country. Under the circumstances the use of British capital and employment of companies for Indian Railways cannot be said to be an unmixed blessing to the country.

The Committees mentioned above ignored the weighty opinion of the late General R. Strachey, R.E., C.S.I., F.R.S., contained in his answer to question No. 197 before the Select Committee of 1884, where he said:—

> " I, in common I think with many people who have interested themselves in Indian finance, have a very strong disinclination to do anything which shall add to the sterling liabilities of the Secretary of State. I think whether it is in the shape of a guarantee of interest in sterling or the creation of sterling debt, the increase of home liabilities is greatly to be deprecated. The power of borrowing in sterling, I agree, should be reserved for times of difficulty and occasions of emergency such as inevitably arise from time to time, and the experience of the past shows that, however much the Secretary of State has tried (because he has tried very hard) to avoid borrowing in England, circumstances have compelled him to go on borrowing and unfortunately also, whatever may be done in the opposite direction in trying to reduce this sterling debt, it has been practically found to be almost impossible that the reductions of it have been extremely small and that it is extremely difficult to make them. Of course the whole of the money that the Secretary of State gets in England has to be got by the sale of bills and every addition to the amount of the bills that are sold in excess of what is really necessary for carrying on the business of the Government and discharging its liabilities here adds to the difficulties under which financial administration at the India Office is carried out. I have now been connected with the India Office a good many years and have sat in the Finance Committee for a good many years, and there is hardly a single year in which one time or other we have not been in a very considerable state of anxiety as to whether we shall be able to make two ends meet, that is to say, as to whether we shall get our bills sold at a sufficient rate and in sufficient time to enable us to discharge the whole of our liabilities, and I am sure the members of this Committee who also have been at the India Office, will corroborate that view. During the last eight years the liabilities which have arisen from the guaranteed railways have increased the annual payments at the India Office to no less than £5,700,000. At the present moment they are £5,700,000 a year more than they were 15 years ago."

Apart from the difficulties in connection with the selling of bills referred to in the above evidence the system of borrowing large sums of money in England for Indian Railways is wrong in principle, which the opening part of the above answer indicates. Railways have been pushed on in India with too much rapidity which is not at all necessary now; as the main lines have been completed, any branch lines or others required should be built with capital raised in India and with material manufactured in the country as far as available. It is detrimental to larger interests of India to employ foreign capital, use foreign manufactures and employ foreign agencies or staff to construct and work Indian railways. Government should not allow the country to be exploited by foreign capital for the gain of foreigners to the detriment of the country by loss both in money and experience of working.

Answer to Question 21.—The Branch Line terms are suitable, except as regards the rate of dividend with rebate from the main line earnings. This rate may be raised from 5 to 7 per cent. per annum on the paid up capital. This is necessary as the Government of Bombay have lately taken a loan at 6 per cent. per annum free of income tax. I am distinctly opposed to any cash guarantee being given by the Government. Promoters of railways should take the risk. Most of the trunk lines have been completed; any further extensions of railways should be undertaken as commercial enterprise, not at the responsibility of the general taxpayer.

Answer to Question 22.—Any further capital required for improvement of the existing railways should be raised by the owners of such railways, *viz.*,

By Government for State Railways.
By the Companies which own the lines.

Direct borrowing is best for the Government. It may be done by railway debentures or terminable bonds The working companies have no proprietary rights in the railways; they should not be allowed to raise any further capital by means of either ordinary or preference shares. The subsidiary or branch line companies are owners of their lines; they may be allowed to raise the capital required for their lines by any means they like.

As far as possible, improvements of the existing lines should be carried out with surplus profits. Some check should also be exercised in judging the merits of the improvements. On some lines I have seen capital is being spent on additional staff quarters for European and Anglo-Indian officials, which can hardly be regarded as improvement of the line. Such expenditure is unproductive

Answer to Question 26.—In this connection, I would draw attention to the following recommendations of the Select Committee of the House of Commons of 1879:—

"That the construction of new works from borrowed money for the future be limited to those schemes alone which, upon the responsibility of the Government, are estimated to be productive, by yielding an annual income equal to the interest on the capital expended in their construction, including in such capital interest during construction.'

"That the amount to be annually expended upon productive public works should mainly depend upon the financial condition of India, and should therefore, for the present, be limited to an amount of £2,500,000 as recently fixed by the Secretary of State for India in Council."

I would also draw attention to the following recommendation of the Select Committee of 1884:—

"Whilst expressing an opinion that the present limit of borrowing fixed by the Committee of 1878-79 at £2,500,000 might safely be enlarged, they think that the full responsibility of deciding upon the amounts to be borrowed from year to year should rest with the Secretary of State in Council.

"34. In making the recommendations contained in this Report your Committee wish most emphatically to endorse the declaration of the Government of India, made by Major Conway Gordon and Mr. Westland, that *the proposed extension of railways should not involve additional taxation*. The italics are mine."

I consider there has been too rapid an extension of railways in India, especially after 1884, as the following figures show:—

——	Miles opened.	Capital expended in lakhs of rupees.
1850-60	838	26,66,00
1861-70	3,933	63,34,50
1871-80	4,225	38,56,41
1881-90	7,408	85,10,13
1891-1900	8,348	1,15,86,30
1901-10	7,347	1,09,51,39
1911-17	4,234	1,02,75,17
Total	36,333	5,41,79,90

During the last decade of the last century there was an annual average of 834·8 miles or 2·3 miles per day, while the capital outlay rose from an average of 11·5 crores per annum during 1891-1900 to 14·67 crores during 1911-17.

Although our annual accounts from the commencement of this century, except during the year 1908-9, have shown net profits from the State Railway, still they have not yet cleared the accumulated interest on the deficits which were made good from general revenue of India during the first 50 years of Indian railways. At the end of the year 1918-19, there was an outstanding debit of 297·97 crores of rupees against the railways, while the loss on account of the late guaranteed companies alone amounted to 332·75 crores on that date, the difference of 34·78 crores having been made up by the net profits of the State Railways.

The proposal to raise the rates and fares on the Indian railways virtually means an additional taxation which the Indian Government and the Parliament have emphatically declared not to impose on account of the railways.

The expenditure on the State Railways has been unduly increased, especially in the way of increased pay and allowances to the higher officials, which are not warranted.

The following is a comparison of Indian maximum and minimum salaries with the rates found on some of the continental railways before the last war:—

——	Maximum per month.	Minimum per month.	Proportion of maximum to minimum.
Indian State Railways	3,500	7	500 to 1
French " "	989	75	21 to 1
Belgian " "	469	90	8 to 1
Swiss " "	781	73	11 to 1
German " "	750	69	11 to 1
Norwegian "	450	55	8 to 1
Swedish " "	1,387	63	22 to 1
Danish " "	900	73	12 to 1

The high proportion of the maximum salary to the minimum on the Indian State Railways is most remarkable.

The expenditure on the railways should be carefully examined in all the details and cut down to the lowest possible. There is large room for reductions and savings, if goods tariffs be simplified, office work reorganized somewhat on the lines described on pages 580-894 of the Bulletin of the International Railway Congress Association, Brussels, for August, 1912, and expenditure on stores and line and in railway workshops be looked after and incurred strictly on commercial principles.

Passenger fares have already been raised from 1917 and again from July, 1920. The effect of the same cannot be regarded as healthy, as it has caused a falling off in the number of passengers, especially in Inter and 3rd classes:—

	Intermediate class.		Third class.	
	Number in hundreds.	Earnings in thousands of rupees.	Number in hundreds.	Earnings in thousands of rupees.
1914-15	12,617,7	1,03,31	403,558,8	17,62,96
191.-16	13,648,1	1,12,82	418,254,0	18,04,85
1916-17	14,348,8	1,22,41	431,456,2	19,61,59
1917-18	7,719,4	1,15,73	381,016,7	21,44,51
1918-19	8,721,6	1,42,88	404,387,6	24,42,81

Notwithstanding the increase in the open length of the railways from 35,284 miles in 1914-15 to 36,616 miles in 1918-19, the number of passengers and earnings therefrom which were steadily rising year after year, fell considerably in both the latter years in which the enhanced fares were in force.

The maximum fare for 3rd class authorized by Government before 1917 was 3 pies per mile By mail trains the actual 3rd class has been raised to 3½ pies and by other trains it has been raised to three pies. The action of the Railway Board in authorizing the increase of the maximum fares in 1917, without consulting the public or the legislature, is questionable.

The maximum fares were increased as under:—

	From pies.	To pies.
1st class	18	24
2nd class	9	12
Inter class for mail and fast passenger trains	4½	6
3rd class	3	4

According to the Railway Board's Statistics for the year 1918-19, the average profits in pies on working a coaching vehicle per mile were as under:—

	5' 6" Gauge.		Metre Gauge.		2' 6" Gauge.	
	1st half	2nd half.	1st half	2nd half.	1st half.	2nd half.
1st class	— 18·15 to + 16·01	— 20·23 to + 13·84	— 18·63 to +169·90	— 27·94 to + 41·14	— 20·77 to 301·80	— 27·42 to + 82·33
2nd class	— 1·67 to + 33·48	— 4·13 to + 28·09	— 14·50 to + 27·48	— 24·57 to + 21·62	— 24·85 to 132·47	— 9·42 to + 30·01
3rd or Inter.	— 11·93 to + 57·46	— 13·15 to + 49·32	— 16·24 to + 43·64	— 9·66 to + 42·83	— 29·05 to 115·76	— 13·62 to + 23·67
4th or lowest	+ 35·81 to + 98·90	+ 30·77 to + 75·06	+ 10·50 to + 56·37	2·33 to + 48·21	5·52 to 60·21	— 4·57 to + 45·50

I do not think it is advisable to raise the passenger fares any higher than the present actual fares. Goods rates may in some cases be raised by withdrawing the special quotations to and from the sea-ports.

I would like to see the Intermediate class provided on all important trains in India with better accommodation than the third class.

Answer to Question 27. I would not judge the merits of the two systems by the figures given in the two tables. The Railway Board themselves, in their circular of 10th July, 1916, declared that they had "been forced to the conclusion that it is impossible to base any definite finding upon statistical results." The results are due to varying conditions prevailing in the different localities and lines of railway. As a matter of fact the best paying lines are in the hands of the companies, while lines which were at one time considered as non-paying, strategic or protective railways, were left for the Government to work.

I do not consider the actual management of one better than the other, but in principle I do hold the State management is superior. The companies' management is undoubtedly more expensive and the better returns shown in the tables cannot be attributed to any superior skill of the companies. They are due to the favourable considerations, natural advantages, and volume of traffic offering. In this connection I would draw attention to the memorandum on the loss or gain resulting to the State from the lease of the R. M. State Railway to the Bombay Baroda and Central India Railway Company by Mr. Frank Morrison, Examiner of Guaranteed Railway Accounts, dated the 28th July, 1886, which is printed as appendix F, pages cix to cxix of the Director General of Railways' Administration Report, Part II, for the year 1885-86. I quote below the concluding paragraph of that memo:—

"It may be noticed that it is very probable that the modification in the R. M Railway rates and fares, and particularly the division with the Bombay Baroda and

Central India Railway Company of the through traffic receipts upon a mileage basis, has on the whole proved detrimental to the interest of the State railway and that, had the financial result of these changes been approximately ascertainable, it would have considerably augmented the loss exhibited in this memo. But apart altogether from this, the actual loss of income as set forth in the attached statements, represented by Rs. 6,51,844 as regards the state railway and by Rs. 3,58,668 in respect of Imperial revenues, is virtually *a handsome bonus to the Railway company unattended by any appreciable advantage.* The changes in the supervising staff have not resulted in any practical economy but *have rather enhanced the cost of working, nor can it be said that any direct benefit has yet accrued to the State railway from the unity management,* for with the single exception of office of the Agent (or Manager) the management of the two lines is virtually as distinct as ever, no fusion of the various officers and subordinate establishments having yet been attempted. *Any additional traffic attracted to the State railway under* these circumstances, *can hardly be the result of the amalgamation,* but *must be regarded as a normal expansion of business independent of the lease of the State line to the Bombay Baroda and Central India Railway company.*" The italics are mine.

The loss to the State mentioned in the above extract refers to the first year (1885) of the lease only. The conclusion stated therein also referred to that year only but I have grounds to believe that they hold good up to the present, though there have been changes in the terms of the old lease since the State purchased the Bombay Baroda and Central India Railway in 1905.

Answer to Question 28. With due deference to the opinions of the Finance Department, I consider the Budget system of lapses is capable of being amended. Any grants made to a particular line should be set apart for that line whether it is spent during the year or not, especially when stores have been ordered on the strength of that grant. Unspent balances of such grant should not be transferred to other railways, but carried forward to the credit of the railway concerned for expenditure in the succeeding year to meet the cost of stores ordered or other liabilities incurred. Much of this difficulty can, however, be avoided by ordering material from manufacturers in India. The difficulties arise mainly owing to delays in the supply of material from England. There should be no such delay if the orders are placed in time with the manufacturers in India.

Part IV.—Government Control of Rates and Fares; Settlement of Disputes.

Answer to Question 30. No.

Answer to Question 31. That railway administrations have not wisely used their powers in the interest of the public is apparent from the following single illustration of the manner of charging kerosine oil, an essential article of domestic use. This article is classified in the General classification of Goods 2nd class (¼ pie per maund per mile) at Railway risk, and 1st class (⅛ pie per maund per mile) at owner's risk, but it is charged over the important Railways as follows:—

B. B. & C. I. Railway.		G. I. P. Railway.		E. I. Railway.		N. W. Railway.	
From Bombay.	Between stations other than Bombay.	From Bombay.	Between stations other than Bombay.	When carried over 300 miles.	When carried under 300 miles.	From Karachi.	Between stations other than Karachi.
Railway Risk. 2nd class or ¼ pie per md. per mile.	*Railway Risk.* 4th class or ⅛ pie per md. per mile.	*Railway Risk.* 2nd class or ¼ pie per md. per mile.	*Railway Risk.* 3rd class or ⅜ pie per md. per mile.	*Railway Risk.* 2nd class or ¼ pie per md. per mile.	*Railway Risk.* 3rd class or ⅜ pie per md. per mile.	*Railway Risk.* 2nd class or ¼ pie per md. per mile.	*Railway Risk.* 3rd class or ⅜ pie per md. per mile.
Owner's Risk. 1st class or ⅛ pie per md. per mile.	*Owner's Risk.* Not carried	*Owner's Risk.* 1st class or ⅛ pie per md. per mile.	*Owner's Risk.* Not carried	*Owner's Risk.* 1st class or ⅛ pie per md. per mile.	*Owner's Risk.* 2nd class or ¼ pie per md. per mile.	*Owner's Risk.* 1st class or ⅛ pie per md. per mile.	*Owner's Risk.* 2nd class or ¼ pie per md. per mile.

It will be seen that while the Railways charge the classified rates in booking from their respective ports, they put a smashing block rate over their lines, on traffic originating over another line, thereby making it impossible for the public to obtain supplies from an alternative port. Ordinarily, the block rates may not be felt but in abnormal times, like during the period of the late War when shipping was scarce, Bombay Port could not replenish stocks at up-country depôts which had to rely on Calcutta for its supply; but at prohibitive freights over the Great Indian Peninsula, Bombay Baroda and Central India and North Western Railways. This alone was responsible for the price of oil going up over 200 per cent. and in some places was not to be had at all! While a Railway owning a direct route should foster its traffic by quoting irreducible minimum rates, it should not be permitted to stop the possible flow of traffic coming from another direction. The block rates must therefore go entirely; there should be an uniformity of classification over all railways, and if an exceptional reduced classification is at all necessary it should not be restricted between particular points but the benefit of it should be made general. According to English practice all available routes should have equal rates for the same kind of traffic.

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Allotment of traffic under agreements.

Certain railways have come to agreements among themselves for the purpose of routing traffic between stations which are served by two or more routes. The Great Indian Peninsula and Bombay Baroda and Central India Railways, for instance, have agreed that traffic between Bombay and Cawnpore and *via* should be carried by the former railway, the latter not competing. Similarly the Bombay Baroda and Central India Railway have agreed to carry Bombay-Delhi and *via* traffic, the Great Indian Peninsula Railway standing out. Again, the East Indian and Great Indian Peninsula Railways have come to an agreement for carrying traffic between Howrah and Bombay *via* Jubbulpore On the one hand these arrangements have stopped healthy competition, on the other hand higher rates are charged by the alternative routes in case the agreed route is temporarily restricted as will be seen from the following example:—

Rates from Cawnpore to Bombay.

	By G.I.P. Railway. Per maund.	By B.B. & C.I. Railway. Per maund.
Grain	... 0 9 8	0 10 8
Crushed food	... 0 13 6	0 15 1

When the Great Indian Peninsula route is restricted, traders have to resort to the Bombay Baroda and Central India Railway's route for the carriage of their consignments at the higher rate. To quote another example, the East Indian Railway charge grain from Howrah to *via* Cawnpore for traffic to Bombay at Rs. 1-1-7 per maund, but in booking over the same distance for stations other than Bombay they charge Rs. 0-7-11 per maund only.

The higher rate is a block rate introduced to prevent grain from Howrah to Bombay going *via* Cawnpore, to force it *via* Jubbulpore, as will be seen from the following rates:—

Rates for grain from Howrah to Bombay.

Via Jubbulpore. Per maund.		*Via* Cawnpore. Per maund.
East Indian Railway	East Indian Railway	1 1 7
Great Indian Peninsula Railway } 1 10 4	Bombay, Baroda and Central India Railway	0 10 8
	Total	1 12 3

When the East Indian cum Great Indian Peninsula route is restricted, traders will be called upon to resort to the Cawnpore route at an extra cost of 0-1-11 per maund. The question arises as to why the East Indian should charge over the same length (Howrah *via* Cawnpore) Rs. 0-7-11 in one case and Rs. 1-1-7 in another. Such instances where railways pay greater attention to their own interests to the detriment of the public can be multiplied.

Another instance of the Railway Board using its powers against public interests is their authorizing the enhancement of maximum and actual passenger fare in 1917, without consulting the legislature. This was pointed out in the Legislative Council in March, 1918.

Answer to Question 32.—The Railway Commission provided in Chapter V of the Indian Railways Act has never been appointed by the Government. Its provision has remained on the statute only. In 1903 the Special Commissioner for Indian Railways, Mr. Thomas Robertson, C.V.O., recommended the appointment of a permanent railway commission and revision of the Indian Act on the lines of the English Railway and Canal Traffic Act, 1888 (page 19 of his report), but no action appears to have been taken in that direction.

I think Mr. Robertson's recommendations should be carried out and the Indian Railways Act brought on the lines of the English Act.

As the matters stand at present, a railway administration in India can increase its rates and fares within the maxima, without any reference to Government. This is objectionable.

Risk Note.—" The conditions attaching to the risk note in use on Indian railways, which it may be mentioned, have the sanction of law, are of a very onerous nature. Railways are not only exempted from all liability for loss or damage to the property while in transit, which they could not with due care have prevented, but they are relieved of responsibility for the wilful acts of their own servants. In other words, if a consignment has totally disappeared while in the possession of the railway, the law courts held that no claim lies against the railway in order of the present wording of the risk note. In England, a railway is not exempted from liability for the wilful acts of its own servants and the present conditions in the Indian risk note cannot work in the best interests of the country, and I am of opinion that the Indian form should be assimilated to the English form."

This recommendation was made by the Special Commissioner in 1903 and the objectionable Risk Note was somewhat rectified, but complaints are still made by the public, as the railway administrations accept liability only for " the loss of a complete consignment or of one or more complete packages forming part of a consignment due either to the wilful neglect of the railway administration, or to theft by or to wilful neglect of its servants." The burden of proving negligence of the railway or of its servants or agents is imposed upon the owner of goods while the goods remain entirely in charge of the railway over a long distance, where it is impossible for the owner to trace the neglect or theft on the part of the railway servants or agents. Claims for compensation for losses are repudiated by the railway administrations and the public are helpless. The condition should be changed.

(*Certain further statements furnished to the Committee by Rai Saheb Chandrika Prasada have not been reprinted.*)

STATEMENT No. 56.

The Indian Economic Society, Bombay.

We are directed by the Committee of this Society to submit the following replies to the questions published by you with a view to inviting opinions of representative bodies thereon. This Society was founded in 1915 with the object of promoting the economic interests of the Indian people by facilitating the study of economics and focussing the views of experts on economic questions. The Society counts amongst its members, economists, merchants, industrialists and other business men. It is keenly interested in the problem of transportation which is one of the factors promoting the economic interests of a nation.

See oral evidence, paragraphs 5525/5538.

Our Committee suggests that Rai Saheb Chandrikaprasad Tiwari, a member of this Society, should, if necessary, be invited as a witness on behalf of this Society to supplement the information contained in the following replies. He has personal knowledge and experience of both State-worked and Company-worked railways, extending over a period of more than 30 years.

We, therefore, trust that you will place this memorandum before your Committee for their consideration.

Part I.—The Management of Railways owned by the State.

Question 1.—Our Committee is strongly of opinion that railways owned by the State should be managed directly by the State for the following reasons:—

(1) State management would save to the country the companies' share of the surplus profits which amounted to 189·63 lakhs of rupees in 1918-19.

(2) The sacrifice of such a large sum every year can be tolerated only when it is absolutely necessary for securing better management.

(3) That the State should directly manage its own property is perfectly natural. Any departure from this policy is justifiable only on the ground of benefit to the community for which the railways are meant.

(4) Results of working in India have conclusively shown that, treated as commercial undertakings, State-managed railways compare very favourably with company-managed railways, in view of the fact that some of the richest, most populous and best developed regions in India are served by company-managed railways, while some of the State-managed railways are only strategic and protective.

(5) Analogy of other countries also lends support to our advocacy of State management.

(6) Railways are no mere commercial undertakings. They ought to be worked in the general interests of the public and should conduce to progress, particularly industrial. This can be effectively secured by State management, the companies having shown hitherto complete indifference to the needs of Indian industries and to everything else save that which brought profits.

(7) The State can, in considering the schemes of railway development, take into account not only the direct and immediate gains, but also indirect and prospective gains and take up schemes that appear promising from this latter point of view which the Companies that have to look to the payment of dividends cannot.

(8) State management will be more amenable to public opinion under the reforms than company management.

(9) Railways, being in the nature of a monopoly, should be directly managed by the State, which alone can be regarded as the true custodian of public interests.

(10) State management is but the natural and necessary corollary to the Montford Reforms. The companies have had their day; they can have no place in the new era.

(11) Foreign companies whether domiciled in India or abroad can never be expected to take the Indian view-point, can never understand the Indian mentality, sentiments and customs, as the State which is going progressively to develop into a Government of India by Indians.

(12) In these days of industrial unrest and labour troubles, labour interests are safer with a management responsive to public opinion.

(13) Impartiality in trade disputes will be better secured in the absence of big companies having influence with the Government of India and the Secretary of State.

(14) The operation of different railways as a single concern under State management will secure economy and efficiency in many ways. Marshalling of rolling stocks will prevent shortage of wagons in one part of the country synchronising with surplusage in another and thus obviate the unnatural phenomenon of passengers being herded together like swine in goods wagons on occasions when there is a rush of passenger traffic

(15) State management will mean—

(*a*) Better treatment of Indian passengers, particularly the third class ones who contribute most of the coaching receipts.

(*b*) Larger employment of Indians in the superior grades of railway service.

(*c*) Better grading of railway services by reducing the range between the maximum and the minimum and raising the average earnings for the bulk of workers.

(*d*) Simplification of tariffs, abolition of block rates and preferential treatment of traffic to and from the ports as against interprovincial traffic.

Question 2.—While advocating State management of railways, our Committee holds that even that system of management, as at present conducted, requires remodelling so as to make it more responsive to the needs and conveniences of the people.

With that view our Committee suggests that all the State railways should be provincialised and Departments of Transportation be created in the Provinces, working independently of other

Departments under the direction and control of Select Committees of the Provincial Legislative Councils, having Indian Ministers as chairmen, with a central department for the co-ordination and regulation of general and interprovincial affairs working under the direction and control of a Select Committee of the Indian Legislative Assembly with an Indian member of the Governor-General's Executive Council as chairman.

All the powers of the Railway Board should be vested in the Select Committee of the Indian Legislative Assembly, excepting such as may be transferred to the Provincial Governments.

The directors or secretaries and their assistants should of course, be experts in railway work; and as these will, under our scheme, be the real executive, lack of continuity in the personnel of these Select Committees and the possible absence in them of railway experts, will not be detrimental to the efficient working of the railways. On the other hand, since the present Railway Board is composed entirely of railway men out of touch with the Indian commercial community, to whom the efficient working of railways is of paramount importance, the presence of representatives of this community in these select committees—Central and Provincial—will be very useful.

Questions 3, 4, 5, 6, 7, 8, 9.—As we are absolutely against management of State railways by private working companies, our Committee considers it unnecessary to express any opinion on points referred to in these questions. Our Committee is emphatically of opinion that in a matter so vital to the country's progress, political, economic and social, no compromise, no half-measures, would do.

Part II.—The Railway Board and the Government of India's Control.

Question 10.—Our Committee considers the system of control by means of a Railway Board unsatisfactory. The alternative proposed is suggested in our answer to Question 2.

Question 11.—No answer is necessary in view of our answer to Question 10.

Question 12.—Our Committee considers that the exercise of the functions of the Railway Board in practice is unsatisfactory and extends to insufficient details. The appointment of members of the Board on retirement to highly-paid posts on the London Boards induces laxity in the exercise of the powers vested in the Railway Board. Further, the Railway Board seldom, if ever, goes out to inspect the lines and works, nor does it employ any staff of inspectors or auditors to exercise control and check over the operations and expenditure of railways.

Question 13.—The Railway Board does not, in the opinion of our Committee, possess adequate powers over railway administrations for purposes specified in the question. There is no provision in the Indian Railways Act similar to the provisions of the English Railway Acts of 1873 and 1888, especially those relating to the permanent Commission to enquire into public complaints against railways. The powers reserved by Government in the contracts of some of the working companies are insufficient for the exercise of the same control as is exercised by the Board of Trade in England. It is a matter of great regret that these contracts have not been published by the Railway Board. Even when the Board does interfere and expostulate with the working companies, its action can be defeated by the companies directly approaching the Secretary of State through their boards of directors in London.

Question 14.—Such powers as are possessed by Government have not been sufficiently exercised in the public interests. Times out of number the grievances of the third class passengers have been freely ventilated in the Councils, in the Press and on the platform; and still, overcrowding, insults, absence of suitable waiting-rooms, refreshment rooms, toilet arrangements, and every conceivable maltreatment and neglect are their normal lot.

Questions 15 *and* 16.—No answers are necessary in view of our suggestions in answer to Question 2.

Part III.—Railway Finance.

Question 17.—Our Committee holds that railway construction in India has been pushed on rapidly enough, rather too rapidly, to the comparative neglect of other factors of national progress not less vital than means of transportation. The need for extension of transportation facilities is, our Committee recognises, very great indeed; but as it is a question of relative need, our Committee considers that the main trunk lines having been already constructed, a large borrowing programme for new construction of railways is uncalled for. Funds for the maintenance and the improvements of existing railways should naturally come from railway profits, the deficiency, if any, being met from the revenues or borrowings. Small lines round industrial centres should always receive the attention they deserve.

Question 18.—The policy specified is quite sound in principle.

Question 19.—Our Committee does not consider that funds are required on a larger scale than hitherto provided.

Question 20.—Our Committee is strongly of opinion that Government should raise capital funds, if and when required, in India only, as far as possible. Foreign capital never pays in the end; the country has always to pay too heavy a price for it.

Question 21.—The branch line terms are satisfactory enough except in the matter of the rebate rate. This rate should vary with the market rate prevailing at the time when the branch line company is floated. With the Government of Bombay raising funds at 6½ per cent. free of income tax, surely 7 per cent. is the very least that should be offered to attract investors. Such new companies should always be Indian with Indians as Agents.

Question 22.—Our Committee considers for reasons given in answer to Question 17, that no new methods of raising capital for railway purposes need be sought. Being absolutely against retaining the agency of companies or creating subsidiary companies, our Committee cannot approve at all of capital being raised by them by means of ordinary or preference shares or railway debentures. Since the capital is, after all, raised on the credit of the State, there seems no reason to employ an intermediary agency to raise necessary funds. It is the Government that must directly raise the capital required by issuing railway debentures or preferably terminable bonds, bearing a rate of interest in consonance with the prevailing state of the money market.

Question 23.—No.

Question 24.—No, we cannot give any estimate.

Question 25.—Holding that capital, when required, should be raised in India only, our Committee believes that borrowing by the methods indicated will interfere greatly with the success of ordinary Government borrowings. This belief is strengthened by the fact that new industrial ventures in India will require and absorb Indian capital in an ever increasing measure.

Question 26.—(*a*) Our Committee considers that there has been too rapid an extension of railways in India, especially after 1884, and that the present arrangement has not been detrimental to railway improvement and development. During 1891-1900, there was an annual average of 834·8 miles or 2·3 miles per day with an annual capital outlay averaging at 11·5 crores. This last average, it may be noted, rose during 1911-17 to 14·67 crores.

(*b*) Under the scheme of State management proposed by our Committee, railways can never be regarded as a burden on the general taxpayer. The country benefits by railways and everyone shares most widely in these benefits.

Our Committee strongly objects to the raising of railway fares and rates. The increased rate of interest need not be met by thus raising gross receipts, but rather by increasing the earnings of railways by getting the utmost possible work from the present equipment. Besides, under State management economies can be effected by working the separate administrations as one concern.

If the raising of rates, however, be found absolutely necessary, our Committee suggests that the rates for luxuries be raised, and the special quotations to and from ports be withdrawn.

Question 27.—The statements are, our Committee fears, misleading in the extreme. They seem to demonstrate the superiority of company management over State management by pointing out the percentages of profits, while they do not reveal the nature, resources and degree of development of the regions served by the two groups, which would immediately put a different complexion on the matter. They further seem to suggest that about two crores is not too much to pay to the companies out of 30 crores—the net earnings, for the higher percentage obtained, but do not establish any causal relationship between company management and higher profits.

Our Committee cannot estimate in figures the indirect gains to Government by the development of areas served by the railways.

Question 28.—Allotment of funds to railway expenditure should be determined by the extent of the needs of each administration and by the capacity of Government to provide funds to meet those needs. Once the allotment is made, it should not be made obligatory that it should be spent within the year. Such obligation leads either to undesirable rush and wasteful expenditure towards the close of the year or to lapses.

Question 29.—We have no suggestions to offer.

Part IV.—Government Control of Rates and Fares; Settlement of Disputes.

Question 30.—No, our Committee does not consider that they do.

Question 31.—The powers delegated have not been wisely used in the interests of the public. Passenger fares have been raised from 1917 and again from July, 1920, without any apparent justification. The recent increase in the rates for coal too is made without any reasonable and sufficient grounds.

Question 32.—The Railway Commission provided in Chapter V of the Indian Railways Act has never been appointed by Government. Our Committee urges that the recommendations of Mr. T. Robertson, the Special Commissioner in 1903, regarding the appointment of a permanent Railway Commission and the revision of the Indian Railways Act on the lines of the English Railways and Canals Act of 1888, should be carried out.

Question 33.—None.

STATEMENT No. 57.

Sir H. F. E. FREELAND, Agent, Bombay, Baroda and Central India Railway Company.—NOTE DATED THE 6TH JANUARY, 1921, ON THE PROVISION OF FUNDS FOR RAILWAYS.

State-owned Company-worked Lines.

1. *July Forecast.*—In July every year we are required to send forward to the Railway Board an estimate of our Capital requirements showing in detail works costing over Rs. 25,000 each, for the current, ensuing and two following years. This is called "The July Forecast" of a three years' programme. See oral evidence, paragraphs 5552/5590.

To make out the programme not only has the progress on works begun during this year to be considered and if necessary revised in the light of experience of labour and material difficulties obtained since 1st April—but the demands of each Head of Department for new works and equipment for next and the two subsequent years have to be examined, sorted out in order of urgency—as governed by the policy at the moment—and revised in accordance with what we believe we can complete (in the matter of Engineering works) or obtain (in the matter of material) within the time for which our Capital grant, when sanctioned, will be at our disposal.

In actual practice, the requirements for the ensuing, that is "next," year are set down in detail, either from detailed estimates already in existence or from approximate estimates, but for the year after next and for the year after that, only such works are entered as have already been commenced but not finished or will be commenced next year and carried to completion in the second or third year. As we have no inkling at this time what our capital grant for next year will be, the preparation of a list of works in order of urgency is merely a statement of what we would like to have, if the money can be made available, and which we think we can carry through, if there is no hitch, financial, industrial or other. We do not attempt under existing

conditions to provide in detail in the programme for Engineering works, requiring estimates, which will be commenced in the second or in the third years, and the reasons for the omission will be explained in due course.

Thus the July Forecast can only be considered as a well-thought out programme for the *ensuing* year of the Engineering works required to maintain the line and provide for normal development. As regards rolling stock, however, the situation is different, for we are able to gauge our future requirements over 3 years more accurately in this respect for reasons which are too obvious to need explanation.

The July Forecast, as stated, is duly forwarded to the Railway Board and eventually discussed (say in August) with them by the Agents of the various State-owned Lines. Previous to this discussion the Railway Board ascertain informally from the Finance Department the total amount that seems likely at this time to be available for the Capital requirements of all Railways, and the amounts forecasted, as required by each Railway for the *ensuing* year, are adjusted accordingly. The Agent is informed verbally of this revised amount; no discussion takes place as to the prospective requirements or probable grants for the second and third years for the obvious reason that under existing arrangements such endeavours to prophesy would be futile.

2. *Six Months Estimate.*—By October, that is after the first six months of the financial year have passed, we are expected to have a clearer idea of our probable Capital expenditure during the current year and to revise our previous figures (as limited by our Budget Grant and as detailed in our July Forecast) in the light of our more recent experience.

This statement is termed the " Six Months' Estimate " and it contains, in addition to our summarised revised figures for the current year, our total estimated requirements for the ensuing (*i.e.*, next) year taken from the July Forecast but not revised in accordance with the Agents' informal discussion with the Railway Board. By this time, it is as well to note here, both the Agent and the Railway Board are aware of the full liabilities contracted in England against the English portion of the current year's Capital Grant, and as these figures have a very active bearing on the question of the Capital grant for the ensuing year, I may with advantage detail the actual position as regards the B.B. & C.I. Railway this year (1920-1921):—

	Rs.
(*a*) Throw-forward on account of Indents placed but not fulfilled from 1919-1920	61,97,000
(*b*) Total Capital grant, 1920-1921	1,88,92,000
(*c*) English proportion of (*b*)	89,50,000
(*d*) Indian proportion of (*b*)	99,42,000
(*e*) Amount of additional liabilities incurred in 1920-1921 on indents placed by permission of Railway Board (over-certification to meet probable throw forward to 1921-1922)	41,64,000
(*f*) Total amount which may be spent on *new indents* in 1920-1921 in England (*c*) minus (*a*)	27,53,000
(*g*) Capital requirements for 1921-1922, as per July Forecast ... ... (*N.B.*—This does not include works which cannot for various reasons be completed in 1920-1921 but which contrary to expectation must be carried forward to 1921-1922).	2,74,00,000
(*h*) Preliminary Capital grant 1921-1922 (England plus India)	1,16,69,000
(*k*) Capital available after discharging liabilities incurred on indents already placed (*h*) minus (*e*) ... ... (*N.B.*—If there is a failure in 1920-1921 to spend the whole of (*c*), the unexpended portion will be thrown forward into 1921-1922 and will still further reduce this figure.)	75,05,000
(*l*) Estimated over-certification permissible in 1921-1922 (equivalent to (*e*) in 1920-1921). ... ... (*N.B.*—This figure has been placed low, as we have already been informed that our grant for 1922-1923 is not likely to exceed that for 1921-1922).	25,00,000

To afford a better appreciation of these figures, I may explain certain points of procedure.

All indents for material must be certified by the Government Examiner of Accounts to the effect that funds are available before they can be sent home to England to be placed by the Home Board. Funds are called " available " when they are sanctioned in our final Budget Grant or when they are expected, under the Secretary of State's authority, to be made available in excess of the current year's Budget Grant, but will more probably not be required till the ensuing (*i.e.*, next) year. This latter contingency is provided for by permissible " over-certification," *vide* (*e*) above.

Another point is that no transfer between the grants sanctioned for India and for England is permissible without the Secretary of State's sanction, and lastly, if the amounts of Capital sanctioned are not spent by the end of the financial year, they lapse, and are not available to be carried forward, as additional to the Capital grants for the ensuing (next) year, in spite of the fact that contracts have been placed and liabilities are thus incurred which will be a first charge against the ensuing year's grant.

3. *Provisional Budget Grant.*—The next step in connection with the Capital grant is the announcement by the Railway Board of each Railway's provisional allotment for the ensuing year. This is made about the end of November or December after ascertaining from the Finance Department their considered opinion of the probable sum which will be made available for Railway Capital works.

This allotment bears no relation to the forecasted demands of Railway Administrations, but is based on what Government consider can be spared for Railways from the general pot.

On receipt of this information we are required to revise our previous figures for the ensuing year and bring them within the limits of our prospective grant, by no means an easy problem when the grant is only one third of our considered requirements as is the case for 1921-1922.

I may here lay stress on one outstanding difficulty with which we have to contend owing to the existing system which leaves us in doubt as to the amount of Capital we shall have available for the ensuing year, until we are within five months of the commencement of that year. Some works, *e.g*, large station yard remodelling, electrification, heavy bridging, quadrupling, cannot be completed within twelve months, and some extend over as many as five years before completion. A failure to obtain the money we require for such schemes in any one of the years during which they are in hand will cause the work to be closed down, in which case it invariably costs much more in the end to recommence them, or as has actually been the case on the B.B. & C.I. Railway during this current year (1920-21) we have deliberately postponed the commencement of urgent works, on being made aware of our reduced grant for the ensuing year, because we knew we could not complete them by 31st March, 1921, and we have by so doing been compelled to allow the money allotted for such works during the current year to lapse.

4. *The second preliminary or revised estimate.*—With the still more recent information at our command in regard to the progress of the current year's expenditure and in the light of the provisional Budget allotment for the ensuing year we are required to submit to the Railway Board about the middle of January a second preliminary estimate of the current and ensuing year's figures, and finally on 25th February we are instructed to advise the Railway Board by wire of any further modifications in the figures of our current year's Capital expenditure likely to take place before the end of the financial year. This information is required presumably to enable the Railway Board to meet excesses in its Capital grant on one Railway by utilising the lapses (or failure to spend) on another Railway, and this is done in practice.

5. *Final Issue of Budget Estimate.*—In the last week in March the Railway Board advise railways of the Capital grant finally allotted for the ensuing year, which may or may not be the same figure as given provisionally in November or December, according to what has happened in the interim to affect the general Budget Estimates of all Departments of Government.

On receipt of these figures we again draw up Budget Estimates, showing in detail all works individually costing over Rs. 25,000 and submit them to the Railway Board by 1st May.

6. From the above brief summary of procedure it is evident that we are working from hand to mouth. We have no programme or rather we have a three years' programme which can never be adhered to and which no one therefore believes in.

The cost of labour and material is constantly changing, the possibility of obtaining either one or the other within an arbitrarily fixed period of time is always doubtful and the prospect of heavy delays and drastic changes consequent upon an opportunist financial policy is certain.

Thus it is plain that the present system militates against intelligent estimating of Railway requirements, is directly responsible for the commencement of work or placing of contracts too late to ensure their fulfilment within the time allowed and greatly increases the chances of a lapse of the Capital grant.

The system also is unduly harrassing to Administrations who are called upon to revise their plans of operation over and over again. It is not practicable to follow any carefully thought-out policy to meet the requirements of commerce and industry under such circumstances, and railway development, on which all progress in this country intimately depends, is being carried out without any defined plan.

Before any figures accurately representing probable expenditure can be compiled, estimates in considerable detail must be made out, thousands of them, all needing time and expert examination. If the execution of any work is put off for even one year, the whole estimate must be revised and all the work done over again.

First our Engineers must furnish figures for the July Forecast, which they well know will be altered beyond recognition. Then they are required to furnish in October and again in December particulars of progress in expenditure of the current year's grant and possibly they may then find it necessary to carry forward into the ensuing year works which, for one reason or another, cannot be completed this year. Then about the end of November comes the first authentic news available in regard to our probable grant for the ensuing year, which information may have, as already explained, the effect of still further destroying our plans for the current year and does generally necessitate a complete reconsideration of our schemes for the ensuing year as forecasted in July, only four months previously. Finally, in the last week in March we know with certainty what our grant is definitely settled to be for the financial year commencing a few days after receipt of this information.

We then have to revise our figures again, so that a final Budget Estimate may be prepared for the Railway Board.

In my opinion it is hardly to be wondered at if our Engineers find it difficult to give a whole-hearted interest to the work of drawing up estimates of work which may never be carried out or which, if carried out some years later than expected, will require the estimates to be recast completely. The consequence often is that, knowing the probability of a change in financial plans, the department, responsible for having estimate in detail and indents for material ready, is inclined to await the final Budget decision before completing its task. When also it is remembered that demands for rolling stock and for works involving heavy expenditure required to be sanctioned by the Home Boards of company-worked lines and subsequently by the Railway Board, it is not surprising that several months of the financial year have already gone before many of the indents for English material and stores can be certified as regards funds and sent home for contracts to be placed.

In making out a programme for railway development it is necessary also to remember that various kinds of works and equipment hang together. Thus if money is not available for increasing the size of your shops, it is no use equipping yourself with more locomotives than can be handled in them. A curtailment in the amount of money available for strengthening permanent-way and bridges will mean a complete reconsideration of the locomotive programme and yet it may be that the contracts for the supply of locomotives has already been made and cannot be changed; it is no good installing wire and instruments for Telephone Train Control

unless money is forthcoming to build quarters for the Control Staff; the provision of coaching stock for the whole system depends on whether electrification of a section of it can be carried out, and so on.

In a lean year, that is in a year when for various reasons the revenues of the State are expected to be small, the rates at which Government can borrow will probably be high or the liabilities which Government have to meet outside the Railway programme will be heavy. Then railways invariably suffer, and yet it is in the lean year when traffic will be at a low ebb that it is most convenient to carry out heavy railway works and prepare for the prosperous years to follow

The difficulties attendant upon radical changes in programme of works and equipment are thus far greater than can be imagined by those who provide the money but are not responsible for the administration of railways.

In actual fact the existing system renders the formulation of an intelligent policy impossible and without a policy no programme can be decided upon, waste of money is a matter of frequent occurrence and development is precarious and always behind the requirements of trade and industry.

The only way to carry out work economically and efficiently and to keep up with the requirements of trade and development is to know at least 12 months beforehand what money will be available with certainty. A programme can then be made out to suit.

7. The present arrangement whereby Government insist on the certification of all indents as regards funds, before they can be placed, causes serious delay in obtaining material. If, for example, all available funds have been hypothecated against indents already placed (say) in England (that is. indents placed on the assumption that a given programme of works will be carried out) and it is required to cancel those indents later on (when it is discovered that the programme must be changed for want of funds next year) and the money spent on other material or equipment instead, and not only that but spent without loss of time, it is impossible to effect a rapid transfer. It is easy to understand why this is so, when it is remembered that, though the Agent of the Railway in India is the only one who can decide on such changes, before he can bring them about he has to advise the Home Board, obtain from them an undertaking that certain indents have been cancelled so that the Finance Department (as represented by the Government Examiner of Accounts) in India may be satisfied that the funds are again available before any fresh indents can be certified in India and sent to England for contracts to be placed.

Quite apart from the objection of spoon-feeding responsible officers in the position of managers of railways, this system seems to be designed deliberately to ensure the non-spending of money. The remedy is to allot money definitely and finally to individual railways and leave the details of spending it in their hands. Why this has not been done is difficult to understand unless Government desire to be able to pounce upon funds allotted to railways and use them at short notice for other purposes.

8. It is even more difficult for a railway administration to understand why capital, which has been divided between England and India in proportions decided upon on the basis of an estimate drawn up under the difficulties above described, should not be transferable at the convenience of the Administration to meet changes in the programme

In pre-war days we obtained all our stores, except sleepers and timber, from England, but now that the policy of Government is to encourage Indian industries and manufacture we must first consider what stores and material can be purchased here, and then indent for the rest from England. Indian industry is still in its infancy, and cannot guarantee supply.

Thus then, for example, we desire to obtain 225 Broad-gauge goods wagons against our Budget provision for 1921-22; we do not know whether the Indian manufacturer will be able to supply, but we do know that we are practically certain to get them from England. If then, after providing the money against our Indian capital grant and ordering the vehicles, the Indian manufacturer gives notice of his inability to supply, we are powerless to order the wagons from England, because the English capital grant will have been fully hypothecated, and we are not permitted to augment the grant from our savings in India.

This arrangement also seems to have been evolved with the express intention of preventing railways from spending the money allotted to them. The remedy is the same as in the case quoted in the previous paragraph.

9. But the greatest objection to the present system of railway finance is that under which funds unspent during the financial year lapse to Government. Certain classes of manufactured material cannot be obtained within even 12 months of the placing of the contract for supply, and in an increasing number of cases recently delivery has been delayed on account of industrial difficulties. So the liabilities incurred in one financial year must inevitably be carried on into the next to a degree which cannot be foreseen. Yet, under the existing system of finance the funds against which the liabilities have been incurred are expropriated, or, perhaps it is more explicit to say, are disallowed the moment the financial year in which they are allotted has expired.

One thing is certain, and that is, that railway administrations cannot take account of prospective lapses or liabilities when making, in July of the current year, their forecasted demands for capital in the ensuing year, and, presumably, their July forecast is intended to guide Government in the allotment of funds for railway purposes.

Certain hard facts, therefore, stand out, railways go to immense trouble and pains to make out in July a forecast of their requirements for the ensuing year. In practice the allotment on paper varies from one-half to two-thirds of the forecasted amount required *plus* the lapse of the previous year.

The whole of this amount is not actually provided because a varying portion of it will lapse year after year.

If Government, after full consideration, allot money for railway development, it is reasonable to believe that the money is available or that Government have the power to borrow it at suitable rates. If then this money, after once being allotted, is taken away from the railways, one can only assume that, if already raised by loan, it is used for other purposes or that, the necessity of raising it having disappeared during the financial year in question, Government are satisfied that it is not wanted at all.

It may be that, in deciding the allotment of funds to be made for *all* purposes for the ensuing year, the lapse (or savings as they will be considered to be) in the current year's railway grant are taken into account by Government, but railways do not get the benefit of such savings *in full*, as they should do, for the simple reason that the money has been promised and represents liabilities already incurred; such money is in no sense a saving.

If the Government contention, that "any lapsed grant is really, if not manifestly, reallotted", is a fair one, and if the yearly demands put up by railways are taken as a guide as to the real requirements for railways, then the position as regards railway development is somewhat as follows:—Taking the B. B. & C. I. Railway as a case in point, the capital grant for 1919-20 was 169 lacs, which, we will assume for the purposes of illustration, included the 8½ lacs which lapsed from the year 1918-19. Of the 169 lacs no less than 7½ lacs lapsed, although liabilities were incurred to that extent on the 1919-20 programme of works. In making out their programme of requirements for 1920-21, no account was taken of a problematical lapse. The B. B. & C. I. Railway's capital programme for that year amounted to 234 lacs. We were granted 189 lacs, that is 45 lacs less than we asked for, to which must be added the 71 lacs for which we had incurred, but not discharged, liabilities; this gives a total of 116 lacs short of our requirements for the year 1920-21 or, in other words, we were granted half our demands only. There is nothing unique or singular in the example taken above, every other railway in the country can produce similar and worse instances. The position on the B. B. & C. I. Railway itself will be much worse next year; we asked for 274 lacs, and we have been allotted 116½, from which we must take, say, 30 lacs, which will probably lapse from the 1920-21 grant, leaving 86½ lacs, barely 32 per cent. of our requirements.

Thus, when Government are committed to a policy of development of trade and industry in India, when they are fully aware that such a policy cannot be adhered to without improved communications and when their expert advisers place the figure required to bring railways back to their pre-war standard, at 30 to 36 crores annually, they (Government) are satisfied with a beggarly provision of from 8 to 12 crores for their railways.

The point is, is this a sound financial position? The answer depends on the degree of earning power direct and indirect attributed to railways as compared with other State investments.

What is the meaning of the statement that Government works on the fundamental principle that they provide "as much as they *possibly can*, all things considered" for railway expenditure?

Judged by results, sufficient has not been provided for railways in the past, and it looks as if provision for the future would be equally inadequate.

The question at issue, therefore, is: Can Government borrow more money for railways under the existing financial system, or is it necessary to set up new machinery and adopt new methods for the purpose?

As the Bombay Government were able, in Bombay alone, to raise nearly 9½ crores of rupees recently for the Development Loan at 6½ per cent. free of Income Tax, it is very much open to question whether the Government of India are raising "as much as they possibly can" for railways. Better terms, a more enterprising policy, and a good deal of personal pressure were successful in the case of the Bombay Loan and would be equally successful if applied to the provision of funds for railways.

10. Members of the Finance Department of the Government of India have repeatedly expressed their opinion that from past experience it is obvious that railways *cannot* spend their capital grants, and that it therefore would appear that forecasted expenditure is placed at too high a figure by railways in order to allow for prospective lapses resulting from failure to spend.

We may admit at once that it is evident that railways *cannot* spend what is allotted to them, but it is equally evident that the fault lies with the system of providing funds, and not with the railway administrations.

It is utterly impossible for any railway to make out any programme of expenditure in the future while the existing uncertainty as to available funds continues.

I have explained what happens under the present system of budgetting, and I have shown that it destroys all faith in the efficacy of estimating, introduces chaos and uncertainty, is mainly responsible for the delays in placing orders for material, and, in short, is directly responsible for failure to spend money within a fixed period.

Nothing short of continuity in financial arrangements, involving the complete abolition of the existing budget system, can alter this state of affairs.

11. The question is how can this be arranged on a suitable basis, it being remembered that as far as State-owned railways are concerned the proportion of capital invested in them by the State and by private subscription is as £388·5 millions: £91·5 millions. With so large a holding in railways, it is obvious that Government like to look upon the surplus profits of railway working as the results of a profitable investment, and, therefore, available for general ways and means. These surplus profits during the years 1916-17, 1917-18, and 1918-19 were, I believe, 10·94, 14·70, and 16·14 crores of rupees respectively, all of which went into the general pot and were used for the general purposes of Finance.

With reasonable enhancement of rates and fares to meet the increased cost of operation—or, perhaps it would be more correct to say, the reduced purchasing value of money—there is every reason to believe that these high surpluses will be maintained and eventually increased with possibly a temporary set-back during 1920-21.

From a business point of view, the procedure adopted in the past of looking only at the *direct* profits accruing from capital invested in railways is shortsighted. It is in the direction of *indirect* profit that railways are most valuable to the State, in that by that means only can prosperity be brought to the country generally, and, as a corollary, increased revenue, from sources which are impoverished or inaccessible for lack of transport facilities, can reasonably be expected. Before the war we thought 12 millions sterling would be a suitable amount of capital to provide yearly for the requirements of railway development in India, and, owing to the reduced purchasing power of money, this sum would be represented by 24 millions now. But we have nearly five years of steady neglect to make good, so that it is not extravagant to insist on a capital programme of 36 millions sterling for three to five years from the end of 1920.

This is a large sum, but I do not think there is any doubt that we can raise it in England principally, at present and in India to an increasing extent as time goes on.

The first essential, however, is to establish confidence in the minds of the investing public that railways will be managed on business lines, and will be maintained and developed to meet the commercial and industrial requirements of the country. As things are, there is not only no guarantee that this will be done, but there is ample evidence that railways, if not bankrupt, are exceedingly backward, and will fall back still further if the financial control is left where it is.

The confidence of the public and the full advantage to be derived from an efficient administrative and executive staff can only be ensured by placing railway finance on a different basis.

I, therefore, desire to insist on the primary importance of laying down a definite programme of expenditure, of not less than five years forward as the first essential. The Government of India, as principal owner of railway property, should then go into the open market and borrow at the best rates obtainable such capital as is necessary to carry out this programme in its entirety. Such borrowing should be supplemented to an increasing extent by the raising of capital by the Indian railway companies both in England and in India. Once a programme is agreed upon and arrangements are concluded for raising the necessary capital to carry it through, the control of the Finance Department should cease and the regulation of expenditure should be vested in the Railway Department, unhampered by the existing restrictions of budget control.

STATEMENT No. 57(A).

NOTE DATED 8TH FEBRUARY, 1921, BY SIR H. F. E. FREELAND, REGARDING PROPOSALS FOR DIRECTION AND MANAGEMENT OF INDIAN RAILWAYS.

I.—INDIAN RAILWAY COMMITTEE. (QUESTIONNAIRE).—QUESTIONS 1 TO 16.

I consider that the best chance of success lies in a scheme having two stages, which are depicted in the Charts attached.

Minister.

Stage I.—I suggest the formation of a Communications Department, as distinct from a Railway Department, because I believe the Government of India will argue that railways alone are not yet a big enough subject to justify the appointment of a Minister and the expense of his and his office salary. I have, therefore, added Inland Waterways, Ports, Shipping, Posts and Telegraphs to Railways as forming one large whole, and each having a close relation to the others in the provision of communications in India.

Such an arrangement also has advantages from the military point of view, that is, of security and defence.

Stage II.—I am of opinion that eventually with the increase in railway mileage we hope for in the future, and with the far-reaching effect such railway extension must have on the trade, industry, and general well-being of the country, justification for a separate Minister for Railways will become apparent.

Council for Communications.

If, as I consider essential, the funds for financing railways and the policy of railway expansion and development are controlled by the Communications (subsequently Railways) Department, the Minister should have the support of a strong council representing the official and commercial opinion of all parts of India. If the full resources of India in the matter of raising money are to be tapped. the advice of such a body of men is most desirable. Furthermore, it is hardly likely that the strong opposition of the Finance Department to any proposal involving a reduction in their powers, will be overcome unless provision is made for the Minister to have the advice of a Council composed of men having more than technical railway experience. It will be observed also that the council provides for the representation of Indian as well as European opinion in the higher realms of policy and finance, an arrangement consistent with the policy of Government.

Executive Railway Board.

Stage I.—I would advocate the retention of the Railway Board as an executive body to give effect to the policy of the Minister in Council, to direct the management of State railways and to exercise the powers of the Governor-General in Council under the Railway Act.

I do not consider that the Railway Board should be abolished and replaced by a Secretary with expert railway advisers, in short, a reversion to the departmental system of control. The work of the Railway Department is heavy now and is increasing; no one man could deal with it effectively. More frequent touring than is done at present to bring responsible members into touch with local conditions is essential, and a reputation for impartiality, when giving judgment between divergent interests, can be ensured better by a Board than by a single individual.

I consider, however, that the Railway Board should be strengthened in numbers to permit of the more rapid disposal of business, and I strongly insist that all members should have experience in railway practice and policy.

Stage II.—When the Communication Department makes way for the Railway Department, the Minister should become *ex-officio* President of the Railway Executive Board, with a Vice-President to act as his Deputy and carry out the necessary touring programme.

Company's Railway Home Board.

Stage I.—I am of opinion that the maintenance of boards of directors for companies' railways in England is essential for two main reasons, first to maintain the confidence of the investing public, when raising capital in the United Kingdom and elsewhere *out of* India and to preserve touch with the London money market, and secondly to ensure a detached view of big questions (*e.g.*, electrification, new lines, policy of extension or conversion).

By the inclusion in the personnel of the Board of two members who have served on the railway in India, a continuity of policy and knowledge of history are preserved to a degree which would be impossible with the sole control in the hands of a board domiciled in India or of the Railway Board at Government headquarters. This is of special importance in that a London board including retired senior officers of the railway can exercise clearer and saner judgment than a Railway Board having only a general knowledge, or a local Indian board upon whom local and political pressure may well be brought.

The only alteration I would suggest in the composition of the Home Board is that it should include at least two directors who are sufficiently young and physically fit to tour in India. Changes are occurring so rapidly in this country that I think it is desirable that one director of the Home Board should come to India every year in order that on his return he may be able to keep the Board in London up-to-date in regard to local conditions in India.

Stage II.—As in Stage I.

Agent in India. Advisory Committees. Local Indian Boards.

Stage I.—In the first place I consider it essential that the powers of the agent in India in respect of subordinate establishment and works should be enlarged.

The agent's powers are now limited to the appointment, promotion, etc., of staff drawing Rs. 250 and below and are hedged round by certain vexatious restrictions.

As a special case, my own powers of sanction to works have been extended to 1 lakh of rupees, that is, the full power of the Home Board, as a "personal" matter, but there are restrictions and exceptions dictated presumably by the existing system of control by the Finance Department, which might well be removed.

In the second place, particularly in view of the many complaints arising against railways on account of lack of transportation facilities and by reason of the considerable element of labour unrest, at present in its infancy, I consider that the agent's authority will be strengthened by the formation of advisory committees, representative of trade, industry, banking, etc., at headquarters and at up-country centres.

Stage II.—I can conceive of circumstances in which it would be of considerable advantage that the powers of the Home and Railway Boards should be vested definitely in a local Indian board. I refer to urgent questions of staff unrest on the one hand and on the other hand to the raising of rupee capital locally.

In reference to the second point it is recognised that no source of raising money for railway reconstruction and development should be neglected, and I believe that funds could be raised locally for a railway by a local board of directors, having a definite financial responsibility in the undertaking, to a degree impossible on the lines of Government of India loan, quite apart from the price paid for the money. There is, however, the great difficulty that, if the company raising the money were domiciled in England, the English income tax rules would apply, and there appears to be no hope of surmounting this difficulty at present. Under these conditions, I suggest the continuance in Stage II of the Advisory Committee as distinct from a local Indian board. The only alternative would be to abolish the London board, transfer all capital to India, and place the direction in the hands of a local Indian board. I am definitely opposed to such a step, because I do not think such a board could raise money on reasonable terms *out of India*, nor could *all* the money railways want be raised in India. I doubt also the possibility of assembling in India a body of men of experience who could give sufficient time to the direction of a railway, and I think continuity and knowledge of history would be conspicuous by its absence.

In the consideration of the first point, the agent is called upon to take action with promptitude and his decisions would carry more weight if taken with the approval of a body of men having a direct stake in the railway undertaking and representative of Government institutions and of trade and industry. The best advice would be forthcoming from a local board having a financial stake in the undertaking and representing the shareholders' interests, but for the reasons given against the idea of setting up a local board to raise rupee capital, I am inclined to recommend the retention of the Advisory Committee to support the agent in deciding difficult establishment questions also.

II.—INDIAN RAILWAY COMMITTEE. QUESTIONS 30 TO 33.

Rates and fares.—Settlement of disputes.—I am of opinion that the control of Government as exercised by the Railway Board over rates and fares, cannot be complained of by railways. In fact, I doubt if Government could in practice regulate rates and fares to a greater degree than they now do without the maintenance of an enormous staff, the cost of which would in the end be a charge against railway revenue.

From a business point of view, the procedure adopted in the past of looking only at the *direct* profits accruing from capital invested in railways is shortsighted. It is in the direction of *indirect* profit that railways are most valuable to the State, in that by that means only can prosperity be brought to the country generally, and, as a corollary, increased revenue, from sources which are impoverished or inaccessible for lack of transport facilities, can reasonably be expected. Before the war we thought 12 millions sterling would be a suitable amount of capital to provide yearly for the requirements of railway development in India, and, owing to the reduced purchasing power of money, this sum would be represented by 24 millions now. But we have nearly five years of steady neglect to make good, so that it is not extravagant to insist on a capital programme of 36 millions sterling for three to five years from the end of 1920.

This is a large sum, but I do not think there is any doubt that we can raise it in England principally, at present and in India to an increasing extent as time goes on.

The first essential, however, is to establish confidence in the minds of the investing public that railways will be managed on business lines, and will be maintained and developed to meet the commercial and industrial requirements of the country. As things are, there is not only no guarantee that this will be done, but there is ample evidence that railways, if not bankrupt, are exceedingly backward, and will fall back still further if the financial control is left where it is.

The confidence of the public and the full advantage to be derived from an efficient administrative and executive staff can only be ensured by placing railway finance on a different basis.

I, therefore, desire to insist on the primary importance of laying down a definite programme of expenditure, of not less than five years forward as the first essential. The Government of India, as principal owner of railway property, should then go into the open market and borrow at the best rates obtainable such capital as is necessary to carry out this programme in its entirety. Such borrowing should be supplemented to an increasing extent by the raising of capital by the Indian railway companies both in England and in India. Once a programme is agreed upon and arrangements are concluded for raising the necessary capital to carry it through, the control of the Finance Department should cease and the regulation of expenditure should be vested in the Railway Department, unhampered by the existing restrictions of budget control.

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Such an arrangement also has advantages from the military point of view, that is, of security and defence.

Stage II.—I am of opinion that eventually with the increase in railway mileage we hope for in the future, and with the far-reaching effect such railway extension must have on the trade, industry, and general well-being of the country, justification for a separate Minister for Railways will become apparent.

Council for Communications.

If, as I consider essential, the funds for financing railways and the policy of railway expansion and development are controlled by the Communications (subsequently Railways) Department, the Minister should have the support of a strong council representing the official and commercial opinion of all parts of India. If the full resources of India in the matter of raising money are to be tapped, the advice of such a body of men is most desirable. Furthermore, it is hardly likely that the strong opposition of the Finance Department to any proposal involving a reduction in their powers, will be overcome unless provision is made for the Minister to have the advice of a Council composed of men having more than technical railway experience. It will be observed also that the council provides for the representation of Indian as well as European opinion in the higher realms of policy and finance, an arrangement consistent with the policy of Government

Executive Railway Board.

Stage I.—I would advocate the retention of the Railway Board as an executive body to give effect to the policy of the Minister in Council, to direct the management of State railways and to exercise the powers of the Governor-General in Council under the Railway Act.

I do not consider that the Railway Board should be abolished and replaced by a Secretary with expert railway advisers, in short, a reversion to the departmental system of control. The work of the Railway Department is heavy now and is increasing; no one man could deal with it effectively. More frequent touring than is done at present to bring responsible members into touch with local conditions is essential, and a reputation for impartiality, when giving judgment between divergent interests, can be ensured better by a Board than by a single individual.

That the powers given to railway administrations in respect of rates and fares have been wisely used is, I think, proved by the exceedingly small number of complaints received and by the fact that trade in this country has greatly developed.

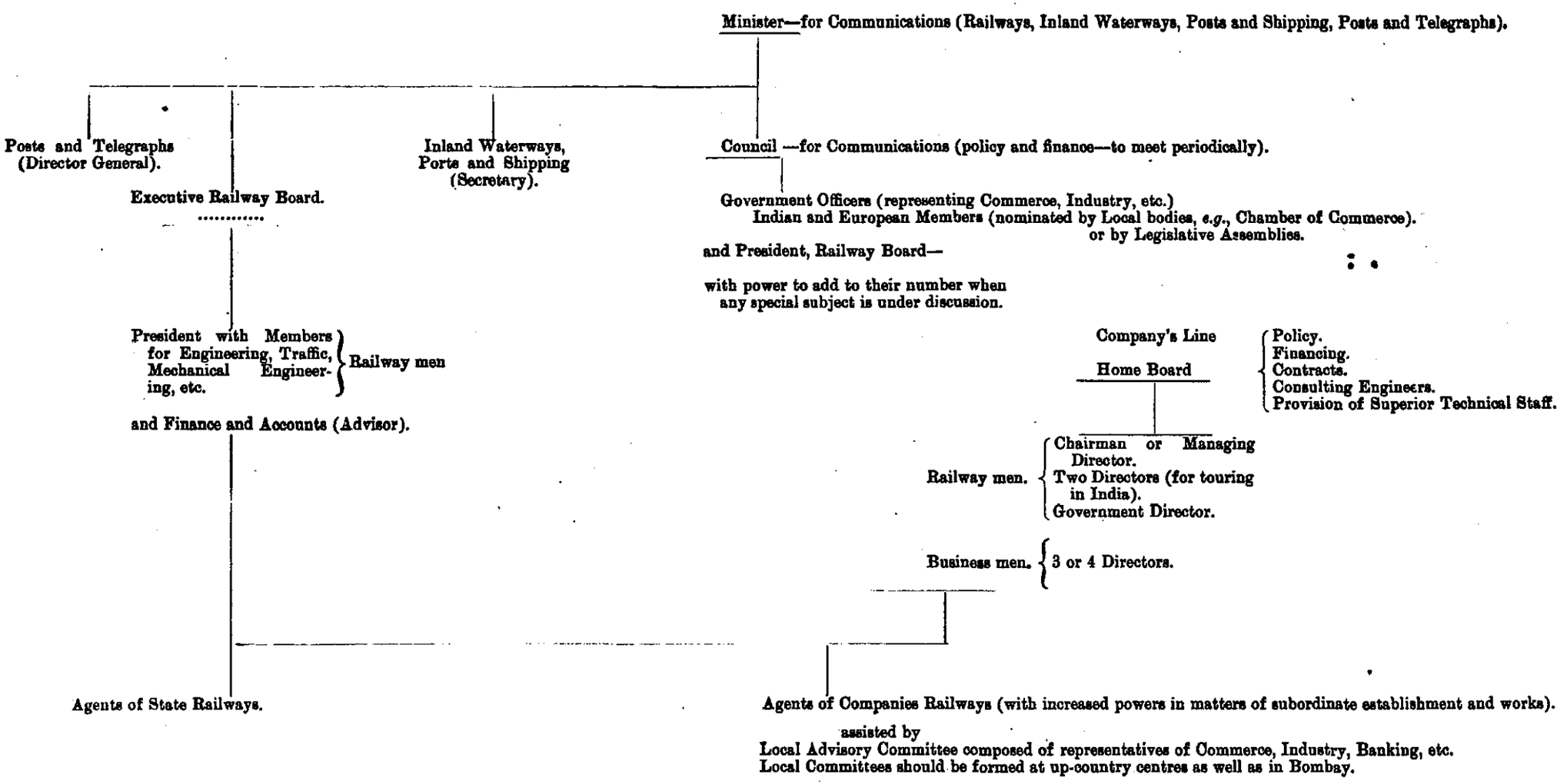
The fact is that railway administrations want the traffic; they, therefore, have their good name to preserve, and before imposing a rate they have to take this point into consideration. Each administration has to consult and agree with other administrations in the quotation of through rates, and very important changes go up before the Indian Railway Conference Association, *e.g.*, the recent coal rates. Administrations are in close touch with Chambers of Commerce and with other organised commercial bodies and are always accessible to any individual who objects to new proposals. A trader failing to obtain a satisfactory hearing from the railway can always appeal to the Railway Board, and this is done from time to time. While feeling that the Railway Board is not now constituted of sufficient strength to invite complaints against railways in this connection and that it might in the interests of public opinion be desirable to strengthen that board for this purpose, and also for settling disputes in matters not appertaining to railway charges, I believe that if the Railway Board is so strengthened, it would soon become obvious that, generally speaking, the action of railways has full justification, and the number of complaints will no longer warrant the retention of special machinery for their consideration.

III.—Indian Railway Committee. Question 84.

General.—The carrying capacity of the B. B. and C. I. Railway is not adequate for requirements. The reason is shortage of capital and revenue for improvements and reconstruction. The want of locomotive power, rolling stock, shops capacity for repairs, line capacity, rails and sleepers for renewals and relaying, and girders for strengthening bridges is felt in a greater or less degree.

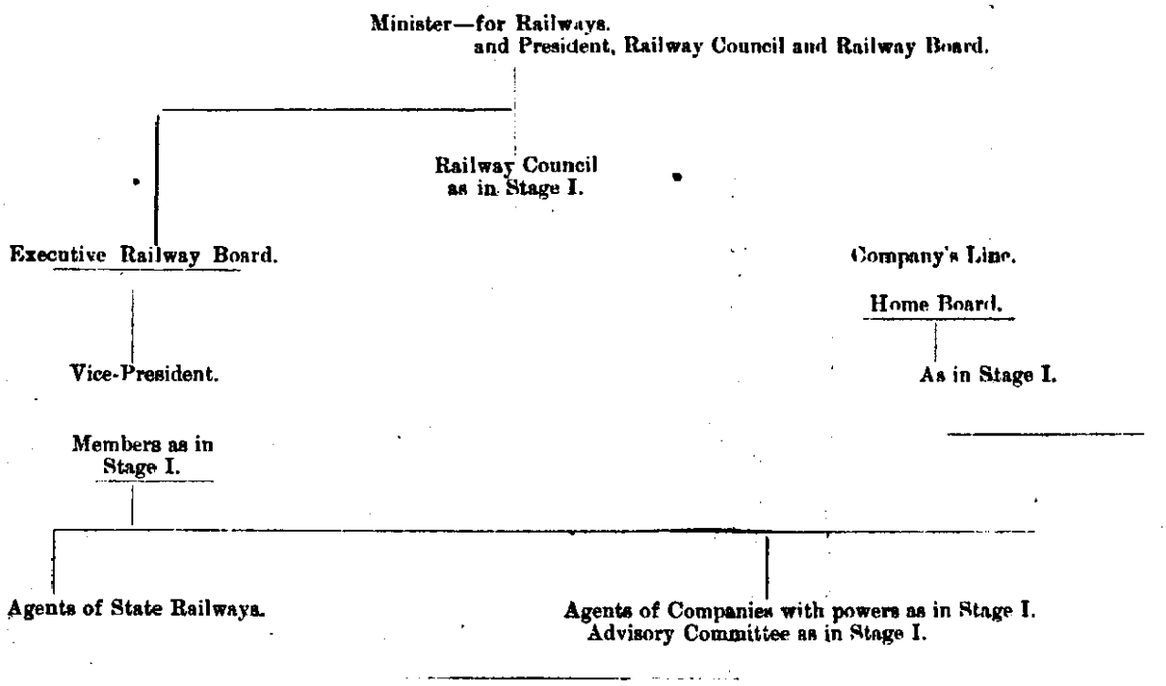
The position is serious in that we cannot now carry the traffic offering, and at the end of next financial year, I think, matters will be worse.

I realise that the provision of rolling stock is only one of the remedies, and as money is scarce I am concentrating on quicker movement by means of telephone train control on congested lines, both single and double, and better movement facilities.


Minister—for Communications (Railways, Inland Waterways, Posts and Shipping, Posts and Telegraphs).
Posts and Telegraphs (Director General).
Executive Railway Board.
.....
Inland Waterways, Ports and Shipping (Secretary).
Council —for Communications (policy and finance—to meet periodically).
Government Officers (representing Commerce, Industry, etc.)
Indian and European Members (nominated by Local bodies, e.g., Chamber of Commerce).
or by Legislative Assemblies.
and President, Railway Board—
with power to add to their number when any special subject is under discussion.
President with Members for Engineering, Traffic, Mechanical Engineering, etc. } Railway men
and Finance and Accounts (Advisor).
Company's Line
Home Board
Policy.
Financing.
Contracts.
Consulting Engineers.
Provision of Superior Technical Staff.
Railway men.
Chairman or Managing Director.
Two Directors (for touring in India).
Government Director.
Business men.
3 or 4 Directors.
Agents of State Railways.
Agents of Companies Railways (with increased powers in matters of subordinate establishment and works).
assisted by
Local Advisory Committee composed of representatives of Commerce, Industry, Banking, etc.
Local Committees should be formed at up-country centres as well as in Bombay.

STAGE II

RAILWAY DEPARTMENT.



STATEMENT No. 57 (*b*).

NOTE, DATED 21ST MARCH, 1921, BY SIR H. F. E. FREELAND, REGARDING THE DIRECTION AND MANAGEMENT OF INDIAN RAILWAYS.

In my Note dated 8th February, 1921, addressed to the Indian Railway Committee, I advocated the continuance of the system of Home Boards for the Direction of Indian Railways, and the inference therefore is that I am against State Management or Indian (domiciled) Boards.

The main objections to Boards in England are

that they are too remotely situated for decision in urgent cases;

that they are likely to lose touch in the rapidly changing conditions of the present day;

that too much of the Agent's time is taken up in reporting by letter matters which the Board, if located in India, would know without such lengthy reports;

that they maintain too rigid a control over the Agent in matters of detail, staff appointments and promotion particularly;

and that as the great bulk of the property (about £380,000,000 out of £400,000,000) belongs to the Indian, he should have a much greater say in the provision and direction of his own railways.

There is admittedly a great deal of truth in these contentions, especially in the last, but I think in justice it should be remembered that on the whole the Home Board System of Railway Direction has done a great deal for India, certainly as much if not more than the State Management System, and that where the Home Boards have failed it has been for reasons beyond their control, namely for want of money.

Is there, then, a good case for making a radical change, and is it not rather a matter of modifying the existing arrangements than of deracinating them and installing something new?

I am positively convinced that the time has not yet come when a Board of Directors can be found in India to govern the affairs of a big railway better than a London Board can do it.

I am assuming in all the remarks I make that the money necessary for railways must for the greater part be found by the State; this I think is obvious from the evidence given to the Committee. Leaving the question of finance, then, in the hands of Government for the most part, how is it possible to find, in Bombay for example, a body of men

who will be sufficiently impartial in outlook to direct the affairs of a railway like the B.B. & C.I. Railway, running through the Bombay Presidency, Guzerat, Central India, Rajputana, the United Provinces, Delhi, the Punjab, and many Native States:

who will have time to examine and experience in dealing with the larger questions of policy, such as standardisation of equipment, contracts for the construction and operation of new lines, questions of the gauge of branch and feeder railways and the like;

who will be qualified to instruct the Agent in big projects involving heavy expenditure or who will be in a position to select and provide technical staff?

I cannot believe that a Board who could successfully rise to the many difficulties involved in railway management could be found in India, *unless* as a commencement it was limited in its powers or was of an advisory nature.

Therefore I think the Home Boards should, at least for some years to come, be maintained either to retain their present control, or better still to exercise control in the higher questions of finance, policy and administration over an Indian Board, vested with considerable powers.

I do not see any serious objection to this, even on the grounds that a Company's line Agent, who now has to refer to the Home and Railway Boards, would under the proposal have still one more Board sitting over him.

All that is necessary is to increase the Agent's powers and to give the Local Board many of the powers now vested solely in the Home and Railway Boards, and thus obviate the delay which now occurs owing to the necessity of explaining by letter many minor details to both the latter who are so situated as to be unable to visualise local conditions.

With a proper financial system such a scheme is undoubtedly feasible, and the Agent's position—assuming, of course, that he is a good Agent—will be greatly relieved and strengthened thereby. Furthermore, I suggest that, if insisted upon, the Local Board should have the right to nominate one of the members of the Home Board.

Given that the Minister at Government headquarters is supported by an Advisory Council, the arrangements above outlined seem to me the best that can be devised for giving the Indian a greater control over his own property, without introducing the risk of a complete breakdown.

The only alternative to these proposals seems to be " out and out " State Management, which has never been a commercial success anywhere else in the world, no matter what the conditions.

I believe that Indians in the majority favour State Management because they think that is the only way to ensure the employment of Indians in the higher Executive and Administrative appointments. The answer to this is that up to date with very few exceptions (only two in my experience) Indians of the right class to maintain discipline and of sufficient capacity, technical education and devotion to duty have not yet come forward for appointment. To my knowledge Home Boards and Agents have been searching for years to obtain the Indians, who will compare favourably with their English contemporaries in age, but up to date I cannot say that any success has been met with.

The fact of establishing State management will not alter this state of affairs. What it will do is to introduce sufficient political pressure to force upon Agents the necessity of employing individual Indians of inferior capacity, merely because they are the sons of their fathers, and not because their education and training make them suitable for appointment. There are well-established instances of this fact on State Railway records and those railways have undoubtedly suffered as to their results of working in consequence.

Furthermore, it is acknowledged that on State Railways, with which I was connected for nearly 20 years, it is rarely possible to get away from the system of promotion in all grades by *seniority*, more especially among officers. The greater the number of officers the more difficult it becomes to select men for advancement on the basis of efficiency.

If, then, one or more of, and eventually all, the companies' lines were handed over to State management and the rules for pay, promotion, leave, etc., were made uniform for all, the officers on one line will certainly claim, equally with those on other lines, consideration for any of the high appointments on all lines, and the only way to avoid this is to stick closely to seniority. The present system, where each line is self-contained and has its own rules and customs, obviates this difficulty.

As regards the subordinate staff, men employed on State Railways, provided they keep within the strict letter of the law, can rarely be got rid of, however inefficient or unsuitable they may be. Even if the head of a department of a State railway is convinced that a man is a bad investment but cannot *prove* any very definite crime against him, his services cannot be dispensed with, because he has the right of appeal, as a servant of the State, up to the highest authority. I have known a station master, suspected of accepting bribes, appealing against dismissal and being reinstated merely because the agent had not a strong enough case *on paper* to send on to the Railway Board.

This could not occur on a company-worked line, for the Agent is treated as the trusted representative of the Home Board, and Government do not intervene in establishment questions of this kind.

But my greatest objections to the State railway system are two in number:—

First of all, I consider that political pressure has been, and will to a greater extent in the future be brought to bear on railways to provide comforts and luxuries without due consideration for economy, and instances can be quoted where a reasonable view of the situation was only accepted after the strong representation of the Home Board had been recorded.

Secondly, detailed management and control of such a tremendous undertaking as Indian railways by one centralised authority must entail great delay, and cannot be exercised with a knowledge of local conditions, no matter how carefully that central authority may be constituted. Government in the past have endeavoured to maintain uniformity of procedure over distant administrations by voluminous rule-books, and have only succeeded in cramping initiative and stifling advancement. There is no reason to believe that under any general system of State management this condition of affairs can be altered.

STATEMENT No. 58.

Sir LAWLESS HEPPER, Kt., Director of Development, Bombay, late Agent, Great India Peninsula Railway.

Question No. 1.—I am of opinion that except in the case of lines solely strategic it is preferable that railways owned by the State should be worked by companies on a profit-sharing basis. See oral evidence, paragraphs 5591/5624.

My reasons are as follows:—

(*a*) If lines are worked by companies, the competition between different administrations must be for the general good of railways. I do not refer to competition in the matter of rates, but to the natural incentive which company management provides by which each administration will be encouraged to give the public the best service it can. I anticipate that under State management we should tend more towards a dead level of mediocrity in such matters and that the spirit of enterprise in the adoption of modern processes and equipment would be less in evidence.

(*b*) On the State-worked lines in India officers are frequently transferred from one line to another which cannot make for efficient working. On companies' lines where officers spend their lives on the same railway there is a greater spirit of *esprit de corps* and more continuity of policy. The staff become familiar with the problems peculiar to their own system in a way they cannot do where there are more or less frequent changes.

I have had nearly 27 years' experience of Indian railways, during the last 14 years of which I was associated with the management of the G.I.P. Railway as Deputy Agent and Agent. My early railway service was spent in the engineering department of the North Western Railway and in the consulting engineers' branch.

Questions Nos. 2 *and* 3.—I believe the best form of management is by means of a company domiciled in the United Kingdom with a Board in London, for the following reasons—

(*a*) I do not think that India can produce the money necessary for the development of its railways, and a Board in London is necessary if capital is to be raised in England.

(*b*) The Board in London acts as a useful buffer to relieve the administration in India of undesirable pressure, political and otherwise, to which it might conceivably be subjected.

(*c*) It would not be easy to find men in India who could devote the necessary time for service on the board of a large railway. The best men are always the busiest.

(*d*) Among the directors of a company-worked line, with a board in London, will usually be found retired business men familiar with the working of the ports or industrial areas served by the railway, and this is an advantage in keeping the administration in touch with commercial interests. In the case of a line worked by the State the Government of India could not secure the same representation of local interests, and local knowledge would be deficient as it is in the case of the Railway Board at present.

(*e*) The location of the boards in London keeps them in touch with the latest experience and practice in railway work through their consulting engineers, and facilitates the exchange of views between the companies by means of periodical meetings of representatives of the various boards.

Question No. 4.—Yes, I think the present system of allowing the working companies a share in the profits is a sound one, but I see no reason why the interest of the company need remain relatively small. It might be advisable to allow the companies to increase their share by raising fresh capital.

Question No. 5.—The criticism can be, and is, met on most lines by the board, sending out one of their members on fairly frequent visits to India. It is not my experience that there is any undue delay in getting references to London settled.

Questions Nos. 6 *and* 7.—As indicated in my reply to Questions 2 and 3, I think it would be difficult to get together a board in India. The appointment of a permanent chairman skilled in railway work would go far to secure the necessary continuity of policy, but I think that at least a proportion of the members should be practical railwaymen, and these would not be easy to obtain.

Question No. 8.—I think this is important; my view is that the question would have to be carefully considered in appointing directors of companies domiciled in India.

Question No. 9.—I should not be opposed to the idea of a subsidiary board in India, as such a board might strengthen the hands of the local administration and keep the public in touch with the working of the line. It might be given considerable powers, within limits, in establishment matters, and would be useful if the company was allowed to raise capital in India. To begin with, except as regards establishment questions, its functions should be advisory only.

Questions Nos. 10 *and* 11.—I do not consider the system of control by means of a board satisfactory. I propose control by an official of the status of a member of the Viceroy's Executive Council, with direct access to the Viceroy and Council on railway matters, assisted by experts in the main departments of railway working who should have the status of Secretaries to Government. I would frame the central controlling organisation on that of a railway administration, *viz.*, one administrative head assisted by advisers for engineering, traffic (operative and commercial), technical (for locomotive and carriage and wagon) and finance. The secretaries should have adequate establishments and efficient inspection staffs to keep them well informed of local conditions on railways. The present central organisation is deficient in local knowledge.

Question No. 12.—I would not say that the functions exercised by the Railway Board extend to unnecessary detail, but where, I think, they have failed, is in not tackling the larger problems of railway working. These have too often been referred to the Indian Railway Conference Association which on account of conflicting interests of railways is badly equipped to deal with some of them.

I would instance as questions with which the Railway Board might deal—

(*a*) The standardisation of wagon design.

(*b*) The maintenance of the vacuum brake.

(*c*) The adoption of a stronger coupling for goods stock.

(*d*) The general question of renewals.

I am of opinion that a more decided policy on questions such as these would be for the good of railways.

Questions Nos. 13, 14 *and* 15.—If the Railway Board possess adequate powers in this connection they have not always used them. I think the companies would welcome greater activity on the part of the Railway Board in connection with such questions as are referred to in my reply to the last question.

It must be recognised that many of the men who have served on the Railway Board have been men of great experience and ability, and I ascribe the failure of the Board largely to insufficient status, absence of direct representation on the Viceroy's Council, and want of enough freedom in financial matters

Question No. 16.—I do not consider that the present status of the Railway Board is satisfactory—please see my reply to question Nos. 10 and 11.

I should like to see the railway finances separated from the general finance of the country. The separation of the railway finances is, I believe, a reform without which little real improvement is to be expected. In this connection, I do not think that the debit on account of annuity payments in the case of company-worked lines is a fair charge against railway revenue.

Question No. 17.—I consider that the supply of funds for railway purposes has been inadequate. So far as new construction is concerned I do not make a strong point. If the money is not there new construction must wait. It is with the financing of existing lines that I find fault. Maintenance has generally been provided for because it is naturally a first charge on the revenue budget. The capital portions of the charges for improvements are often difficult to meet, but my experience is that it is in regard to " programme revenue " expenditure that railways suffer most.

Question No. 18.—Yes. In my experience, the funds available have never been sufficient to provide much for new construction after the demands of open line have been met, and the latter must have the first claim.

Question No. 19.—I think Rs. 3 crores annually for the next ten years should be allotted to the G. I. P. Railway.

Question No. 20.—I consider that the money required should be raised whenever it can be obtained. I do not think that India can supply more than a small proportion of it.

Question No. 21.—I am of opinion that the branch line terms will have to be revised so as to give a guarantee of 6½ per cent. with a share of profits over that figure, the rebate terms being revised on the same basis.

Question No. 23.—I consider that companies ought to be empowered to raise short-term loans for dealing with accumulated arrears of renewals which the ordinary " programme revenue " grant is inadequate to meet. These arrears of renewals exist to a greater or lesser extent on most lines, and their effect on the carrying capacity of railways is very considerable.

Question No. 26.—(*a*) In connection with expenditure on revenue account, the inclusion of the railway budget in the general revenue budget of the country is distinctly detrimental to railway improvement and development. My experience has been that, owing to the necessity for cutting down working expenses to satisfy the requirements of the general budget, there has seldom been enough money available for " programme revenue " expenditure. On the G. I. P. Railway the renewal of girders, rolling stock, etc., is seriously in arrears in consequence, and I do not believe that these arrears can now be overtaken under the normal method of financing renewals. The condition existed before the war, but the restrictions due to the latter have, of course, aggravated matters.

(*b*) I have for several years urged that rates should be raised in view of the greatly increased cost of working. My impression is that rates and fares on the G. I. P. Railway should be raised from 25—30 per cent.

Question No. 27.—I think the figures show results satisfactory to the State and to the public, but I am inclined to doubt if the corresponding figures for 1919-20 and 1920-21 would be so good. So far as the results go they are favourable to company management, and would be still more so if the debit on account of annuity payments, which, I presume, has been included in the case of company-managed lines, had been omitted.

Question No. 28.—I do not think that there is much to be said against the existing annual budget system so far as concerns capital expenditure, but it is desirable that railways should be able to work to a settled programme, and if the capital grant could be fixed for three years ahead it would be a great improvement. In the case of programme revenue expenditure the annual budget system introduces difficulties, as it may happen that owing to delays in manufacture, material for renewals does not arrive in India in the year in which provision has been made, and there is a lapse. The stores have consequently to be accounted for in the following year, in which, possibly, a reduction of working expenses may have been called for by the Government of India. The material then must remain in store at the debit of capital, which upsets the capital budget, or, if drawn, some other item of expenditure, such as repairs, has to suffer. On the general question I would invite a reference to para. 10 *et seq* of my address as President of the Indian Railway Conference Association in October, 1916, in which my views on these points were stated at some length. I have always thought that in the case of renewals, especially where there are heavy arrears as in the case of the G. I. P. Railway, the allotments available from the revenue budget should be supplemented by advances from capital, as suggested in my address, or by short-term loans, the idea being to clear off the arrears of renewals within a reasonable time, but to spread the charge against revenue over a number of years. I attach a copy* of my letter No. 287 C/20, dated 1st September, 1915, to the Railway Board, in which the position as regards renewals on the G. I. P. Railway was very fully dealt with, and a definite proposal made for meeting the position by means of a capital suspense account. So far as I am aware the matter never went any further. In any case, I think the difficulties attaching to the annual budget system where " programme revenue " expenditure is concerned could be met if railways were empowered to raise short-term loans in India at the market rate to supplement the budget grant under that head if necessary.

Question No. 29.—Yes; but I think that the company should have the option of transferring funds from the Indian to the English grant and *vice versa*.

Question No. 34.—The carrying capacity of the broad-gauge railways is, in my opinion, inadequate. The reason is, I believe, that there has in the past been too ready a tendency to accept the popular cry of " shortage of wagons " as indicating the real reason of the inability of railways to carry the traffic. Shortage of wagons is no doubt the most prominent symptom so far as the public are concerned, but it is not always the real cause of the complaint. To buy additional wagons is a simple procedure if funds are available, but under certain conditions it tends to aggravate the disease. I am speaking, of course, mainly of my experience of the G. I. P. Railway in suggesting the following remedies, leaving aside the importance of a regular supply of funds the necessity for which must be obvious:—

(*a*) Steps should be taken to renew all obsolete and wornout equipment on important routes without further delay, by means of special financial arrangements if necessary.

* Not reproduced.

(*b*) Main routes of traffic should be examined with a view to ascertain the causes tending to check the free movement of wagons, and additional power and facilities provided, if necessary, to enable the maximum number of goods trains to be run, and to secure the prompt turn round of wagons.

(*c*) The broad-gauge goods stock should be fitted with a stronger form of coupling so that on busy sections, *e.g.*, nearing the ports, coal fields, etc., where the limit of possible density of traffic is already being approached without satisfying the demand for capacity, a much heavier train load may be adopted than is possible with the present pattern of draw gear.

(*d*) Government should insist on the proper maintenance of broad-gauge wagons by all railways, whether owners or not, and this should apply specially to the maintenance of the vacuum brake.

(*e*) On the more important lines steps should be taken to specialise more in operative traffic working.

The following remarks will explain my recommendations under each head:—

(*a*) As a case in point I would draw attention to the Itarsi-Jubbulpore Section of the G. I. P. Railway. This forms part of the shortest route from the Bengal coalfields to Bombay, and has been of the greatest importance since August, 1915, when the carriage of coal by sea was stopped. Much of the section is still laid with old 60-lb. track, and there are a number of bridges which are incapable of carrying any but the oldest locomotives on the line. As a result the load is only a mere 700 tons or so. The renewal of the bridges and track would at once give a great increase in capacity over this section. Some types of modern wagons cannot be run over certain sections of the G. I. P. Railway fully loaded as the bridges are not up to the axle loads. The capacity of the wagons has, therefore, to be "marked down" and considerable loss of efficiency is the result.

(*b*) This is self evident, I think.

(*c*) The section of the G. I P. Railway from Bhusaval to Bombay has been brought up to a high standard. It is laid with 100-lb. track, all bridges are up to full strength, direct entrance, refuge sidings, fully interlocked, are provided at intervals of about 20 minutes on the average, and the whole section is equipped with a telephone control worked from central points. The capacity during the last 10 years has been increased from about 12 goods trains a day each way to about 24 goods trains a day each way, notwithstanding a considerable increase in passenger traffic during the period. The normal goods train load is about 1,000 tons gross or, say, 24,000 tons gross out of Bhusaval daily in the up direction. But this is not enough in the busy season to clear the traffic entering Bhusaval from two directions from the east, and blocking back, with its consequent disorganisation of traffic, is the result. Heavy locomotives built to haul 1,600 tons over this section have been ordered, but even this will only meet the requirements of the moment. It is hardly possible to add to the number of trains to any great extent and further increase of capacity over this section must be met by adopting a still heavier train load, the only obstacle being the weakness of the present coupling. It seems inevitable that Indian broad-gauge railways will have to adopt a stronger coupling before long to meet similar cases, and I look on this as one of the most urgent problems before railways at the present time.

(*d*) There is no doubt that the partial pooling of wagons has resulted in a general deterioration of the stock, which cannot altogether be accounted for by the difficulty of obtaining material. The carriage and wagon departments of all railways will have to realise their responsibilities more fully than they do at present if this matter is to be put right. The case of the maintenance of the vacuum brake on goods stock is especially pressing. Large sums have been spent on fitting the vacuum brake to broad-gauge wagons, but quite half the fitted wagons one sees on trains have the gear defective. It is impossible to keep the brake gear in order unless it is regularly used, but some railways do not use it to the extent they might. Since all wagons have not yet been fitted, it means that vacuum-braked wagons must be marshalled next the engine if they are to be used, and railways avoid doing this to save trouble or from lack of facilities for marshalling. On some lines the traffic can be worked without the vacuum brake, and so the fitted wagons fall into disrepair. Then when they find their way on to sections of other lines where owing to conditions of load or grade the use of the brake is imperative, there is trouble. The present apathy in the matter of the maintenance of the vacuum brake requires to be removed, and this seems to me to be a matter which the Railway Board might take up through its inspectors of railways. The proper working of the vacuum brake is of the greatest importance whenever the conditions impose strains approaching the full capacity of the coupling.

(*e*) Traffic officers are practically all trained in India, and the methods and traditions they inherit are not always up to date in operative matters. As at present organised, the running branches of the traffic and locomotive departments are both concerned in the movement of traffic, and this divided responsibility is bad. I would advocate amalgamating the running branches of the two departments into one operative department under a superintendent of the line solely responsible for the movement of traffic, and would recommend that men trained in English or American operative practice should occasionally be recruited for service in it.

STATEMENT No. 59.

A. J. BILIMORIA, Esq., Messrs. Tata Sons, Ltd., Bombay.—NOTE DATED 10TH FEBRUARY, 1921.

The present ownership of over 90 per cent. of Indian railway by the State is a profitable property in the hands of the people, whose value to-day is several times the amount paid by them for the acquisition of that property. The Indian railways, therefore, become one system since they are owned by the people as a whole; but they did not grow up as one system, and they have often competed in the company days, and to-day the conception inherited from old time and brought into India from the working of the English competitive system more than occasionally hampers progress

See oral evidence, paragraphs 5625/5635.

The question arises whether railway administration cannot be unified and put on the same basis throughout, which basis, of course, must be that part of the various systems which has proved itself by experience. I believe it is admitted that the existing methods of the administration of railways are defective, and one feels tempted to travel outside them to discover something more fitting than anything Indian railways have known hitherto, but in the light of the experience of Indian railways.

I venture to make the following suggestions for the consideration of the Railway Commission:—

(*a*) Railway administration should be one system.

(*b*) As the ownership is the same generally the competitive aspect should be banished or, if preserved, it should be to show how much greater good can one railway administration give than other railways from equal resources, and without fouling the scope and the nests of the other railways.

(*c*) The administration should be conducted with a view to obtaining adequate returns in the capital, but the returns need not be entirely in the shape of money dividends—the happiness of the people, the sufficient service of industries, the training of the people of the land in high engineering and high administrative qualifications, the support to the key industries of the country, the fostering of indigenous industries, the political contentment, the collaboration with the waterways and open roads of the country, the amplification of the feeder services of the light railways, trams, motor 'buses, animal vehicles, the service for the relief of town congestion and the reduction of disease, the promotion of holiday travelling in search of health, the unification of the scattered parts of the country and the resulting nation building—all these are dividends to railway capital and to efficient administration which should not be ignored.

(*d*) To secure this unity of railway administration and the administration in public interest rather than for profit the ownership should be in the public.

(*e*) The actual administration should have all the advantages of private enterprise without the drawbacks either of State management or of management by individual interests.

(*f*) The drawbacks of State management are usually somewhat reproduced in the administration of joint stock companies. Another drawback of complication of organisation is not to be avoided even by joint stock companies of the magnitude of railways. The chief incident of State administration which a joint stock company may escape is the perpetuity and elaboration of references which secures nothing so well as an extinguisher on doing anything.

(*g*) Therefore the administrative organisation of railways should be such as to secure representation of the bulk of the interest to be effected, and to have a governing body which can make quick decisions, but not without adequate examination without references to incompetent secretariats.

(*h*) A model of such bodies lies ready to hand in the semi-public administrative bodies like the Port Trust or the Improvement Trust, whose composition is that of business men themselves interested in the good administration of the functions given to their charge, and who can bring to bear from behind themselves effective voices of the interest whom they represent so as to bear down any inertia of official routine.

(*i*) The machinery should, of course, be as simple as possible, but should not avoid complexity as such. There would be central boards and local boards, and the local boards might be as numerous as important trading centres which the railway system effects, and there might be one general central board as a clearance system for the separate central boards so as to secure that the policies of the various central boards can be harmonised for the benefit of the public interest only. Probably this one general board might be composed of the presidents and vice-presidents of the individual central boards.

(*j*) The board, central or local, would be not stationary, but would travel and tour.

(*k*) The Indian mercantile interest, being predominantly affected by the railway service, should be very adequately represented on these boards. There should also be persistent attempts made to encourage Indian personnel in the higher services of the railway, but there should be no attempt made to sacrifice real efficiency and real public interest for the sake of an entirely Indian personnel. The railway system of India has spent about Rs. 500 crores on capital expenditure, and may annually spend about Rs. 25 or 50 crores on operating expenditure. It thus becomes a large buying department, and its buying should be so conducted as to help the efficiency of Indian industries. There should be a living policy in these matters, and not a dead mechanism of rules; for example, like the municipalities, the surplus funds of railways should be distributed among the best banks of the country and in many local centres, so as to feed trade not only at the centres, but at all the trade areas of India.

(*l*) In any case, the home boards of railways seem to me to fulfil no particular function except as buying agencies, and the one advantage of treating all Indian railways as parts of one system is the unification of the purchasing department of the railways. With that unification the chief need of home boards disappears.

(*m*) As regulators of policy, home boards, even though composed of retired men of Indian experience, become obsolete. The psychology of India changes very fast; the elderly gentlemen who compose home boards are apt to treat it as if it did not change since they left India. Their Indian experience is one handicap the more, because they talk with the weight of experience, which weight is undeserved on account of change.

(*n*) Railway administration at their heads should have the same quality as is found in the United States and in Canada, and no money should be spared to get such people at the head, and no racial or political prejudice should intervene to obtain such people at the head. An English railway distinguished itself some 15 years ago by importing an American at its head. What I mean is that the head men should not merely be trained men or able men, but should be both, and should be go-ahead besides.

(*o*) On the question of the funds required for the development of the whole railway system in India, I wish to urge very strongly that the Government of India should at once apply to the Imperial Government for financial assistance. I would suggest that the Imperial Government may be requested to advance the whole or a portion of the free gift of one hundred million sterling given by India during the war at a reasonable rate of interest to help India at this critical juncture. I think that the English people would not refuse such assistance if the position is made clear to them.

STATEMENT No. 60.

Messrs. Ambalal Himatlal and Co., Ahmedabad.—Note dated 15th January, 1921.

See oral evidence, paragraphs 5698/5709.

In our opinion, the railways owned by the State should, as a rule, be managed directly by the State, as thereby the entire profit from the undertaking will accrue to the State and the general public are likely to get uniform treatment.

2. We think that, for various reasons, with proper selection of administrative and executive officers, Government ought to be able to manage the lines as economically as private companies or individuals, and there seems to us no reason to seek the assistance of companies on a profit-sharing basis. Selection of officers should, in our opinion, depend more upon individual merits than upon seniority.

3. In case the idea of management by companies is favoured, the companies should be domiciled in India, as it is most desirable that they should be in touch with the local requirements.

4. In our opinion, in order that the working companies be induced to take sufficient interest in the undertaking, they must hold a fair percentage of the capital with a right to proportionate share of net earnings.

5. In the event of railway companies being domiciled in India, the Board of Directors should be constituted of gentlemen interested in the commercial development of the country and should represent various trades and manufactures, the interest of the Government being safeguarded by the appointment of a certain number of Government directors on the board.

6. We think that sufficient continuity in a board domiciled in India would be secured by a qualified permanent chairman nominated by Government. In our opinion, it is not necessary that the other members of the board should be skilled in railway work; they should be all-round good business men, but with wide experience in their own line.

7. We do not think that, with a due regard to making suitable selections, there would be any difficulty in finding out men who could be relied upon to be sufficiently impartial for all practical purposes.

8. We are against the suggestion that the system of management by companies domiciled in England and by companies domiciled in India might be combined.

9. In our opinion, a new appointment of an officer, who may be styled Director-General of Railways in India, may be created to take the place of the present Railway Board. He should have separate assistants for each branch of railway administration, viz., traffic, engineering, locomotive, etc. He should also be a member of the Council and be in direct touch with Government, with authority to exercise the powers vested in Government so that sufficient attention may be paid to grievances of the public.

10. In our opinion, the supply of funds for railway purposes has not hitherto been adequate, both for new construction and for the maintenance as well as for the improvement of existing railways. We think it is most desirable to have sufficient rolling stock to meet the requirements of the growing traffic. The existing railways should first of all be thoroughly equipped to meet the demands on them before embarking on new projects, so that the fullest advantage may be secured from the expenditure incurred and due facilities given to the people inhabiting the areas already tapped. Improvements may be attended to gradually.

11. By the above we do not mean it to be understood that new construction should be kept in abeyance. What we desire to say is that in allotting funds for railway purposes due consideration should be given to maintenance, which should have a fair share of the grant available.

12. In our opinion, capital funds should be raised in India.

13. In our opinion, the present branch line terms should be so modified as to give the investors a sure return of at least 8 per cent. over the capital. Government borrow at present at say (6½ per cent., income tax) 7 per cent., and therefore, with a view to induce the public to go in for railway shares, the minimum guarantee should be 8 per cent. The existing concession rules were framed before the war and allow 5 per cent. only, when Government were able to finance loans at 3½ per cent. In fixing the minimum percentage of guarantee, the fact of very heavy dividends paid during the last few years by mill and miscellaneous industries should also be not lost sight of. Really speaking, the minimum for railway purposes should be high enough to enable the capital to flow freely for their requirements. The present clause authorising in certain cases division of profits between private promoters and Government, should also be eliminated from the contract indenture.

14. We think the tendency of the public is at present not in favour of preference shares; we would also not have any subsidiary companies, and suggest the raising of capital by all or either of the following methods:—

(I) By means of ordinary shares of working companies.

(II) By means of railway debentures capital raised by the working companies and by the Government of India.

(III) By terminable bonds.

15. In our opinion, borrowings by the above methods are likely to interfere with the success of ordinary Government borrowings, but we believe the difficulty can be got over only in case Government undertake to finance all the railways themselves, which we believe they can easily do, as even the private companies secure capital for railways more on the strength of the Government guarantee and concession.

16. As the railway capital programme depends on the power of the Government to provide finance and the general revenue, position of Government exercises some influence on allotments for expenditure on revenue account; we think railway improvement and development do suffer to a certain extent.

17. In our opinion, the railway rates should be generally raised so as to enable the railway to earn at least 7 per cent., the rate of interest including income tax at present paid by Government on new loans. This will require an increase of about 40 per cent. on present rates.

18. On the whole, we consider the results secured by State-owned railways, either managed by the State or companies, satisfactory both to Government and the public in a variety of ways, from the development of areas served by the railways concerned, chiefly owing to the increased facilities of communication they afford being very great. Land before lying fallow is being cultivated; both trade and natural resources of the country are being developed. In fact, in our opinion railways create traffic in places where little or none existed before. It is really difficult to estimate the money value of railways to Government in addition to direct profit therefrom, as they are benefited indirectly in a variety of ways which ought to give a very large profit.

19. We see no reason to alter the existing arrangement *re* present Annual Budget system, but would specially like to impress on all disbursing officials the desirability of not hurrying on works at the last moment, *i.e.*, nearly at the end of the official year, to utilise the Budget grants. This practice, which exists in some cases, leads to waste, and should, in our opinion, be stopped.

20. In our opinion, there should be uniform rates on all railways throughout India both for passengers and goods, exceptions being allowed only in cases of those lines passing through unusually difficult and expensive country. Disputes should be settled as soon as possible; of course, after due investigations. One or two well-known and reliable merchants may be associated with the claims investigating officer. These merchants may be consulted only in cases in which no amicable settlement can be arrived at by the officer himself.

22. *General.*—To meet fully the requirements of the trade it is necessary to have sufficient rolling stock (the want of which is very keenly felt) on almost all the railways. This, it is believed, leads to peculation and harassment to persons having dealings with the petty station officials.

STATEMENT No. 61.

THE INDIAN PASSENGERS' AND TRAFFIC RELIEF ASSOCIATION, BOMBAY.—LETTER DATED THE 10TH FEBRUARY, 1921.

With reference to your letter No. 15-R.C. of 12th January, 1921, enclosing a copy of the Questionnaire of the Indian Railway Committee, I am directed by the Committee of this Association to send hereby their views on the subject:— See oral evidence, paragraphs 5710/5722.

Part I.—Management of State Railways.

Question 1.—Railways owned by the State should, in the opinion of my Committee, be managed directly by the State, and not by companies on a profit-sharing basis. The evolution of the Indian railway system conclusively proves the disastrous results of the company *regime*. As railways constitute big monopolistic undertakings, the State is a better manager than companies. In India, where the State already owns the trunk lines, the financial interest is supreme. From the financial point of view, and on grounds of public policy, as well as for various special reasons, Government operation of the State railroads should be preferred to company working. In this connection, my committee consider, that comparisons on the present distribution of State lines are misleading as some of the so-called advantages ascribed to company management are due to other reasons, such as geographical location, favourable country traversed, and other natural causes, and not to company working *per se*. Besides, the military character of the North-Western Railway, as well as the relatively smaller mileage of the O. R. R. & E. B. R., and their isolation should be noted.

As many unfair comparisons have been made and misleading inferences drawn, my Committee would point out that the case for State operation does not depend merely upon the relative merits of the lines now worked by the State, but on what Government management should be and would be if a larger mileage and all State lines be worked as one system without any conflict of interests.

(i) The managing companies now receive large sums as their share of surplus profits. The sums paid in the period 1908-9 to 1920-21 have varied from 50 lakhs to 2 crores per annum, the aggregate payment exceeding 14 crores of rupees.

Surplus Profits Paid to Companies.

	Lakhs		Lakhs
1908-09	50	1915-16	91
1909-10	48	1916-17	116
1910-11	70	1917-18	149
1911-12	72	1918-19	190
1912-13	107	1919-20	206
1913-14	66	1920-21 (Budget)	160
1914-15	104		

Under State operation, these sums would go to the Government Treasury and not foreign companies.

(ii) The cost of maintaining the London boards and offices of these companies is an unnecessary item of expenditure that would be saved by State management. In the year 1916-17, the home expenditure was 0·40 per cent. of the total earnings in the case of the E. I. R., G. I. P., and B. B & C. I. broadgauge: while it was 0·80 per cent. in the case of M. & S. M. and B. B. & C. I. metre gauge and S. I. both gauges: 0·55 per cent. B. N. R., 1 per cent. Burma, and 2 per cent. Assam Bengal. This would represent a total sum of about 25 lakhs for this year.

(iii) The colour bar is very rigidly drawn in company-managed lines. The position of the State-managed lines is better in this respect. In the Establishment Return of All Railways for 1917, we find that an Indian held the position of chief engineer in the E. B. Railway, three Indians were executive engineers on above Rs. 1,000 p.m. in the N. W. Railway, and an Indian was deputy traffic manager on Rs. 1,500 p.m. in the N. W. Railway. In the company-managed railways no Indians have risen to such positions.

(iv) The number of Europeans and Anglo-Indians employed by the company-managed railways is very large, apart from being a source of bitterness to the Indian employees, this often has been the cause of ill-treatment to the travelling public.

(v) The overcrowding of third-class passengers has been a long-standing evil. In recent years the State-managed railways have done much to increase the number of passenger vehicles, whereas on the company-managed lines there has been practically no improvement. The type of vehicles run on the N. W. R., O. R. R., and E. B. R. are more roomy and convenient than those on the G. I. P. and other lines.

(vi) A fairly good service for the intermediate class of passengers is being maintained by all the State-managed railways, while with the exception of E. I. and B. N. R., the other lines do not maintain such a service.

(vii) The comforts and conveniences of the third-class passengers, who form the backbone of the passenger traffic, are better attended to by the State-managed railways than the others. At the end of the year 1916-17, the number of third-class carriages provided with latrine accommodation on the N. W. R. was 1,211, while the number of carriages so provided on the E. I. R. and G. I. P. was only 443 and 543 respectively.

(viii) The rate policy of the companies has aimed to develop the foreign trade to the detriment of the internal trade. The alliance of the railway companies with the European Chambers of Commerce has been adverse to the interests of the Indian public.

(ix) The practice of allowing the companies a free hand regarding the purchase of stores in England involving large sums is neither economical nor calculated to encourage the growth of engineering industries in India. Besides, the adoption of standard types of stock on the Indian railways is rendered practically impossible if this system were to prevail.

(x) The railway workshops are not worked to the best advantage. The current policy is to confine the working of shops to mere repairs, renewals, and the assembly of imported parts. Many of these shops are capable of construction and manufacture of stock and necessary parts. The expansion and utilisation of these shops for the manufacture of all standardised parts and the construction of rolling stock—locomotives, passenger and freight cars—should be the future policy: and for the carrying out of such a policy State management is necessary. Under State management these shops could become large manufacturing centres—as the Japanese shops are now—and benefit the country.

(xi) The companies with their home boards often exert pressure on the Secretary of State in London. This is one of the chief reasons why Government control over the companies managing State lines is not what it ought to be. It is for this purpose that the companies seek the services of men who were at one time finance members, presidents of the Railway Board, etc. Many instances could be cited to prove that this pernicious influence was strong enough to make the Secretary of State overrule or pay scant attention to the views of the Government of India.

The disappearance of the London boards, under State management, would eliminate this evil; and final authority on railway matters should rest with the Government of India and the Legislative Assembly.

(xii) Considerable economies could be effected by the removal of the conflict of interest between the different companies: and the centralised handling of the entire rolling stock and operation of all State lines as one undertaking by a regrouping of the railway systems would save a great deal of the wasteful outlay on rolling stock that now takes place.

(xiii) A harmonious policy with other transportation agencies, namely, waterways, canals, by which considerable quantities of low-grade freight could be transferred to steamers and river craft owned by railways would benefit the country as well as relieve the railways of a lot of trouble with low-paying freight. Much of the congestion in recent years has been due to the carriage of coal by the all-rail route to the western ports. Before the war this traffic went by sea. To handle coal for very long distances by rail as a permanent arrangement would mean much loss in the earning capacity of stock, and also to heavy empty running.

The E. I. R. should run a fleet of cargo steamers and carry the coal traffic from Calcutta by sea to the ports.

(xiv) The tone of the entire railway service would improve under State management, as the status and security of railway employees would be enhanced as Government servants, though non-pensionable: and a better class of men could be recruited, especially in the higher grades.

Question 3.—My Committee do not advocate management by companies, whether domiciled in England or India; and, therefore,

Questions 4, 5, 6, 7, 8, *and* 9 do not arise.

Part II.—The Railway Board and Government Control.

Question 10.—My Committee consider that the system of control by means of a Railway Board is highly unsatisfactory: as there has been very little control over the companies working the State lines. As the Board now consists entirely of ex-agents of railway companies, it is reluctant to exercise any control. The members, being partisans, advocate the companies' interests and are not amenable to public opinion.

The board should be abolished and the newly constituted Railway Department should be, like other departments, presided over by a member of the Viceroy's Executive Council. The railway member should be an Indian, and not a railwayman.

There should be a number of expert advisers, not less than eight and not exceeding twelve, most of whom should be senior officers drawn from the State-managed railways, to be in charge of the following sections:—

(1) Director of Locomotives.
(2) ,, ,, Carriage and Wagons.
(3) ,, ,, Traffic (goods).
(4) ,, ,, Traffic (passengers).
(5) ,, ,, Stores.
(6) ,, ,, Electrical Engineering.
(7) ,, ,, Interlocking.
(8) ,, ,, Engineering Bridge Work.
(9) ,, ,, E.-Line Improvements.
(10) ,, ,, Rates and Fares.

Questions 12, 13, 14, *and* 15.—The powers possessed by the Government are ample. There are a hundred ways of exercising Government control if the Government mean business. Even if the ordinary powers be regarded as insufficient—a view we do not agree with—there are extraordinary powers. The Government Director of the India Office, who is *ex-officio* director of all the companies' boards in London, is armed with an *absolute veto* and, if necessary, *can veto all proceedings*. This being so, if the Government gives a broad hint to the managing companies on any important matter and makes up its mind to get what it wants, there would be no obstacle.

Part III.—Railway Finance.

Question 17.—The supply of funds has been adequate; and new construction should in future be on a smaller scale and undertaken by the main lines.

Question 18.—The improvement of open lines should receive the foremost attention: and the policy adopted is sound in principle.

Question 19.—We do not think that funds on a larger scale are required.

Question 20.—Yes; preferably in India to the utmost extent.

Question 22.—New methods of raising capital should not be sought, for if they are sought, it would mean in the end a wastful policy giving rise to further complications. The fancy proposals for borrowing that are put forward are all impracticable and, if practible, are undesirable.

Question 26.—

(*a*) This has not been detrimental to railway development and improvement.

(*b*) Rates and fares should not be raised until there occurs a deficit in the railway budget. Much can be done by a reclassification of goods removing many anomalies and increasing the minimum for comparatively costly articles.

Question 28.—My committee are of opinion that the existing annual budget system is quite sound, and all attempts on the part of interested parties to separate the railway budget from the general budget are really made to weaken the authority of the finance member and free the companies from even the little control that now prevails.

The Indian public want, and the interests of the country require, greater financial control than what exists now.

Part IV.—Government Control of Rates and Fares.

Question 30.—No.

Question 31.—This point has already been dealt with.

STATEMENT No. 62.

F. J. HARVEY, Esq., Agent, O. and R. Railway.—MEMORANDUM DATED 5TH FEBRUARY, 1921.

Question No. 1.—Railways at present owned by the State should continue to be worked by the State. I have had experience of State railways from assistant engineer to agent. There is no reason why railways under State management should not be as economically worked as those under companies, and I do not believe that they are not. See oral evidence, paragraphs 5723/5757, 5929/5948.

There are, however, certain minor disadvantages in State management.

In respect of salaries, at any rate, the State lines, generally speaking, are more economical. Compare, *e.g.*, Madras and Southern Mahratta Railway with Oudh and Rohilkhand Railway. The agent and heads of departments draw:—

	M. and S. M.	O. and R.
Agent	3,500 ...	3,000
Chief Engineer	2,300—2,750 ...	1,750—2,150
Traffic Manager	2,090—2,420 ...	2,200
Loco. Superintendent	2,090—2,420 ...	2,200
Chief Auditor	2,090—2,420 ...	2,000

(1) The State Railway staff are distributed over three State railways and are transferred from one to the other, the result being that few of them get to know one railway thoroughly, and, owing to the combined exigencies of the three railways, officers, especially administrative officers, do not hold their appointments long enough to formulate and carry out a policy.

(2) The usual result of State employment, viz., mediocrity, *i.e.*, the best men are treated on a level with the worst; in other words, seniority rather than efficiency rules promotion up to the administrative grade.

Question No. 2.—I advocate the continuance of the existing system.

Question No. 3.—My experience is that having the Board of Directors in England does lead to a certain amount of delay in finally settling matters with other railways, as agents out here have to refer to their home boards for final orders; but having had no experience of company management, I am unable to give an opinion.

Question No. 10.—Yes, provided the Board has sufficient number of experts to refer to; and I consider the Railway Board should be a Department of Government of India with the President as a Member of Council.

Question No. 11.—The Board might consist of:—

(*a*) President—should be a Member of Council.
(*b*) Two Members—one an engineer, one a traffic officer.
(*c*) Chief Engineer, who is the expert adviser on technical matters.
(*d*) The services of experts should be available readily, *e.g.*, finance and money market. Locomotive Officer, somewhat similar to Chief Engineer in his duties, but the duties would not be so heavy; but he must be a locomotive engineer of considerable Indian experience.

Question No. 12.—I consider the Railway Board is overburdened with unnecessary detail, and should delegate powers more freely to agents who are highly-responsible officers.

For example, agents should have powers within Budget limits to sanction the revision of subordinate staff up to a limit of pay of Rs. 500 a month, and full power in respect of the appointment, promotion and degradation of servants of this class. The Railway Board can have no knowledge of the merits of these men, and it is absurd that control in respect of them should be retained in its own hands by the Railway Board.

Question No. 13.—Yes, over State railway administrations.

Question No. 14.—Yes, over State railway administrations.

Question No. 15.—The Railway Board's powers are wide.

Question No. 16.—See answer to question No. 10.

Question No. 17.—(*a*) I consider that funds have been provided for construction lines unnecessarily and for non-paying propositions, and if these funds had been applied to the improvement of existing facilities railways would now be in a better position to deal with existing traffic.

(*b*) Funds have been persistently cut down for renewals, and the result in some cases has been that the upkeep of the line is not as it should be, with the result that the carrying capacity of the line is reduced; for example, by delaying the renewal of old light rails heavy engines have not been able to be used to carry heavier loads, entailing extra working expenses and a reduction in carrying capacity.

(*c*) Funds have also been inadequate. The improvement of yards to take an increase in traffic or loads has been unduly delayed.

Question No. 18.—Yes, so long as the facilities on an existing line are much below existing requirements, it would seem inadvisable to embark on extensions which of a necessity would further embarrass railways.

It would be utter folly to embark on extensions and new lines at the present moment. Funds are insufficient to put existing lines in a position to deal with traffic, coal is deficient, and most large junctions and sorting yards are behind present requirements, and until these are remedied any new line will add to the difficulties, except, perhaps, a line which will bring more coal to the railways.

Question No. 19.—Yes, I consider that funds are required on a much larger scale. I am not in a position to say what it would be for all Indian railways, but for the O. and R. Railway a sum of Rs. 60-70 lakhs per year could be economically spent for the next ten years on improving the line.

Question No. 26.—(*a*) I consider that the capital funds for railways should be divorced from the general finances of the Government of India. The result of the present practice is highly detrimental to the efficient working of railways.

One important result is that capital funds must be utilised before the end of the financial year. From a works point of view, in Northern India this means a rush of work to be put through in the last three months of the financial year, and the result is unsatisfactory work. Funds not utilised within the year lapse on its termination, not on the completion of the works for which they are provided, and consequently construction programmes are seriously hampered.

If the capital funds are separated from the general funds of the Government of India, I see no reason why the balance of the grant of one year should not be carried on to the next year, and separate from or in addition to the next year's grant.

At the present time the preparing of budgets is a burdensome process based on hopes and improbabilities; the capital expenditure to a large extent depends on the supply of English stores and the date by which they are despatched from England (their cost is then a debit on Indian grant) and their arrival and possibility of utilisation before 31st March; if they arrive too late revenue and capital budgets are upset, whereas if the grants were carried on to the next year there would be continuity in accounts.

(*b*) I consider that railway fares and rates should be raised, nay, I say they *must* be raised; from investigations on this line I consider they should be raised from 25 per cent. to 33 per cent.

Question No. 27.—The results of the figures show that the companies' lines have the cream of the railways in India and the State is left with the skimmed milk.

The statement in this question proves nothing. The most remarkable point of it is that in any year the State lines were able to produce a net result equal to the companies,

Considering their advantages in respect of country traversed, proximity of coal supply, absence of strategic and non-paying sections, the companies' lines primâ facie should show an even better result than that indicated by the statement in comparison with the State lines.

I can think of no method of determining a figure representing the gain to Government attributable to railways through development of areas served by them. But there is no doubt that the gain is substantial to the people if not always to the Government, and this fact should be taken into account in determining whether railways are paying their way.

Question No. 28.—See answer to question No. 26. I cannot see why the grants of one year cannot be separated entirely from those of the next. The present system appears cumbersome, and is burdensome to all concerned.

Question No. 34.—The carrying capacity of the Northern Railways is inadequate to the requirements of the public. The reasons are:—

(i) Deficiency in coal supply.
(ii) Want of facilities in dealing with stock.
(iii) Inefficiency in traffic working.

STATEMENT No. 68.

Lieut.-Colonel W. R. IZAT, R.E., D.S.O., Agent, Bengal and North-Western Railway Company.

The Bengal and North-Western Railway came into existence in 1882 as a private company without any guarantee or financial assistance beyond the free grant of the land required for the purposes of the railway. It was, in the first place, given power to construct a line from Sonepore to Bahraich with branches to Benares, Nawabganj and Bahram Ghat, and started with an ordinary share capital of £2,200,000. See oral evidence, paragraphs 5758/5782.

2. In 1894 the capital was increased to £2,750,000, the additional £500,000 being required for the linking-up of the company's line with the metre gauge railway terminating at Cawnpore, and for the construction of branch lines to Katarnian Ghat, Tulsipur and Turtipar. In 1896 three and a-half per cent. Preference shares were created to the value of £1,500,000 for the construction of what are known as the Ganges Gogra Doab lines and a small section from Chupra to Revelganj; £400,000 worth of three per cent. Debenture stock were issued in 1899 to meet the cost of certain extensions of the Doab lines, viz., from Azamgarh to Shahganj, Aunrihar to Jaunpur, and Ballia to Ghazipur. In 1903 powers were taken to create additional Ordinary shares to the value of £250,000 for the construction of a line from Gorakhpur to Bagaha, bringing the company's Ordinary share capital to £3,000,000, at which it now stands. In 1904, four per cent. Second Preference shares to the value of £1,500,000 were created for further extensions of the company's railway and general open line requirements.

The company's capital is at present as follows:—

	£
Ordinary stock	3,000,000
3½ per cent. Preference shares	1,500,000
4 per cent. Preference shares	1,500,000
3 per cent. Debenture	400,000

3. From time to time the company was given powers to extend its system, and has now some 17 different contracts which are complicated and involve many cross references to earlier contracts, and it may certainly be said that they do not make matters particularly intelligible to the man who wants to invest his money in an Indian railway.

4. The outstanding events affecting the history of the company's railway are (1) the taking over of the working of the Tirhut Railway, which is owned by the State, in 1890; (2) the grant of running powers over the Cawnpore-Burhwal link and making connection with the metre gauge system terminating at Cawnpore in 1894; and (3) the construction of the Ganges-Gogra Doab lines in 1896.

5. As a result of taking over the working of the Tirhut Railway the State obtained a closer supervision and control over the working of the company's line. A system of concurrent company and Government audit on receipts and outlay was introduced, involving much labour and time (modified some years later). The State retained the power to fix and vary from time to time both maxima and minima rates for the carriage of through passengers and goods over the company's railway, the minimum rate for goods traffic being fixed at one-tenth pie per maund per mile. In the company's original contract the only requirement in this respect was a minimum of one-fifth of a pie per maund per mile for full wagon loads of salt, coal and food grains carried for distances of not less than 100 miles.

6. It may be interesting to note the varying contract provisions as regards purchase by the State of the company's main line and the Ganges-Gogra Doab lines. The purchase price of the latter was fixed on the actual sterling capital raised and expended by the company, whereas for the company's main line the payment to be made if purchased in 1932 is twenty-five times the excess of the average yearly amount of earnings during the five years ending 31st December, 1912, over the average yearly working expenses of the company and Secretary of State's share of surplus during the same five years. If not purchased in 1932 the contract terminates by efflux of time in 1981, in which case the value of moveable plant, machinery, stores and rolling stock only is paid for.

7. Under the provisions of clause 3 of the contract of 1905 the working of the Tirhut Railway could be extended to 1932, and an arrangement was come to recently after much discussion for the necessary extension of working, whereby Government required the company to provide £433,333 in excess of their present capital for further expenditure on their own lines. This sum will not be recouped to them, in spite of the fact that the purchase price has already been fixed based on the earnings of an earlier period (1908-1912).

I am in favour of the continuance of the existing system by which Indian railways are worked partly by the State and partly by companies. Company management, I think, provides more continuity of control, and the fact that the staff of a company-worked railway have to prove their worth by their work for that railway is of material advantage to a company in promoting the efficient

working of the railway. On the other hand, State management provides trained officials whom Government can employ in general control or on lines, military or otherwise, which cannot be attractive to a company. There is emulation between the two systems of management which is conducive to improvements in working.

Speaking for my own railway, I have not found that the Board of Directors is in any way out of touch with Indian conditions and requirements or that any undue delay is caused in settling references. The board is kept in touch with Indian conditions by frequent visits of some of the directors to India and by information supplied by their agent, and urgent matters can always be settled by cable. In matters of extreme urgency I should have no hesitation in acting on my own responsibility, feeling sure that I should be supported by my board. In my experience, it usually takes longer to settle cases with the Railway Board than with my board in London.

I personally attach the greatest importance to the advice and assistance I receive from my London board, and their expert technical knowledge is especially valuable on a line like the B. and N.W. Railway, where problems of great magnitude and importance often arise in connection with floods and the protection of our many large bridges.

I have no great knowledge of the Presidency towns, but I doubt whether in those places sufficient directors having the necessary time and qualifications could be found to form suitable boards, of which about seven would be required. This leaves out of the question the other railways whose headquarters are elsewhere.

It might be possible to form advisory committees in such places as Bombay, Calcutta and Madras for railway administrations which have their headquarters there, but I am unable to suggest how such a committee could be suitably formed at a place like Gorakhpur. If it is considered desirable to give local opinion more of a say in railway policy, I think it should be done through the Local Governments and the Railway Board.

The carrying capacity of various railways is generally admitted to be inadequate to the requirements and needs of the various industries served by them. The districts served by the B. and N.W. Railway, which have no outlet except over the lines of other railways, have suffered acutely from restrictions imposed on traffic from them by the various broad-gauge railways with which the B. and N.W. Railway is connected.

All descriptions of goods traffic are affected, but the main staples are grain and seeds, sugar, gur, tobacco and chillies, and under present conditions development must be arrested, and agriculturists and others can have no confidence that their produce will be moved with reasonable despatch. I attach a statement showing for the first quarter of 1920 the restrictions put on against the B. and N.W. Railway and the amount of traffic held up in consequence. My board have appealed to the Secretary of State more than once in regard to this serious matter, and I have addressed the Railway Board on the subject. The Local Government, I understand, also took up the matter last cold weather with the Railway Board. So far there appears to be little hope that the position will be any better in the future.

The reasons generally given for these restrictions are shortage of stock, but it appears to me that to some extent the position has been aggravated by the pooling arrangement, and I doubt if any pooling arrangement can work satisfactorily while some railways, at any rate, appear to be relatively under-equipped in this respect.

The Bengal and North-Western Railway, having regard to the density of its traffic, is, I consider, as well equipped with goods stock as any railway in India, and but for the severe restrictions imposed by other railways we should be able to handle our traffic without undue delay.

I consider that the present Government control over rates and fares by means of fixing maxima and minima is satisfactory. So far as this administration is concerned, it is not at present necessary to ask for increased maxima, and the company will, I think, be able, where necessary, to cover the greatly enhanced cost of working without exceeding the existing maxima.

Some 90 per cent. of our traffic is now carried at rates well below the maxima and our third-class fares are the lowest in India. The question of increasing our rates is now receiving careful consideration. We do not propose to make a percentage increase on all rates, but to look into all our special quotations and deal with each case on its merits.

Although this administration has not previously suffered much from the existing annual budget system, we have recently experienced difficulty in obtaining funds to cover commitments, owing to money which was set aside from revenue for this purpose, having been utilised by Government for other purposes and not being now obtainable.

During the war, a considerable quantity of this railway's rolling stock, both locomotives and carriage and wagon stock was requisitioned by Government for military purposes. Certain sums were received from the military department in payment, and the cost of depreciation was provided out of revenue, the whole being set aside to meet the cost of replacements when manufacturers were freed from Government control and in a position to comply with orders. For this purpose, the Bengal and North Western Railway and the Tirhut State Railway were treated as one and a renewal fund established for the undertaking. Further sums were also reserved from revenue to meet the cost of renewing wornout stock, which could not be replaced during the war.

Though these large sums were specificially set aside in this manner by the railway and written off to working expenses, considerable difficulty has been experienced in obtaining allotments against these reserves and the submission of indents has been seriously hampered owing to the necessity of keeping within the sanctioned budget grants.

It may further be explained that the stock requisitioned for war purposes was owned partly by the State and partly by the company. As a matter of internal railway working the stock must be replaced as a whole, and while the company is willing and anxious to provide its share of the anticipated outlay, it is prevented from doing so due to the difficulties in the way of obtaining funds from Government for their share of the cost of the renewals.

As regards the question of improving the administration of railways, although I cannot speak with any great personal knowledge of the subject, I personally hold the view that it is desirable

and necessary that the head of the railways, who is at present the president of the Railway Board, should be given a considerably higher status and position than he holds at present, and should at least have the right to attend and take part in all meetings of the Viceroy's Executive Councils when railway questions are debated. He should also be the supreme head of the board. The board itself appears to me to be overburdened with a mass of detailed work, relating to the salary and leave allowances, small accounts matters, and such like subjects, leaving the members little or no time for the proper consideration of the larger and important questions of policy and the attainment of full information connected with the working conditions and requirements of the several railways.

It seems to me that all the executive and detailed work might be turned over to a properly organised secretariat and that the broad questions only of policy, finance, etc., should be dealt with by the board, which might be strengthened and made more representative than it is at present.

Restrictions in force via *Broad Gauge Junctions during the 1st quarter of* 1920.

Date. From	Date. To	Nature of Restriction.
		Vid Bara Banki.
7th January, 1920 ...	22nd February, 1920...	Booking restricted to 250 tons daily.
		G. I. P. Ry.—Entirely closed from 22nd December, 1919, to 5th January, 1920. From 5th January, 1920, to 16th January, 1920, booking to stations up to Itarsi allowed at the rate of 5 wagons daily, but this was raised to 8 wagons daily for all stations from 17th January, 1920.
		N. W. Ry.—Booking entirely closed from 16th January, 1920, to 26th January, 1920.
23rd February, 1920 ...	28th March, 1920...	Allotment reduced to 100 tons daily.
29th March, 1920 ...	—	Allotment raised to 150 tons.
		Vid Benares Cantt., Jaunpur City and Shahganj.
23rd February, 1920 ...	21st July, 1920...	Traffic limited to 50 tons daily at each of the above Junctions.
		Vid Mokameh Ghat.
23rd January, 1920 ...	12th February, 1920...	Traffic limited to 100 M. G. wagons daily.
13th February, 1920 ...	—	Allotment reduced to 40 B. G. wagons daily.
17th „ 1920 ...	—	Allotment increased to 60 B. G. wagons daily.
20th „ 1920 ...	—	Allotment increased to 120 M. G. wagons daily.
23rd „ 1920 ...	—	Free booking resumed.
2nd March, 1920 ...	—	Traffic limited to 60 B. G. wagons daily.
25th „ 1920 ...	—	Allotment reduced to 40 B. G. wagons daily.
		Vid Bhagalpur.
23rd January, 1920 ...	12th February, 1920...	Traffic limited to 20 M. G. wagons daily.
13th February, 1920 ...	27th July, 1920...	Traffic limited to 5 B. G. wagons daily.
		Vid Allahabad City.
13th February, 1920 ...	14th May, 1920...	Traffic limited to 2 B. G. wagons daily.

Tonnage of goods awaiting despatch for via *Mokameh Ghat during the months of February and March*, 1920.

Date.	February, 1920. Tons.	March, 1920. Tons.
1st	4,954	6,450
2nd	6,899	6,445
3rd	5,383	4,373
4th	7,818	5,962
5th	4,955	4,734
6th	4,695	3,660
7th	4,061	3,290
8th	3,979	2,884
9th	4,109	2,333
10th	5,003	2,905
11th	4,845	2,672
12th	4,219	3,038
13th	4,385	2,531
14th	3,529	2,583
15th	4,011	8,521
16th	2,605	3,231
17th	3,015	5,876
18th	3,715	5,937
19th	3,456	4,767
20th	3,539	3,035
21st	4,718	3,782
22nd	5,203	3,281
23rd	5,344	3,481

Tonnage of goods awaiting despatch—continued.

Date.	February, 1920.	March, 1920.
	Tons.	Tons.
24th	5,588	3,545
25th	5,981	3,984
26th	5,277	3,980
27th	6,731	6,026
28th	5,789	4,751
29th	5,797	4,825
30th	—	5,389
31st	—	5,510
Total	1,39,603	1,33,781

Percentage of traffic carried at special or scale rates.

Half year ending.	Traffic carried at scale or special rates.	Traffic carried at maximum rates.	Total.	Percentages of	
				Col. 2.	Col. 3.
1	2	3	4	5	6
30th September, 1917	8,55,365	1,11,751	9,67,116	88	12
31st March, 1918	10,60,157	91,472	11,51,629	92	8
30th September, 1918	10,31,798	1,79,513	12,11,311	85	15
31st March, 1919	11,77,397	82,262	12,59,659	93	7
30th September, 1919	10,18,053	1,26,293	11,44,346	89	11
31st March, 1920	10,64,308	1,23,125	11,87,433	90	10
30th September, 1920	9,17,372	1,13,556	10,30,928	89	11

N.B.—1. Commodities charged at scale or special rates are:—Coal and coke, tanning barks, oil cake, bran, hay, straw and grass, grain and pulses, hides and skins, hemp and jute, brassware, iron and steel, minerals, kerosine oil, oil seeds, salt, saltpetre, betel nuts, chilies, sugar, tobacco manufactured, timber unwrought, wool raw and firewood and fruits and vegetables.

2. *Commodities charged at maximum rates:*—Apparel, cotton, chemicals, drugs, dyes and tans, horns, lac, leather, liquors, copperware, oils excepting kerosine oil, opium, paper and pasteboard, provisions, silk, spices, tea, wood manufactures, wool manufactured, and all other articles of merchandise except firewood.

Statement showing (1) *restrictions in force on the 11th April*, 1920, *and* (2) *quantity of traffic awaiting despatch at stations and in Bazars to restricted areas.*

By whom imposed.	Date imposed.	Nature of restriction.	Quantity of traffic awaiting despatch.	Causes of restriction.	Remarks.
			Tons.		
East Indian Railway.	15th April 1920.	Goods traffic to *via* Mokameh Ghat restricted to 40 wagons daily. Booking of grain and seeds to Howrah is entirely closed by the East Indian Railway owing to congestion in the Howrah sheds.	62,000	Shortage of broad gauge wagons.	The East Indian Railway have taken over 2,344 tons during the week ending 8th May, 1920, or an average of 335 tons daily.
East Indian Railway.	13th February, 1920.	Goods traffic to *via* Digha Ghat restricted to ten wagons daily.	—	Shortage of broad gauge wagons.	Sufficient to meet the traffic offering.
East Indian Railway.	13th February, 1920.	Goods traffic to *via* Allahabad City restricted to two wagons daily.	500 wagons.	Shortage of broad gauge wagons.	This is quite inadequate and sugar and tobacco merchants are bitterly complaining of the delay in the despatch of their goods.
East Indian Railway.	18th February, 1920.	Goods traffic to *via* Bhagalpur restricted to five wagons daily. Booking of grain and seeds to Howrah stopped owing to congestion in the sheds at Howrah.	—	Shortage of broad gauge wagons.	Barely sufficient.
Oudh and Rohilkhand Railway.	29th March, 1920.	Goods traffic to *via* Bara Banki restricted to 150 tons daily.	25,000	Shortage of broad gauge wagons.	Booking is at present closed owing to accumulation of wagons for *via* Bara Banki. A considerable quantity of the traffic awaiting despatch consists of urgent linseed consignments for shipment and sugar consignments for the Punjab. Of the total quantity awaiting despatch, about 8,000 tons belongs to the Military department.

STATEMENT No. 64.

Mr. E. C. MUMME, Officiating Agent and Chief Engineer, Rohilkund and Kumaon Railway.—NOTE DATED 12TH FEBRUARY, 1921.

I have been officiating agent and chief engineer of the Rohilkund and Kumaon Railway since 26th May, 1920. See oral evidence, paragraphs 5783/5806.

Previous to that, my experience as a railway man has been gained in the engineering department of the Bengal and North-Western Railway, on which I had 24 years' service.

I am in favour of continuing the existing system by which Indian railways are worked partly by the State and partly by company management.

It is necessary for the State to have in its employ trained railway officials who can be employed when required on military and strategic lines.

A company administration which has a financial stake in the property which it manages is interested in obtaining and keeping the good will of the public and is unlikely to give cause for complaint. The staff of a company-worked railway are usually appointed and serve throughout the whole of their service on one railway. A company's officer has thus the incentive to do the best he can for the railway to which he belongs, as naturally his future prospects depend on the reputation he has earned. Two points he would always have before him—efficiency and economy.

In fact, there is emulation between the two managements which is conducive to improvements in working which is for good and should therefore be encouraged.

The board of an Indian railway company should be domiciled in the United Kingdom, where men of long and varied Indian experience, both of railway management and commerce, assisted by the necessary financial representatives, are available. Men of ripe experience who have served for many years in India and understand the needs and interests of the country are, I submit, not available in India, as reasons of health demand that they leave the plains of India at the age limit.

Further, a board domiciled in the United Kingdom would be better situated for raising additional capital for extensions and improvements of their own property.

I have not found that the home board of directors is in any way out of touch with Indian conditions and requirements, or that there is the slightest delay in settling references with them. On the contrary, I have been much struck with the intimate knowledge the home board has on all the affairs of the railway on which references are made to them, and I attach the greatest importance to the advice and assistance I receive from them.

The home board is kept in touch with Indian conditions by frequent visits of some of the directors to India and by regular information from their agent in India. In cases of urgency cable instructions are asked for and received.

I do not think advisory local boards would be of any assistance as far as my railway is concerned. They might be of use in large Presidency centres, but not at headquarters of smaller mofussil stations.

I am constantly in touch with the Local Government and officers in charge of civil districts, and I am also a member of the Board of Communications of the United Provinces and a member of the Upper India Chamber of Commerce, and thus am in a position to know the requirements of the localities served by my railway.

I consider that the present Government control over rates and fares by means of fixing maxima and minima rates is satisfactory.

As far as this administration is concerned it is not likely to be necessary to ask for increased maxima, and the company will be able when necessary to cover the enhanced cost of working without exceeding the maxima.

The extent to which the trade interests served by the Rohilkund and Kumaon Railway are penalised by restrictions is periodically very heavy, the commodities chiefly affected being grain and seeds, jaggree, san (hemp) and sawn timber.

With the exception of timber, export of the above commodities from this railway is almost entirely to the western ports and to stations on the Bombay, Baroda and Central India and Jodhpur Bikaner Railways, reached via Kasganj Junction.

During the busy season traffic from the Rohilkund and Kumaon Railway to via Kasganj Junction is seldom free from restriction, and the situation is aggravated by the heavy percentage of parent line vehicles absent upon the foreign lines mentioned.

These difficulties would be greatly reduced had the Rohilkund and Kumaon Railway direct access to the distributing centres of Agra and Delhi, whence alternative routes are available for clearance of traffic.

Sawn timber is booked chiefly to Delhi and stations on the North-Western Railway in the vicinity of that centre. This traffic is routed via Bareilly Junction or via Moradabad, and has in the past been heavily restricted on account of shortage of broad gauge stock at the point of transshipment.

The reasons given for these restrictions are shortage of stock, and there appears to be no doubt that many railways have not sufficient stock to deal with the traffic offering.

During the early part of last year the Local Government, owing to the heavy restrictions imposed on the company's traffic, expressed its emphatic opinion that if more extensions to the company's system were made, which are urgently needed by the Local Government, it would merely add to the existing congestion. The Local Government recommended, therefore, that direct metre gauge connections should be made to the trade marts of Agra and Delhi as soon as funds could be made available by the company. This recommendation has been negatived by the Railway Board, the policy enunciated for dealing with the case being, in my opinion, a short-sighted one, and likely to arrest the development of the districts served by the Rohilkund and Kumaon Railway.

I attach for the information of the Committee a copy of Railway Board's letter, No. 360 P/16 of 10-11-1920 on the subject.

This administration has not suffered from the existing annual Budget system, as funds for capital works, both on the State and company's section, are provided out of joint Debenture stock raised by the company, on which Government pay interest on the amount allotted from time to time for State works.

During the war a considerable quantity of this railway's rolling stock was requisitioned by Government for military purposes. Certain sums were received from the Military Department in payment and the cost of depreciation was provided out of revenue, the whole being set aside to meet the cost of replacements when manufacturers were in a position to comply with orders.

For this purpose the Rohilkund and Kumaon Railway and Lucknow Bareilly State Line were treated as one and a renewal fund established for the undertaking.

Further sums were also reserved from revenue to meet the cost of renewing worn-out stock which could not be replaced during the war.

As a result of this policy we are in a position to proceed with the renewals and replacements as materials are available.

We have already replaced all engines requisitioned by Government during the war by new ones, and, in addition, have added to our stock of engines to bring them up to actual requirements of the present time.

As regards the question of improving the administration of railways, I am of opinion that a Railway Department of the Government of India should be reconstituted. At its head should be a Minister who should be a member of the Viceroy's Council, and under this Minister there should be a board consisting of:—

(1) An engineering expert,
(2) a loco. expert,
(3) traffic experts (*a*) for commercial and (*b*) for operation,
(4) a financial expert,

each with a qualified assistant; also a permanent secretary and an adequate office establishment

Brief History of the Rohilkund and Kumaon Railway.

The Rohilkund and Kumaon Railway came into existence in 1882 as a private company without any guarantee beyond the grant, free of cost for the duration of the contract, of land required for the purposes of the projected railway, a guarantee of interest at the rate of 4 per cent. per annum on capital up to £200,000 during construction only, and a subsidy of Rs. 40,000 per annum for a period of ten years after the opening of the line for traffic.

The interest guarantee ceased in 1884, when the line was opened for traffic, and the subsidy ceased in 1894, since when there has been no guarantee beyond the grant free for the duration of the contracts of land for branch lines. Against these guarantees, the Government have shared equally with the company in net earnings of the company's original line over 5 per cent. up to the end of 1897, and from 1898 onwards have shared equally with the company in net earnings over 6 per cent. (original line only).

The company was in the first place given power to construct a line from Bhojeepura to Kathgodam, a distance of 54 miles, Government undertaking to construct and maintain a road from Kathgodam to Naini Tal Brewery and to grant the company access for its trains over the Bhojeepura Bareilly section of the Pilibhit Bareilly State Railway.

The company started with a capital of £200,000 Ordinary Stock. There was no increase in the Ordinary capital until 1903-1905, when it rose to £400,000, at which figure it now stands. With the exception of the increase of £200,000 just mentioned in the Ordinary stock, the capital requirements have been met by the issue of Preference Stock and Debentures, the amounts issued being as follows:—

	£
(1) 4 per cent. Preference Stock	400,000
(2) 4 per cent. Joint Debenture Stock	800,000
(3) 3½ per cent. Debentures (Lucknow Bareilly State Railway)	147,000
(4) 3½ per cent. Debentures	46,085
(5) Premium on Shares	46,165
Total	1,439,250

Out of the above, a portion of the 4 per cent. Joint Debenture Stock, amounting to £472,000, has been allotted for State works, Lucknow Bareilly State Railway, worked by the company, Government paying interest on this at 4 per cent.; and the 3½ per cent. Debentures for £147,000 have since been redeemed from advance by the Secretary of State in England.

From time to time the company has been given power to extend its system, and has now some 15 contracts.

Government has decided to fix the price at which the company's original line can be acquired on the basis of twenty-five times the average net earnings of the line for the five years ending with 1912. Any money which may be laid out on capital account after that date will, therefore, not be recouped to the company. The company have suggested that it should pay capital outlay after 1912 up to a limit of Rs. 2,00,000, and that any sum spent on this line in excess of this amount subsequent to 1912 should receive special treatment. In the case of the company's branch lines, the purchase terms are twenty-five times the average net earnings of the five years immediately preceding the termination, provided such sum does not exceed by more than 20 per cent. nor be less than the capital expenditure on these railways.

In 1884 the company took over the working of the Pilibhit Bareilly State Railway, sharing working expenses and receiving one-fifth of the profits of the State section.

Subsequently, Government, instead of extending from Pilibhit towards Lucknow, built a line from Lucknow to Gola Gokran Nath, leaving a gap of 58 miles between the latter place and the Pilibhit Bareilly section worked by the company.

In 1891, the company, by the issue of Debentures for £147,000, the principal and interest being guaranteed by Government, raised money for the purpose, and built the Pilibhit Gola Gokran Nath section of 58 miles, the through line from Lucknow to Bareilly being then made over to the company to work.

Working expenses are shared in ratio of gross earnings. Surplus profits of the State section, after paying interest on all Government capital and advances, are divided between the company and Government in ratio of capital. The company's capital for this purpose is fixed at Rs. 20,34,195, being the amount realised by the issue of £147,000 Debentures above mentioned. State capital participating in the division is Rs. 1,36,09,483.

Under the contract of 1884 for working the Pilibhit Bareilly State Railway, the company retained full power over its own line. This, however, was superseded by the contract of 1890 for working the Lucknow Bareilly Railway, in which Government has taken very full powers over the joint undertaking.

The following figures taken from Government statistics are of interest. For the year 1891, in which the company took over the working of the Lucknow Bareilly Railway, the percentage of net earnings on total capital outlay of that railway was 2·17, and the earnings per mile per week Rs. 56. The corresponding figures for the year 1918-19 are shown to be 7·81 per cent. and Rs. 196.

ENCLOSURE.

Copy of letter No. 360, P. 16, dated 10th November, 1920, from the Secretary, Railway Board, to the Secretary to the Government of the United Provinces.

I am directed to acknowledge the receipt of your letter No. 1514, dated the 21st July, 1920, regarding the extension of the metre-gauge system of the Rohilkund and Kumaon Railway from Kasganj to Agra and Kasganj to Delhi, and in connection with these proposals I am to observe that they have already been the subject of consideration and report to the Secretary of State.

2. It is noted that this matter was recently considered by the Provincial Board of Communications, who recommended that the project should be treated as of first importance. The grounds on which these further extensions of the metre gauge are advocated are that the existing metre-gauge outlets to the west have not sufficient capacity to move the surplus from Rohilkund and the sub-montane districts of the province which are at present served by the Rohilkund and Kumaon Railway; that complaints have frequently been received of loss suffered by dealers in grain and other produce owing to the delay in moving their goods; and that new railway construction would appear to be the only remedy for this. It is further pointed out that these complaints are not only of recent date and cannot be attributed entirely to the shortage of wagons which developed during the late war; that the Bombay Baroda and Central India Railway, who work the existing metre-gauge line from Kasganj to Agra, impose a limitation on the number of Rohilkund and Kumaon Railway wagons which they are prepared to take delivery over their line; and that in January last this number was limited to 25 wagons with a total carrying capacity of 250 tons.

3. I am to point out that in addition to the Bombay, Baroda and Central India Railway metre-gauge route from Kasganj to Agra there is another and shorter route via Hathras Road and the East Indian Railway, and that it is not considered that the traffic from the Rohilkund and Kumaon Railway to Agra would in itself justify the construction of a third route.

4. Regarding the proposed extension of the Rohilkund and Kumaon metre-gauge system to Delhi, I am to point out that the natural route for traffic from the sub-montane tracts of the United Province to Delhi is by transference to the broad gauge at Moradabad or Bareilly from which points a direct route over the Oudh and Rohilkund Railway already exists. The Railway Board are aware that complaints have been made in the past as regards the transhipment facilities and the supply of broad-gauge wagons at these stations, and every effort will be made to remedy and improve matters in this respect. By means of rates adjustments, the wisdom of which need not be discussed in this letter, certain traffic from stations on the Rohilkund and Kumaon Railway is at present carried to Delhi over the existing metre-gauge route, and the Railway Board feel that any extension of the metre gauge to Delhi would only tend further to withdraw traffic from the natural metre *cum* broad-gauge route on to the *via* Kasganj route.

5. I am to point out that the broad policy which the Railway Board have in view is that metre-gauge railways should as far as possible be restricted to their existing areas and should not be encouraged or permitted to develop into main-line routes; the board recognise that the enforcement of this policy will undoubtedly involve a certain amount of inconvenience, in that it necessitates transhipment from the metre to the broad gauge, both for passengers and goods. They are of opinion, however, that this inconvenience is liable to be much exaggerated; and in view of the importance of maintaining the most efficient means of transport throughout important industrial and commercial areas, they are opposed to the further extension of the metre-gauge system to the south of the Oudh and Rohilkund State Railway. They consider, therefore, that any development in that area should, as far as possible, be carried out on the broad gauge.

6. As regards the incapacity of the metre-gauge outlets to the west for moving the surplus from Rohilkund and the sub-montane tracts of the province, I am to point out that the inability of the Jodhpur Bikaner Railway to cope with the volume of traffic offering in 1917, and the consequent diversion of the excess over what they were able to carry to the broad-gauge route has since led to the proposal to convert the Hyderabad-Jodhpur section of this line to the broad gauge with a view to providing a more efficient outlet for the traffic from Agra and the United Provinces to the Port of Karachi; and the incapacity of the Bombay Baroda and Central India Railway metre-gauge system to deal efficiently with the traffic south of Kasganj emphasises this view.

7. As regards the possibility of constructing either of these projects on the broad gauge, I am to state that the Government of India regret that owing to the present financial stringency it is not likely that an early start can be made with either; but as has already been pointed out above, a direct and efficient broad-gauge connection already exists between Delhi and Rohilkund and the sub-montane tracts of the United Provinces via the Oudh and Rohilkund, and the necessity for any further connection via Kasganj does not, therefore, appear to be an urgent matter.

8. As regards the Kasganj-Agra connection, it is not clear why the broad-gauge connection via Hathras Road should not suffice. If at some future date the conditions should justify the construction of a direct connection from Kasganj to Agra, the Government of India would be willing to reconsider the matter with a view to making this connection on the broad gauge

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STATEMENT No. 65.

THE UPPER INDIA CHAMBER OF COMMERCE, CAWNPORE.

See oral evidence, paragraphs 5807/5853.

The Committee of the Chamber prefer to embody their views in the form of a statement rather than to reply categorically to the questions issued. They will, however, divide the statement under the five general heads of the questionnaire.

Part I.

The Committee consider that railways owned by the State should be managed by companies on a profit-sharing basis. They would except railways which serve a military strategic purpose, the entire management of these being retained by Government.

The reasons underlying this opinion are that railways where not built for strategic purposes are commercial undertakings, and as such are better managed by commercial men.

There is more elasticity in commercial than in State management, and the history of State-managed railways, as for instance in Great Britain during and since the war, is not much to their credit.

The views of this Chamber as to the management of railways by companies are not unknown to Government.

Writing to the Railway Board in 1916, the Committee said:—

> "In regard to company-managed railways the Committee are of opinion that it would in every way be advantageous if the supreme boards of these railways could eventually be established in India, and not in London."

The only advantage that occurs to the Committee of the railway having a London Board is that it facilitates finance. The financial condition of India is now such as to promise success in enlisting capital for railways. Money is readily forthcoming for any sound business proposition. The War Loans proved that India was capable of thinking and giving in bigger figures. A few years ago, 3 crores was about the limit of India's annual contribution to Government loans, whereas in 1917 this was increased fifteenfold. Doubtless, there was a patriotic incentive to this effort, but it proved that the money was available.

My Committee consider that there will be no difficulty in constituting a board of sufficient strength in India.

This board would obviously be a mixed one of Indians and Europeans. The Presidency Banks and the many large and prosperous joint stock undertakings afford abundant proof that highly efficient boards can be constituted in India.

For the advantages of an Indian board much may be said. It would be composed of men on the spot and in touch with constantly changing conditions, men who move about on the railways and are cognisant, at first hand, of defects, and able immediately to remedy them to the advantage of the public. A Home Board, on the other hand, must in great measure be limited in their knowledge to what is disclosed in official reports, a system which, with the best of intentions, must be unsatisfactory.

The history of Indian undertakings goes to show that companies managed on the spot compare most favourably with the rapidly decreasing number of Indian companies managed at home.

It would be closely in touch with the financial, industrial and commercial interests of the country, and the association of Europeans and Indians in the control of an important railway would have a good effect politically.

But until such time as India is able herself to finance her railways, there should be a dual system of boards.

The whole of the administrative and executive functions and all control of management would be vested in an Indian board of directors, while the home board would influence finance in the English market and retain, in addition to their advisory function, the right of decision in matters of policy.

It is suggested that the Indian Board of Directors should be constituted as follows:

> An expert to be nominated by the Home Board to be chairman of the board of each railway, with, as members, the Agent and, say, four members representing such interests as (*a*) industry, (*b*) shipping, (*c*) finance, and (*d*) agriculture or mining, or such other special interest as the situation of the line may render necessary.

The Committee of the Chamber are in favour of the managing company getting an increased share of the capital of the undertaking.

Part II.

The Committee of the Chamber agree that control of the Indian railways by means of a railway board is necessary.

This board should, in their estimation, be constituted so as to include an expert railway man of the very highest qualifications as chairman, with three members who would be experts in (*a*) traffic matters, including rates, (*b*) engineering and projects, (*c*) finance.

It is considered that the status of the board should be improved by the chairman of the board being a member of the Executive Council of the Government of India.

Part III.

Writing in 1916, the Committee of the Chamber remarked *apropos* of railway finance:—

> "The Committee hold very strongly that the present system under which Indian railways are financed is in need of reform. The position of Indian railway administrations is considered to be sufficiently strong to justify their financial arrangements being severed from the general finances of the country, and their requirements provided by loans raised either on the London or Indian markets, according to where conditions are most favourable."

This opinion was repeated in evidence before the Indian Industrial Commission, and the events of the intervening years and the present deplorable condition of the railways in India have served only to fortify the position then taken up.

The Committee would prefer not to specify what particular form the effort to provide capital funds for railways should take, but capital should be raised wherever possible in view of the clamant need of the railways.

The points raised in Question No. 26 of the questionnaire may, perhaps, be best dealt with by specific replies to the question in its two parts.

The Committee are definitely of opinion that the dependence of the railway capital programme on the power of Government to provide finance, either by borrowing or from its balances, certainly has been, and is, detrimental to railway improvement and development.

They also consider that the influence of the general revenue position of the Government on the allotments for expenditure on revenue account has had a harmful effect on railway development.

They further consider that in view of the increased rate of interest which must now be paid in order to attract capital it will be necessary to raise railway rates generally so as to prevent the railways from being a burden on the general taxpayer.

They cannot, however, give an estimate of the percentage by which rates and fares should be raised.

The system of lapses under the present annual budget system is strongly condemned.

Part IV.

Dealing with the control of rates, the Committee of the Chamber give it as their opinion that trade has been fairly dealt with in the matter of rates by the railway administrations, and they do not desire to recommend any change in the present system of control.

Part V.

The Committee consider that the carrying capacity of the various railways is certainly not adequate to the requirements and needs of the public. The rolling stock is not used to its best advantage, and the necessity is strongly indicated for quicker transit, better and more facilities and accommodation at junctions in goods and marshalling yards, and at all terminal points, and in particular for more efficient staffs on the railways.

The necessity for the doubling of important stretches of line has long been emphasised by this Chamber, and the Committee desire again to draw attention to the urgent need for this, the greatest of all transit facilities.

STATEMENT No. 66.

THE UNITED PROVINCES CHAMBER OF COMMERCE, CAWNPORE.

Part I.—The Management of Railways Owned by the State.

Question No. 1.—This Chamber is of opinion that the railways owned by State should be managed by the direct agency of the State. The members of this Chamber have had dealings with both State-worked and company-worked railways, both as members of the commercial community and as travelling public. The Chamber's decided preference for State management is not based so much on past experience of the relative merits or defects of the State and company managements as on future outlook. With the Government of India becoming increasingly more responsive to Indian public opinion, it is believed that convenience of the general public and the interests of Indian commerce and industries will be better looked after under State management than under company management. The other reasons for the preference may briefly be stated as follows:— See oral evidence, paragraphs 5854/5899.

(i) The share of profits going to the management companies will be secured for the Indian Exchequer.

(ii) Apart from strategic consideration, more convenience and facilities to the public and not greater earning capacity should be the determining factor in the railway policy. The full recognition of this principle will be possible more under State management than company management, which naturally thinks of higher dividends above everything else.

(iii) Under State management Indians will get greater opportunities of being admitted into the more responsible positions in the railway.

Question No. 2.—The Chamber advocates the continuance of the State management with suitable reforms to introduce popular administration.

Questions Nos. 3-9.—The Chamber is decidedly against the employment of private companies to work the State-owned railways.

Part II.—The Railway Board and the Government of India's Control.

Questions Nos. 10 *and* 12-14.—The control by the present Railway Board has not given satisfaction in the past. Theoretically, the control vested in the Board may be adequate—the companies complain that it is excessive—but a general impression prevails amongst the public, rightly or wrongly, that in important matters the powerful London directorates, with great influence at home and with easy access to the Secretary of State for India, often prove too strong for the Railway Board. However that may be, the fact remains that many long-standing grievances of the travelling public and the commercial community remain unattended to. Some directions in which immediate reform is needed are indicated below:—

(1) Uniform rates and scales of rates for through traffic.

(2) Improved supply of wagons for coal and goods.

(3) Improved carriage accommodation for inter and third class passengers, and discontinuance of the use of goods wagons for passenger traffic.
(4) Publication of goods and coaching tariffs in the vernaculars.
(5) Water supply in inter and third class carriages.
(6) Improved waiting-rooms at stations for inter and third class passengers.
(7) Provision of Hindu and Moslem refreshment-rooms at principal stations.
(8) More adequate arrangements for the sale of passenger tickets.
(9) Effective check on corrupt practices of subordinate staff.

Question No. 11.—If the proposal about State management of State-owned railways is given effect to, the present Railway Board may have to be strengthened.

The Railway Board should insist on the reforms necessary in public interest being carried out by the managing companies, *i.e.*, till such time as their contracts can be determined, which should be done at the earliest possible opportunity. As far as possible the control of the Board should be decentralised, some of its functions being transferred to Provincial Governments. In particular, the control of light and feeder railways owned by private companies and local boards should be entirely transferred to the Provincial Governments.

A first step towards introducing popular administration should be taken by constituting Advisory Boards, Central and Provincial, consisting of officials and non-officials representing commerce, industry, finance, etc., to advise and assist the Railway Board and the various provincial railway departments on broad matters of policy. The position of these Advisory Boards should be analogous to that of the existing Boards of Industries in the various provinces.

Part III.—Railway Finance.

Question No. 18.—The Chamber considers the policy of devoting the greater part of the available capital funds to the improvement of equipment and rolling stock of existing railways, and of devoting only a relatively small portion for new constructions, to be sound.

Question No. 20.—As much capital funds as can be raised should be raised in India. Additional funds should be raised from outside wherever they can be had on most favourable terms.

Question No. 21.—If possible, the terms may be made more generous and attractive. The rate allowed after adding the rebate on traffic interchange with the parent line be raised from 5 per cent. to 7 per cent.

Question No. 22.—The private companies owning railways may be allowed to raise capital funds by such means as appear most suitable to them. For the railways owned by the State should themselves raise the necessary capital by direct borrowing.

Question No. 23.—Special efforts should be made to encourage local boards and private syndicates to take up the promotion of branch and feeder lines.

Question No. 26.—This Chamber is of opinion that no general increase in rates and fares should be made until the present margin of net profit, after paying the interest and other charges, entirely disappears and a clear deficit is proved. As has already been stated elsewhere in the course of this memorandum, railways are not to be looked upon purely as commercial enterprises. So long as there is no appreciable deficit and no wastage, Government should be satisfied with the results. The indirect benefits accruing both to the State and the general taxpayer through improved facilities should recompense them for the loss of revenue. If, however, the increased rate of interest and increasing percentage of working cost render it absolutely necessary, the rates and fares may be increased. The revision and readjustment of rates and tariffs, as suggested later in answer to Question 31, may go some way towards increasing income without a general raising of rates.

Part IV.—Government Control of Rates and Fares; Settlement of Disputes.

Questions Nos. 30 *and* 31.—The inequitable working of the rates has perhaps been the greatest grievance of the Indian industries against the railway policy. The rates are so framed as to favour the import of manufactured goods into the country and the export of raw materials out of it. This has very seriously hampered indigenous industries. Year after year the Indian Industrial Conference has brought this anomaly to the notice of Government. The allegation has never been refuted. It has received confirmation in the report of such a responsible body as the Indian Industrial Commission, who definitely state it as their opinion that the rates are so framed as to favour the movement of manufactured goods from, and of raw materials to, the ports. This should receive immediate attention of the Government of India. The rates should be thoroughly revised so as to remove the long-standing complaint.

Question No. 32.—The Railway Commission has never been brought into being. A permanent commission to enquire into public complaints against railways is very necessary.

Part V.—General.

Question No. 34.—The carrying capacity of the railways seemed to be adequate before the war. During the war the mercantile community experienced acute difficulties in moving goods traffic. The controlling authorities had to disallow a considerable part of the general traffic. Abnormal preferential military traffic, the allotment of a large number of wagons to movements of coal formerly effected by steamers, and the difficulties in obtaining parts, etc., were given as the reasons for the abnormal congestion and restrictions on traffic. Since the war has ended and the heavy military traffic has ceased, matters do not seem to have improved as had been expected. Lately many industries have suffered heavily owing to scarcity of wagons for coal supply. To remedy these defects the rolling stock should be increased, and shipping tonnage made available for the carrying of coal as before the war.

STATEMENT No. 67.

GOVERNMENT OF THE UNITED PROVINCES.—NOTE DATED 21ST FEBRUARY, 1921.

See oral evidence paragraphs 5900/5928.

The following note has been drawn out under the orders of his Excellency the Governor acting with his Council and Ministers for the Railway Committee as expressing the views of the Government on the questionnaire submitted by them for consideration.

The opinions of Government are divided regarding the desirability of State management versus Company management on a profit-sharing basis. While his Excellency and the Honourable Finance Member agree generally with Sir James Meston's views expressed in his letter No. 67 R/673, dated the 7th February, 1914 (copy enclosed for ready reference), the Home Member and the Ministers are in favour of State management :—

(i) His Excellency and his colleagues are unanimous in holding that companies managing railways should be domiciled in India.

(ii) That the Government should take powers to exercise effective control over the administration of railways in the matter of rates and fares, construction of branch lines and feeder lines, the proportion of working expenses to earnings, the safety and convenience of passengers, and generally in the interests of the State, the country, and the taxpayers.

(iii) That railway finance should be separated from general finance.

(iv) That there should be a railway member of the Governor-General's Executive Council and that he should be the President of the Railway Board. His Excellency was of opinion that he should be a member for communications generally, with, perhaps, irrigation thrown in.

(v) That, besides the president, there should be four members of the Railway Board: a railway, a finance, and a commercial expert, and a representative of taxpayers appointed by the Government. That of these five, to start with at least one, and if possible two, should ordinarily be Indians.

(vi) That the Local Government should have a more effective voice than at present in the administration of railways within its territorial jurisdiction, such, for instance, as in the matter of branch lines extension of lines to facilitate the transport of forest and other produce, pilgrim tax, provision of roadways over bridges. In short, the Government feel that they should be given a more effective voice in matters in which they are interested, consistently, however, with the general policy of the Government of India.

The railway administrations have not always used their powers in fixing rates on goods in the interests of Indian industries.

There are a few general points which His Excellency and his colleagues would like to place before the Railway Committee. One is the discontent caused to traders by the large exactions which station-masters make for the supply of wagons for the transport of grains and other commodities. Apparently, since there has been a shortage in the rolling stock, these railway servants have increased their demands, which were always known to be high. The Governor in Council and his Ministers are of opinion that this is a matter which requires attention. The second is the owner's risk note, whereby railways evade their responsibility as carriers, and practically invite theft.

Another matter which the Local Government would like to bring forward is the extension of the metre-gauge system into Delhi, which would prevent the block in the transport of forest produce, particularly timber, at certain stations where transhipment is at present necessary owing to change of gauge. On this subject Mr. Billson, the Chief Conservator of Forests, has been asked to place the views of the Government before the Railway Committee.

ENCLOSURE.

Copy of letter from the Government of the United Provinces to the Railway Board, No. 67 R/673, dated 7th February, 1917.

In reply to your letter No. 188 F/16, dated the 22nd June, 1916, I am directed to express very briefly the opinion of this Government on the question of State versus private management of railways. A few selected officers have been consulted on the subject, and official opinion, so far as can be ascertained, is practically unanimous. There are, in Sir James Meston's view, no new facts or arguments to be adduced beyond those which are already familiar to the Railway Board, and it is, therefore, unnecessary to elaborate this reply.

2. That certain lines of railway must be retained in the hands of Government for strategic purposes is unquestioned. This would cover the case of the whole of the upper reaches of the North-Western Railway system. It is in many ways desirable that Government should also retain in its hands one representative railway line of importance in order that it may have under its own control a certain number of officers who have obtained by practical experience a detailed knowledge of all branches of railway work, and are competent to advise the Government on the intricate problems involved in railway administration. This would justify the retention as a State line of the Eastern Bengal State Railway, which is probably the most diversified and instructive of all the systems in India.

3. With this exception the rest of the question is, so far as this Government is concerned, a matter of theoretical argument. The United Provinces cannot provide concrete experience of any real value as a factor in the decision. Through its territories there passes a company line which is admirably managed and deservedly popular. There also passes through them another company line which is unpopular and in many respects subject to severe criticism. The State railway within the province lies between the two extremes; and the conclusion seems to be that, while the very best company management is superior to Government control, on the other hand, Government control is better than any except thoroughly good company management. Beyond this it is impossible for the Local Government to generalise from its own practical experience.

4. On theoretical lines the Lieutenant-Governor decidedly favours company management, subject to certain reservations which would be touched upon later. It is a truism that Government cannot administer business concerns with the same freedom or efficiency as private enterprise can do. A railway is essentially a business concern on the larger scale, demanding the highest qualifications of business control. The ordinary Government servant is rarely endowed by his training or experience with these qualifications; his work has not always the necessary elasticity, and the systems of fixed rules to which he has been accustomed have a tendency to interfere with initiative. A much stronger argument, however, exists in the political danger of placing Government in direct control of large business concerns. The main danger is that the interests of trade and industry would be from time to time subordinated to the necessity of concessions and to the consequences of political pressure. The abolition of working on commercial principles of competition would certainly be in the long run more harmful to the railways, and thus to the country at large, than any defects which are likely to arise under private management if it is adequately supervised by the executive Government. It is also highly undesirable that Government should be the sole employer of a vast labour force, such as is required on the railways in India; and, finally, it seems to the Lieutenant-Governor very doubtful whether the finances of the whole of the railway administrations in India could, with any pretence of advantage, be brought into the necessarily rigid mould of the official budget procedure.

5. His Honour is, therefore, wholly in favour of company management under an efficient system of ultimate control by the Supreme Government. The details of this control are not necessary for discussion at present, but the necessity for stronger powers of intervention has been brought home in this province in a very emphatic form by the frequent unreasonableness of one particular railway administration. Instances of such unreasonableness would probably be materially decreased if the administering companies were domiciled in India. The present arrangements by which a Local Government has to reason with railway officers who can always evade responsibility by an appeal, real or imaginary, to their board in London, are highly unsatisfactory both to the Government and to the railway. The argument which was formerly regarded as conclusive in favour of a domicile in England was the importance of being in touch with the market from which the capital for the development of the line was derived. This argument would probably lose its force after the war, as there seems little question that, at least for some considerable number of years, the import of English capital for railway development will be restricted, and material advantage will be seen in attempting to attract capital in this country. On all grounds, therefore, the domicile of future railway administrations should unquestionably be in India rather than abroad.

6. By this reform, the control of the Supreme Government through the Railway Board will be more prompt and less susceptible to friction. What should be the specific line of control, is a matter, as I have already said, that need hardly be discussed at this stage, especially as it covers many complicated issues of rating, routing, and general policy. The present measure of control, for example, which is provided by the scales of maxima and minima rates, is, apparently, inadequate to regulate such matters as unfair block rates. A strong hand is also required over the competition between private companies for spheres of influence and, more particularly, where the interest of great ports compete with those of inland provinces. The Lieutenant-Governor is aware that these issues are not *tabulae rasae* at present; but as new contracts are given or existing contracts are revised, a much more efficient power of control ought to be reserved by the Supreme Government as an essential condition to the maintenance or extension of administration by companies.

STATEMENT No. 68.

C. A. H. TOWNSEND, ESQ., I.C.S., Director of Agriculture, Punjab.—MEMORANDUM DATED THE 19TH FEBRUARY, 1921.

See oral evidence, paragraphs 5949/5974.

Question No. 17.—No. And before fresh construction is embarked on, it is first essential that the existing railways should be adequately equipped with rolling stock of all descriptions, particularly goods wagons. The practically perennial shortage of the latter on the North-Western Railway, which is much the most important railway serving this province, is lamentable. I say more of this in reply to Question No. 34.

Question No. 18.—Yes.

Question No. 27.—I am unable to give an opinion on this: as the statements given do not, apparently, allow any deduction from the not inconsiderable mileage of State-owned and managed line in the Punjab—possibly also in the N.W.F. Province—which was made purely for strategic purposes, and was never expected to pay commercially. Such mileage should be deducted from Statement 1 in this question, to enable a comparison of any value to be made between the two methods of " running " railways.

Question No. 33.—Third-class passengers are as a rule disgracefully overcrowded. When a train comes into a central Punjab railway station, many free fights take place between would-be passengers and those already travelling who do not desire their company. People get in through the windows if the doors are locked against them. And it is not uncommon for people to travel for miles on foot boards: this may be unavoidable in present conditions, but is certainly dangerous.

From the free fights mentioned above the station and train staff hold themselves severely aloof. They appear to regard it as no part of their duty to help passengers to find seats.

Question No. 34.—I have already said something about this in my reply to Question No. 17. I wish to go into the matter in more detail. The principal articles this province exports are cotton, grain—mainly wheat—and oil seeds. Most of these go to Karachi for export, but a good deal of the cotton also goes to Bombay, Ahmedabad, Nagpur, and other mill centres. I have

been Director of Agriculture practically since 1914, which post I now fill: though for an interlude of about 2 years, I was, instead, Director of Industries and Civil Supplies. During this time, the North-Western Railway has practically never had sufficient wagons to cope with the traffic offerings in these articles. A bale of ginned Punjab-American cotton was, during the greater part of the war, worth about Rs. 300. Many hundreds of these often lay for months at railway stations waiting for wagons: and the loss of money involved by this must have been very great. The same remark applies—though not to the same extent—to the other articles we export. Nor is the loss of money just mentioned the only damage done. I have mentioned Punjab-American cotton; it is a new variety of cotton the Punjab Agricultural Department has, with not inconsiderable success, been "pushing" in the province during the last eight years. As regards it, one of our troubles has been to get mills to know of it, and after some correspondence, I got the management of the large Empress mills at Nagpur (Central Provinces) to buy a fairly large amount of it four years ago. The purchase was effected during the winter. The following winter I happened to be at Nagpur, and went over the mills mentioned, and asked the manager if he liked the Punjab-American cotton. His reply was, "Yes; we like it all right, but we are not going to buy any more." Asked why, he said that the cotton they had bought the previous winter had not reached them, owing to difficulties of booking, till the July following—practically after six months' delay—and they could not afford to have their money locked up like that. Since then, to the best of my information, those mills have purchased no Punjab-American cotton. The withdrawal of a competitor like this from the purchasing market obviously tends to lower the price our cultivators should get for their cotton.

I give another instance in the same connection. Many cultivators on the Sirhind Canal, which irrigates the sandy uplands of the central and part of the south-eastern Punjab, attracted by the high price cotton was fetching, put about 20,000 acres of land under Punjab-American cotton last autumn: practically none had been grown in it before. There are in effect no cotton-ginning factories on this canal, and the cotton produced—in character quite good—was purchased by the proprietors or lessees of cotton-ginning factories on the Lahore Karachi line, some 100 miles away by rail. They have, however, been unable to move any of it so far this winter. The result is that no more purchases of cotton on the Sirhind Canal are forthcoming, and the price of Punjab-American is about Rs. 3 per maund less than it should be. Naturally, the growers of it are not pleased.

These instances might be multiplied. The ginning factories, oil mills, and power pumping stations in this province have for the last few years been finding it very difficult to get Bengal coal—in the main, owing to the absence of wagons—to keep their factories going. Result: loss of money and general discontent.

The accommodation offered for goods, especially covered accommodation, at most of the railway stations in the province is quite inadequate: especially on the stations on the Lahore Karachi main line, which runs through the now developing Lower Bari Doab Colony, which has been recently brought under irrigation. The damage done to goods lying unprotected from the weather by rain during the year must be considerable.

I am, of course, fully aware of the difficulties the war caused to the railway administration, but even before the war the supply of wagons on the N.W. Railway was generally inadequate.

At any rate, there is no doubt that very large expenditure on the provision of wagons on the N.W. Railway is desirable now.

I now pass to another point. As Director of Agriculture I frequently have received—and still do so—letters from my subordinate officers saying that seed, particularly cotton seed, if it is to be sown at the right time, must be moved to its destination at once by rail. So urgent was the matter in February, 1917, when bookings on the railway were particularly difficult, that the Financial Secretary to the Punjab Government and I interviewed the agent of the N.W. Railway on the matter. His reply was, "I cannot help you, under the orders of the Railway Board." We asked for a copy of those orders; he refused to give them. So the Punjab Government had to write to the Railway Board in the matter, and a member of that board came in person to Lahore to discuss the matter with the Punjab Government, with the eventual result that our seed was moved. But the delay involved by all this was very great, and much of the seed was sown later than it should have been. The point I wish to make is that there was far too much centralisation in all this; after all, the Punjab Government is responsible for the province, and should, I venture to think, have been consulted by the Railway Board as to what articles should have preference, before the, apparently, very stringent orders mentioned above were issued by that board, which deprived the agent of the N.W. Railway of all discretion in the matter.

Further, that railway has very frequently—especially at present—to restrict goods bookings to various articles for various reasons. In imposing those restrictions, the Punjab Government is, as a rule, not consulted; though I fully admit that the *present* management of the railway will always do what they can to help this Government if it wishes any particular commodity carried. Then, fodder is in great demand at present in many parts of the province, and the railway is doing all it can to move it, in consultation with the Punjab Government. But it may be that the present management will change, and be replaced by other officers—we have had experience of at least one such—who may see no reason to consult the Punjab Government in any way in this matter, and decide for himself what commodities should have preference as regards carriage, when bookings are troublesome. Apparently, no orders exist which make it incumbent on the railway management to consult the Local Government in this matter. I strongly suggest that such orders should be passed, making it incumbent on the N.W. Railway—and the other railways serving this province—to consult, so far as possible, a representative of the Punjab Government, to whose views due weight should be attached, before restrictions are imposed: save, of course, in the case of special emergencies. So far as the N.W. Railway is concerned, this consultation between its representatives and those of the Punjab Government might well be done orally.

I wish to emphasise what I have already said that the present management of the N.W. Railway is quite willing to do what it can to meet the wishes of the Local Government in this matter. But the position should be regularised for the future.

We have now a " Communications Board " in this province on which the following interests are represented :—

The Punjab Government, through

(*a*) the Financial Commissioner,
(*b*) Chief Engineer, P.W.D., Roads and Buildings Branch,
(*c*) ,, ,, ,, Irrigation Branch,
(*d*) Director of Agriculture,
(*e*) Director of Industries.

The N.W. Railway.

Commercial and agricultural interests in the shape of Indian unofficial gentlemen.

The Board is, I think, doing very useful work, and, I trust, will be expanded; it has not been in existence very long. It meets, as a rule, once a month.

STATEMENT No. 69.

Mr. A. G. WATTS, Manager, the Bhupindra Flour Mills, Bhatinda.—LETTER DATED 18TH FEBRUARY, 1921.

See oral evidence, paragraphs 5975/5991.

I have the honour to submit the following replies to the questionnaire on the railway working, sent to me through the Ministry of Agriculture, Public Works Department, Government of Punjab, India :—

Question No. 1.—I certainly consider that railways should be owned by the State, and not by a company.

Railways are so vital to the interests of the community that they should certainly be run by the people for the people. They should be run not for the express purpose of making huge profits, but with the main object to further the welfare of the community; run as a necessity, not a privilege; and in the vast country like India that abounds in bad roads, and in many places no roads, only railway, it is essential they should belong to the State and be governed by the State.

My experience of the management of the railways in India has been for the most part with the N W. R., Punjab, as a commercial individual, and although I am strongly in favour of State ownership and management, I am compelled, after five years' experience, to admit that the above railway is a disgrace and absolutely out of control, and only drastic changes can place it on a business footing and an aid and an honour to the State industries. Its sections are daily handicapped owing to the apathy displayed by the superior officers to the irregularities done by their subordinates. The system of working, which has got worse in the last three years, as far as I can see, can only be changed by some such methods as the following :—

(*a*) Genuine complaints brought to their notice should be severely dealt with.
(*b*) Any reports of officers' or subordinates' irregular actions brought to the notice of higher authorities should be met with by instant dismissal, not the present system, usually followed, of reducing the position of the individual or transfer to another district.
(*c*) Positions should be given by merit and ability, not on seniority.

I should say in the past four years, through the inability of the N. W. Railway management to handle our goods, we have on an average lost six working days a month, and as we are producers of foodstuffs both for human and animal consumption, this must place a burden on the consuming public, causing higher prices in the bazar owing to the shortage of commodities.

Question No. 2.—I advocate State ownership and management, but I advocate an immediate alteration in the personnel. I should bring from England men skilled in railway working, ranging from general managers down to the yard inspectors, to be placed on many sections; men of integrity, men that have had no connection whatever with India or Indian railways, they should be under contract for a number of years, good salary and with the usual conditions, and at the end of their service a good pension according to merit shown. This system would be far superior to the present system of sending young men out from England with no knowledge of railways, and after about two years' course of instructions from poorly-paid subordinates, find themselves in charge of responsible duties and men of years' service under them. Such system does not tend to good moral, and the worst part of the system is that they learn the system, whereas in the former case they know their system. Once the concern was in a satisfactory condition, promotion from personnel at hand on merit should be the rule without question of nationality.

Questions Nos. 3 *to* 9.—I do not advocate company management of railways.

Questions Nos. 10 *and* 11.—I do not consider the control of Railway Board satisfactory. Their powers are limited to the extent of being answerable to another department; also the personnel is entirely wrong, so advise a separate department, called the Ministry of Railways, and constituted as follows :—

President: a member of the Government.
Two expert railway men.
Two expert commercial men.

The president should serve three years, and should be selected Englishman and an Indian alternately. The railway experts should come from Europe without any previous knowledge or connection of Indian railways, and should serve six years. The two commercial men should be selected from an Indian Chamber of Commerce, and should serve two years; any nationality. The subordinate officers should be men of known ability in railway working. I would give a Ministry full power to utilise all surplus money earned for the upkeep, renewals and enlargement of the railways' working, and only answerable to Government in the matter of rates and raising of loans.

Questions Nos. 12 *and* 13.—With regard to the functions by the Board as at present constituted, very few commercial or travelling public even approach them, having little faith in them.

Question No. 14.—The powers of any Government are always ample, but it does not appear as if the public interests in the matter of railways have received enough consideration.

Questions Nos. 15 *and* 16.—Replied to in question No. 10.

Question No. 17.—I should say the funds for new construction have been inadequate, taking into consideration the present shortage of stock.

Question No. 18.—I should say the policy of devoting the greater part of the available funds to the improvement of existing railways a sensible policy, but to use all the available funds a more sensible policy.

Question No. 19.—This is a question that cannot be guessed, but should be answered by experts in railway knowledge.

Question No. 20.—Funds to be raised should have first consideration in India. If not available, go further afield, always considering the cheapest market.

Questions Nos. 21, 22 *and* 23.—A State holding requiring capital should be raised by the methods of taxation.

Question No. 24.—In the hands of a wise and daring Finance Minister there is unlimited scope.

Question No. 25.—The above methods would not interfere with Government borrowing.

Question No. 26.—(*a*) I should say it has been detrimental to railway improvement, and needs a larger allotment.

(*b*) I should certainly not raise the rates at the present time, as all such things react on the poorer community, and it would only tend to higher the prices of commodities, consequently curtailing production, which would probably mean less return on freight than at the cheaper rates, and certainly more discontent among the poorer class. There may be some scope on certain articles for higher freights, such as foreign imports, which would not affect the community to any great extent, and cheaper freights for other articles. This could be done after classification of essential as against non-essential.

Question No. 27.—The statement embracing 1916 to 1919, giving earnings, expenditures, and percentage of profit, etc. From a business point of view, it is certainly low as regards percentage of nett profit. But 1916 to 1919 were not normal years, and, as I have before mentioned, a railway should not be worked for the only purpose of making profit, and the indirect advantage to any Government would be the happiness and welfare of the people, which cannot be measured in figures.

Question No. 28.—The funds allotted not having been expended would have first claim, otherwise this would tend for money to be spent whether needed or not. Should this money be found necessary for other departments, it should certainly be used after taking expert advice on the subject.

Questions Nos. 29 *and* 30.—See reply to question No. 10.

Question No. 31.—I certainly consider that Railway Administration could act more wisely in regard to rates. To give one or two examples to show the disproportion of rates on one or two lines:—

We book goods from Bhatinda to Surat and Bombay. Although Surat is nearer to Bhatinda by 167 miles, freight was charged more than to Bombay. On representing the case to the Traffic Manager, B. B. and C. I. Railway, freight was reduced to the same as Bombay. But in the last few months the rate to Bombay has been slightly increased. The North-Western Railway, by G. I. P. rates, are still higher for Surat than to Bombay. We have brought to the notice of Traffic Manager, Lahore, and also Traffic Manager, G. I. P., and I have also orally interviewed a deputy traffic manager, Lahore, regarding the difference between their rate to Bombay and the B B. and C. I. line. But they answer they can make no reduction. This, of course, gives the B. B. and C. I. line the preference of trade. Several other rates for different stations are unproportionate:—

	Rate.
Bhatinda to Karachi (723 miles)	9s. 9d.
Bhatinda to Hyderabad (613 miles)	9s. 8d.
Bhatinda to Howrah (1,088 miles)	13s. 4d.
Bhatinda to Burdwan (1,022 miles)	13s. 5d.

Grain, *i.e.*, wheat, is booked at a cheaper rate than flour or atta. Flour is luxury; atta is necessity. Atta should certainly be less than wheat.

Grain for export should be booked at a higher rate than for home consumption.

Question No. 32.—There certainly should be tribunal properly constituted to settle disputes between traders and Railway Administration. But it should be expeditious. I am strongly of opinion that such tribunals would save a considerable amount of time and labour both for traders and the Railway Administration. To give one or two instances:—

We booked some goods under ordinary Risk Note Form. These goods were lost, and found after eight months. The railway say they are in good order; we say they are not. We have asked for an arbitrator, but so far no reply. The market has gone down considerably, and tribunal would settle such a case in a few minutes. Another case:—

We have booked to us a case of machinery under railway risk note. The case and the machinery arrived broken. The railway say they are not responsible, as it was packed badly. Why give a clear railway receipt, then

The case has gone on for three years. Such are only a few of the hundreds which happen, and the apathy used by the department concerned is appalling. Such things would soon be settled by a tribunal.

Question No. 33.—I should appoint a body of inspectors under the jurisdiction of Director of Industries to investigate the troubles of traders and the irregularities of railway officers.

Question No. 34.—My experience partly brings me to the fact that railways' rolling stock is not adequate to the requirements of the various industries of India, and I have come to this conclusion through the many failures of the Railway Administration to supply wagons on indent. Also numerable lines booking is closed; also letters written to the traffic manager regarding wagons allotment, which usually results in failure. As I said, I have partly come to this conclusion because there are innumerable causes which also go to make inadequate the ability of the railway to handle goods. The chief reason is that Railway Administration is not in sympathy or in close touch with the requirements of growing industries and development of trade in India. Not enough allotment to keep up with the growing requirements of industries. Also industries should be classified, and the allotment of wagons should be given to the more essential industries. Pooling of wagons of all

railways. Wagons going back miles empty. Badly-labelled wagons which go astray. This latter is of common occurrence. Wagons should have a label inside as well as outside. In the matter of transhipment yards, more up-to-date methods of handling should be adopted to expedite the release of wagons. I have noticed lately wagons converted into third-class passengers' accommodation. This practice should be stopped.

The old Stephenson type of engines seen crawling about a marshalling yard should be scrapped. The speeding-up of the goods trains and the practice of keeping a goods train waiting hours during its journey for the purpose of keeping back a passenger train only five minutes, and also the corrupt practice usual in most districts of buying wagons, all tend to make the present rolling stock inadequate.

Question No. 35.—I am the manager of the Bhupindra Flour Mills, Bhatinda, a station which can only receive its raw material and deliver its manufactured goods by rail. This consequently places us at the mercy of the railway. We are capable of handling 1,00,000 of maunds, *i.e.*, foodstuffs, in and out per month. But owing to the inability of the railway to handle our goods I do not think we have ever handled over 65,000, and our goods are well known all over India, and I can without fear of contradiction say that this is partly due to the corrupt system in vogue. There is, no doubt, a shortage of rolling stock, which is to the advantage of the system of bargaining for wagons. Times innumerable have we wired, written, and personally seen D.T.S., station master, traffic manager, regarding the unfair treatment which we have been subjected to in this district. There is no doubt that the bazaar merchants are as much, if not more, to blame for this system, because in contact with these people I have come to the conclusion that they like the system to some extent. It is only when, to use their term, someone gets greedy, that they grumble. It has been so bad for us that both the Traffic Manager, N. W. R., and also B. B. and C. I., have at different times made us a small allotment. Even then I have had occasion to complain that other people were getting wagons and we could not get our allotment. Innumerable ways are practised to place difficulties in the way of traders. It would be interesting reading to the Commission to know the reasons why railway individuals have been reduced or transferred to another district, especially from the Traffic Department. I give these remarks without prejudice to anyone, in the hope that one day the railways will be a boon and a credit to India and its industries.

STATEMENT No. 70.

LALA MULK RAJ BHALLA, Managing Director, Punjab Co-operative Bank, Lahore.—NOTE DATED 15TH FEBRUARY, 1921.

See oral evidence, paragraphs 5992/6008.

NOTE.—I was employed in the Audit Department of the North Western Railway as Inspector and Accountant and on the Bengal North-Western Railway and Assam Bengal Railway as Government Accountant.

Questions Nos. 1 *and* 2.—State should manage its own railways just as any other owner should manage his property. The owner works with an eye to the future, saves the expenses of agency, and trains his own people for the work. Such working ought to be conducive to economy, efficiency, and development.

Under the present system, unfortunately, the management by the State is almost as unsatisfactory as that under the companies, from the people's point of view. Both have the directorates too distant and too high and separate from the people physically, socially, and mentally. The high officers composing the administration are in both cases inaccessible, living, as they do, in a world of their own, entirely out of touch with the people. Even while travelling by railway, they keep the shutters of their saloon up to keep the travelling multitude out of sight. Such aloofness must keep them ignorant of the conditions prevailing on their charges and, consequently, unsympathetic in the matter of bettering them.

The directors distant and separate from the people and the high officers of the administration exclusive and screened, it is only natural that there should be in the whole administration want of healthy tone to prevent officials dealing with the public becoming callous and corrupt.

The remedy in my opinion does not lie so much in changing the name, but the nature of the administration by:—

(1) Reduction of the size of administrations;
(2) Introduction of Indian element in the Railway Board and the directorates of the companies;
(3) Introduction of Indian element in the higher ranks of administrations;
(4) Appointment of advisory boards, including Indian business men to assist departments dealing with the public.

Question No. 3.—If management by the companies has to be retained, they should not merely be domiciled in India, but contain in its directorate Indian business men. The latter will be in touch with the people, feel their influence, share their discomforts, and understand their grievances. To them the removal of such discomforts and grievances must become a matter of personal concern.

Question No. 4.—I think so.

Question No. 5.—They are out of touch with Indian conditions and requirements.

Question No. 6.—In the case of railway companies domiciled in India, members of the boards should be elected by the shareholders, representative of the public using the railway to guard their interest, and a nominee of the Government to safeguard theirs . . . . being added.

Question No. 7.—I see no reason to fear lack of continuity in a board domiciled in India, and do not consider the appointment of a permanent chairman nominated by the Government essential. I do not consider that directors need be skilled in railway work, as experts in all kinds of railway work will be at their disposal.

Question No. 8.—No.

Question No. 9.—I do not consider the idea of combination practicable.

Questions Nos. 10 *and* 11.—A Board of control is necessary.

Question No. 12.—My information on this point is not recent, but I have known exception taken to the purchase of a book by an agent of a railway and to the employment of an additional peon by an auditor, but I have not known of an instance of control exercised in the interest of public using the railway, in the matter of comforts of passengers, expediting despatch and delivery of goods, and speedy disposal of claims.

Question No. 17.—The supply of funds has not been adequate either for new construction or for improvement of the existing railways. The total railway mileage in India is very small, giving one mile to 50 square miles of area of the country, the average addition during the last 10 years being less than 500 miles per year. Large tracts of the country are not served by railway. As regards existing railways, there are complaints of shortage of both passenger and goods stock on every one of them. Over the North Western Railway there is overcrowding in almost all classes of carriages except first class. The second-class compartments at Lahore as a rule are allowed to carry a much greater number than fixed. Intermediate-class compartments are full to suffocation and the third-class compartments have at times passengers standing on footboards. On some branch lines goods wagons are used for carrying passengers. Difficulty is felt in the despatch of goods, particularly cotton, and delivery of coal, which is attributable to the shortage of stock. All this is apparently due to open lines being starved for funds.

Question No. 19.—The question is not one where it should be safe to hazard a guess, but they should be much larger than six crores, which is the average for the last several years.

Question No. 20.—Funds should be raised wherever they can be raised, preferably in India.

Question No. 21.—The terms need modification. Interest guaranteed should be 6 per cent. and the net earnings above the amount required to pay the guaranteed interest should be divided between the Government and the company in the proportion of 1 to 2.

Question No. 22.—By all these means, but to ensure success of the measure people should realise the attractive nature of the investment offered. The railway capital in India has been earning about 8 per cent., but the fact is not known to the investing public. Efforts should be made to give as much publicity as possible to results of the working of the principal railways.

It should not, moreover, in view to the part railway plays in the general welfare of the country, be allowed to become less profitable in future and to this end steps should be taken to counteract the effect of the recent great rise in working expenses, both by retrenchment of expenditure where practicable and by raising rates and fares where they can be raised without injury to trade. Retrenchment is apparently practicable in the direction of reduction of a number of officers in the highest grades, some of whom will certainly be found superfluous, by decreasing inter-departmental correspondence and thus doing away with considerable supervising and signing establishment and by avoiding duplication and triplication of work which now keeps busy very large number of clerks. It should also be practicable in the matter of more economical use of stores.

Passenger fares can be safely raised for 1st and 2nd classes to a considerable extent and for inter class to a small extent. Goods rates should be raised on many articles of luxury as also on articles exported and imported from foreign countries.

The above measures should help to maintain the level of railway profits at a high figure and to make the railway capital attractive investment. It must, however, be borne in mind that this is part of a larger question of increase and mobilization of the financial resources of the country of which the first step must be the expansion of Indian banking institutions so as to place them within easy reach of all classes of population.

STATEMENT No. 71.

SETH PRABHU DAYAL, M.B.E., etc., Millowner, etc., Multan, Member of Advisory Board to the Director of Industries, Punjab.—NOTE DATED 14TH FEBRUARY, 1921.

Part I.—Management of Railways owned by the State.

I am an out-and-out advocate of railways owned by State to be managed by State. Under no circumstances the management to be given of new lines to the companies or the present contracts to be renewed after their termination.

See oral evidence, paragraphs 6009/6033.

My reasons are:—

(1) The sole object of management by the companies is to get as much out of the public within the contracted periods. They do not and cannot manage in the permanent interest of the State. They look to the present and never care for the future prosperity of the State.

(2) The company managements have met with absolute indifference the grievances of travelling public, especially of the third and intermediate class passengers.

(3) Their management is very inefficient. The lower class traffic officials who come in contact with travelling public are paid very low salaries as compared with State managed railways. Hence they prey on the public and make up the deficiency.

(4) All higher grade appointments in the company managed railways have been closed to Indians.

(5) In State management, question of vested interest of competing lines will be very much reduced and loop lines, which are urgently required, will come into existence.

(6) The greatest difficulty that I as a trader feel will be removed by State management. The great wagon scarcity almost on every line will be very much reduced. Nowadays wagons of other companies are allowed, after their contents are unloaded, to run empty to parent line, at a time when goods sufficient to load hundreds of wagons are rotting on the station platform for months together. This is the case now in several districts of the N.W. Railway, especially in Multan, where my head-quarters are.

(7) The company management is not amenable to public opinion. They oftener defy it.

(8) The railway administrations in India have a virtual monopoly, and such monopoly should better be exercised by the State representing the public.

(9) Profits made by company's management will be saved to India and the annual drain of crores of rupees will be stopped.

(10) Company's management generally indent their railway equipments from outside India They do not attempt to get them in India.

Part II.—Railway Board.

The existing Railway Board has failed to perform its duty owing to want of adequate power of control over railway administration. As I advocate management of State railways by State only I advocate the abolition of the present Railway Board.

The railway administration to be in charge of a member of the Viceroy's Executive Council or under a Minister (Indian, of course) with advisory boards consisting of five members representing various interests, *e.g.*, trade, industry, labour, agriculture, and travelling public, etc.

The member or Minister in charge will, of course, be assisted by the competent technical staff.

Part III.—Railway Finance.

Not being an expert, I cannot express an opinion on this head.

Part IV.—Government Control of Rates and Fares and Settlement of Disputes.

1. *Rates and Fares.*—The Government control over railway administration in respect of fares and rates is quite inadequate.

Their control at present consists of fixing the maximum of passenger fares and of classifying of various items of goods traffic together with maxima and minima to be charged for these classes.

The railway administrations are using these powers very unwisely and detrimental to the best interests of the public.

The policy of the railway administration has been the development of foreign trade to the detriment of internal trade.

The alliance and constant consultation with the European Chambers of Commerce and weight given to their opinions have always been adverse to the interest of Indian public.

Special rates are fixed for imports from countries outside India to all important centres of trade inlands, while no encouragement is given to fix such special rates for Indian industries, *e.g.*, flour mills, which are now springing up in the country and their products are now in much demand in Egypt, Mesopotamia, and Persian Gulf.

Special rates are fixed on wool from Fazilka (great centre of woollen trade) to Dhariwal and Cawnpore where big woollen mills for manufacture of woollen fabrics are started by Europeans.

The rates to be fixed by member or Minister in charge of railways with consultation of his advisory board.

Fares and rates on internal traffic are already very high. If more money is required I will suggest:—

(*a*) Retrenchment in expenses;

(*b*) Increase in rates on imports which are very low, rates on imported luxuries to be trebled.

2. *Settlement of Disputes.*—At present, traffic manager, N.W. Railway (Claim Department), settles claims. This settlement is very unsatisfactory; it betrays want of thoroughness and fairness.

I will suggest arbitration court in each railway district, consisting of a lawyer (to be chairman), a railway officer, and a respectable member of commercial community.

Part V.—General. (Other Matters Germane to the Enquiry.)

1. *Carrying Capacity.*—On N.W. Railway wagon scarcity is very acute. Goods lying and rotting on platforms for months together, foreign empties not always utilised.

If there is State control, trucks will fall like rain and trucks of different companies can be utilised, besides large funds to be allotted for construction of trucks.

(2) *Branch Lines.*—More liberal terms should be offered by the Government to induce capitalists and construct branch lines. Present policy to guarantee 3½ or 4 per cent. is short-sighted. The rate to be not less than 7 per cent.

Besides grant of free land and financial accommodation to be granted to district boards and municipal committees. In the Punjab there is a great field for these lines. I know of one line which, if constructed, will pay more than 12 per cent. It is a line between Samundri and Gojra—a distance of about 18 miles.

Branch lines to be of special gauge of 2 ft. 6 in. The gauge not to exceed this.

These branch lines to be worked by the promoting companies.

3. *Uncertainty of Getting Trucks.*—This is ruinous. Those who make forward contracts of cotton, wheat, etc., lose heavily. My factory at Gojra now working will be closed next week for not getting trucks for coal or wood fuel as loading on several railway districts in N.W.R. is stopped. Cotton worth lacs of rupees is lying in the compounds.

Arrangements to be made amongst railway administrations to utilise empties of each other This will ease the tension.

4. *Corruption.*—Bribery is rampant in the Traffic Department of North-Western Railway Recently a European D.T.S., Multan, and his train clerk were sent to various terms of imprisonment. Wagons were allowed on payment of as much as Rs. 300 apiece. More attention needed to stop corruption.

5. *Treatment.*—More humane treatment to be accorded to the travelling public, especially to females and third-class passengers. Special effort needed on behalf of railway administrations.

On mail trains middle and third-class passengers should have cars where substantial food to be provided.

STATEMENT No. 72.

E. A. SCOTT, Esq., Director of Industries, Punjab.

I have served the Government of India for nearly 25 years. Of this period, I was employed as an engineer on construction and open line for 13 years I was then transferred to the superior railway establishment and appointed signal engineer, North-Western Railway, which appointment I held for 10½ years. During this period I had, among other things, to design and remodel all station yards, and was thus brought in close and continual contact with the traffic and other departments, and was thus enabled to become familiar with the work of their departments. From 1916 to 1919 during the war I was appointed Deputy Controller of Munitions, Punjab, and in this position was able to get an insight into the difficulties of both the railway and the commercial community in so far as the moving of goods was concerned. See oral evidence, paragraphs 6034/6062.

The whole of this service has been on State railways.

During the past 18 months I have been employed by the Punjab Government as Director of Industries and Director of Civil Supplies, Punjab. While carrying out these duties and travelling as an ordinary passenger I have had unique opportunities of viewing the railway administration from the point of view of the industrial and commercial community and from that of the general public.

Especially in my official position as Director of Civil Supplies have I had the opportunity of seeing and learning the difficulties to which the commercial and industrial communities are very often put in carrying on their business in so far as railway transport is concerned. On the other hand, my extended service on the railway enabled me to consider the question from an unprejudiced point of view. It is chiefly in this connection that I would request the Committee to consider my evidence, which I will now proceed to give in accordance with the questionnaire.

I would like to take the opportunity of recording that in all my dealings with the authorities of the North-Western Railway in my official position the railway authorities have always given me such assistance as has been in their power considering the numerous difficulties under which they carry on their work.

Part I.—The Management of Railways Owned by the State.

I do not think it is essential to have served both on a State and a company managed railway to enable one to give an opinion on their relative merits. Undoubtedly such an experience would have assisted and given additional weight to any opinions expressed, but there are certain general conditions and principles which regulate the administration of the two methods on which it is possible to arrive at a fairly accurate decision. No reliable conclusion can be arrived at by comparing the relative earnings of State and company managed railways, as no two of these are constructed or worked under similar conditions.

The efficiency of a railway as a means of transport depends to a great extent (*a*) on its equipment and (*b*) on the staff; in both these matters it can be shown that company management has the advantage.

2. Regarding (*a*), the maintenance and improvement of equipment entails an adequate supply of funds; such funds are more likely to be forthcoming when asked for by a responsible and experienced board of directors than on the representations of an agent, as would be the case of a State-managed line.

3. Regarding (*b*), it is hardly worth mentioning the advantages under which a company works regarding the engagement and subsequent selection of its staff, especially in the higher posts. Numerous cases can be instanced where companies have selected men from the State railways to fill their higher posts when they considered none of their own staff was suitable, but it would be difficult to quote any case where Government had in a similar way engaged company servants. The reasons for this may be many, but one of the chief is that on State railways all promotion is regulated by seniority, which is in itself a principle leading to inefficiency. The company, on the other hand, selects his senior officers and is not hidebound by the rights of seniority, and is so enabled to advance and retain its more capable men. This defect in State management may at first sight be considered one which could be easily rectified, but years of experience shows that it is not so. During my service I had received numerous Government resolutions and orders that in future promotion would be made wholly by selection, but this has not been and is not being done.

4. The efficiency of an established railway depends more on the traffic department than on any other, and yet recruitment for this department necessitates no special recognised qualifications; the majority of the appointments are made by nomination and influence; especially is this the case in so far as recruits from this country are concerned. Regarding recruitment from England, certain qualifications are said to be necessary, but these are not concrete enough to ensure generally capable recruits. This is a very important matter, and should be especially considered not only in connection with future recruits, but also in connection with those recruited in the past who are unlikely to make efficient officers; the question is a difficult one, but not incapable of solution.

Companies do not suffer to the same extent from this defect, which again shows they are more efficient managers of railways than the State.

5. In view of the above, my answers to the questions are:—

My considered suggestions on this question, therefore, are:—

(*a*) State-owned railways now worked by companies should continue to be so worked.

(*b*) The question of transferring the State-worked railways to companies should be considered; this may be feasible in the case of the E.B.S.R. and the O.R.R., but more difficult in the case of the North-Western Railway, owing to the existence of long lengths of the railway which were built for purely military purposes, and which, without being attached to the main system, would be more expensive to run than they are at present.

Regarding detail replies to the nine questions put under the head, it is not possible to answer them generally. All the points raised in these questions would have to be considered when the railway and the proposed working company concerned were known.

Part II.—The Railway Board and Government of India Control.

Question No. 10.—The system of control by a board is satisfactory.

Question No. 11.—The board should have a president who should also be a member of Council for Railways. He should be assisted by members to the number as may be considered necessary, but one of these members should be appointed wholly to attend to and deal with the interests of commerce and the public; he should be the senior member of the board after the president, and should be nominated to the post by the Chambers of Commerce of the country, and should be allowed to appoint his own superior staff. This member may find it necessary to appoint his representatives at large commercial centres to act as an intermediary between the railway, the commercial community and the Local Government. The board's subordinate staff are at present all State railway men whose experience is generally limited to State railways. I think a proportionate number of this staff should be taken from companies' lines, their service with the Board being limited to a fixed number of years.

Question No. 12.—I have had no experience in this connection.

Question No. 13.—The appointment of a member on the Board, as suggested in reply to question 11, would tend to remedy the defect which at present exists. I should say at present, judging by results, that the Board's powers are limited and should be enlarged.

Question No. 14.—See reply to question 13.

Question No. 15.—I consider that in the question of the construction of new railways and feeder tramways the powers of the Railway Board require modification; the final say in these matters should rest with Local Governments, who are in a far better position to recognise the transport requirements of their province than the Railway Board.

Question No. 16.—See reply to question 11.

Part III.—Railway Finance.

Question No. 17.—Funds have not been adequate.

(a) *New Constructions.*—There are many lines which have been surveyed and are badly required to develop the country, but for which funds are not forthcoming.

(b) *Maintenance* and (c) *Improvement of Existing Railways.*—One has only to look through the daily and continual restrictions to free booking published by all railways to realise that the railway as a machine for transporting goods is badly out of order.

I attach a copy of "North-Western Railway Gazette," dated November 29th, picked up at random, and invite attention to the engineering restrictions on pages 1217-1219 and other traffic restrictions on pages 1222 to 1238. These restrictions clearly show that the maintenance and improvement grants have been long insufficient.

Question No. 18.—No opinion.

Question No. 19.—Cannot estimate.

Question No. 20.—Capital should be raised wherever possible.

Question No. 21.—To further encourage capitalists to build railways under the branch line terms, it is suggested that the rates which may be charged by the company should be made more elastic, that the standard to which the railways are to be built should in the first instance be reduced.

Questions Nos. 22-25.—Am not in a position to answer.

Question No. 26.—The finances of the railways should be entirely separated from the Government of India; the president and his board should have full control and be authorised to raise capital.

(*a*) I consider that the present system has been very detrimental not only to railways, but to the development of this country.

(*b*) Am unable to reply to this, but if the railways do not pay a reasonable revenue on the expended capital the rates and fares should be raised, but this should be done advisedly so as not to discourage new enterprises.

Question No. 27.—Am not in a position to reply to the first part of this question, but it is worth noting that though a well-managed railway system benefits the country and helps to develop it, a badly-managed system may do the opposite.

Question No. 28.—The annual Budget system is an invention of the Government Finance Department, partly to simplify their work and partly to allow of a margin of safety for inaccurate budgetting; if there were any advantages in it it would be adopted by business concerns, which it is not. The effects on working of railways as business concerns are disastrous; the abolition of this system alone would greatly facilitate railway working.

Question No. 29.—No knowledge.

Part IV.

Questions Nos. 30 *and* 31.—Regarding rates, I would draw the attention of the Committee to paras. 270-278 of the Industrial Commission's report. The matter would probably be one of the chief functions of the member of the Railway Board suggested in my reply to question 11 above.

Question No. 32.—A Railway Commission for settling these disputes is a cumbersome machine. The Railway Board member (suggested answer to question 11) would undoubtedly take up this question.

Question No. 33.—The Committee have undoubtedly heard numerous complaints from merchants and others of illegal gratification taken by railway officials, and the general unsatisfactory state of the relations existing between the commercial and travelling community and the railway. I am in a position to verify that a certain percentage of these complaints are substantially correct. I have for some months been considering the matter with a view of recommending some method of lessening or eradicating the defect, but the question is a very difficult one, but in view of its seriousness I think some energetic steps should be taken to remedy it. This question would eventually be dealt with by the member on the Boad appointed to safeguard the interests of the public, if such a member be appointed; but in the meanwhile I would suggest that a special officer be appointed

under the agent of each railway where the practice is considered to be most prevalent, whose sole duty would be to safeguard the interests of the public. His duty would be not only to enquire into these allegations of illegal gratification, but to enquire into and report undue delays, losses and general irregularities which may exist in so far as the relations of the public and the railway were concerned. I am hopeful that if an efficient officer be appointed to the post and concentrated his attention to one station at a time, good results would follow. It would probably take him some time to rectify the defects in each station, especially to start with, but if this were once done it is very doubtful if the defects, once eradicated, would be re-established. The success of the experiment would, of course, depend on appointing the right class of officer. I recommend the suggestion to the consideration of the Committee.

Question No. 34.—The carrying capacity of railways is at present apparently not adequate (see copy of " Railway Gazette " attached), but this may not be due to depreciation of the machinery owing to lack of funds. I think a certain amount is due to lack of efficient working. To remedy this, I would suggest the employment on railways, under the direct orders of the agent, efficiency officers, whose duty it would be to inquire into the causes of inefficient working and suggest remedies.

Question No. 35.—Nil.

STATEMENT No. 73.

Mr. L. E. BANFIELD, Master of the Punjab Trades Association, Lahore.—NOTE DATED 25TH FEBRUARY, 1921.

I am of opinion that all Indian railways should be company managed. If this system were adopted the public would have the benefit of healthy competition between bodies independent of each other and who were anxious to increase their business as much as possible, just as two business rivals in the same line of commerce endeavour to do now.

See oral evidence, paragraphs 6063/6077.

The absence of healthy competition on State railways hampers enterprise and the working of them becomes stereotyped, allowing little scope for individual ability, and thus promotion comes by seniority and not by merit. In a commercial undertaking a man is usually selected by his principals for his skill or individual capacity for coping with work and we often see a big business managed efficiently by young men, who, if employed in Government work, would possibly be relegated to the system of promotion by seniority, irrespective of efficiency. Company management would mean increased efficiency in control. Officers would be selected for their merits and ability and promotion by the Board of Directors of the particular railway. Accordingly all servants of the company would be working for the ultimate good of the concern generally and if placed on a profit-sharing system, much of the present day negligence and wastage of money and goods by employees of the railways would be avoided.

Capital.—Capital might be raised in India if the investment were made attractive enough, for the past two years have seen enormous sums raised for commercial enterprises offering a fairly reasonable promise of return. It should not be difficult to arrange for a 5 per cent. or 6 per cent. return in my opinion. From a business man's point of view, there is enormous room for economy, and it should be possible to bring in larger earnings. I think fares would stand a slight increase. I do not think the travelling public would mind paying a little more to get increased comfort. I imagine 3rd class passengers would gladly do so to avoid the terrible conditions which they are compelled to put up with to-day. If comfort for them were increased in only a small degree, for instance, more room, more comfortable seating and better lights, and why not fans? If comfort of this sort were assured, I think it would mean very greatly increased earnings for all railways, and in turn bigger profits and an assured dividend for investors.

The raising of money here would of course necessitate the Board of Directors locating their offices in India. This is very essential and it follows, increased efficiency from this would be considerable, and would further satisfy the present uneasiness over money earned in the country not advantageously utilised in the country for continued development. How can a board sitting 6,000 miles away expect to control affairs as efficiently as a board on the spot? In the former case the sources of information are confined to official documents and are out of touch with the personnel, whereas in the latter case they can cause immediate enquiries. The Board of Directors should consist of experts and of course a Government nominee.

Carrying Capacity.—Company management would remove the trouble experienced by the commercial community generally in the transport of goods. The question of movement of merchandise requires very serious study and I do not think sufficient attention is paid to this very important problem to-day. It does not appear right to me that it should take two to three weeks to transport goods from Karachi to Lahore, and four to five weeks from Calcutta. The annual exodus of businesses from the plains to the hills, and *vice versa*, is always fraught with considerable difficulties and trouble and it is really a very serious matter for members of my community who are obliged to deplete their stocks weeks before there should be any actual need of doing so, merely because the transport of goods occupies an unreasonable time. There is much room for the speeding up of goods trains all over India. The shortage of wagons may cause some delay in transport now, but apart from this there is the matter of hurrying trains forward when they are once on the way.

In addition to the speeding up of ordinary goods traffic, I would advocate a system of express goods trains run to published time-tables available to the public as are passenger train time-tables and which the merchants can select to send their merchandise by with a certain amount of guarantee as to time of arrival at destination. I do not think the commercial community would object to paying an additional tariff for this facility, and if efficiently run on proper-managed lines this would be a great boon, and no doubt increased prosperity all round.

STATEMENT No. 74.

RAI BAHADUR GANGA RAM, C.I.E., M.V.O., Member Institute Civil Engineers, Member Institute Mechanical Engineers, late of P. W. D., retired, now an agriculturist and factory owner.—NOTE DATED 25TH FEBRUARY, 1921.

See oral evidence, paragraphs 6078/6099.

I speak as a member of the commercial community and one of the travelling public.

The railways as now managed, whether State-managed or company-managed, from people's point of view, are very bad, unsympathetic, callous to the earning interests, the subordinate staff thoroughly corrupt, and the whole system unsatisfactory and unsuited to meet the requirements of the trade as well as the travelling public.

The defects are as follows:—

(*a*) *Want of supervision.*—Railway officers down to D.T.S. are given lordly saloons and carriages, and when they travel the station staff comes to know beforehand who is coming and by what train he is travelling.

Remedy.—All saloon carriages should be taken away except from the agent and the heads of traffic and engineering. At best they might reserve a compartment to themselves when they are travelling long distances. Traffic officers should pay surprise visits and should always travel incognito; no objection to extension of comfortable rest-houses all along the line.

(*b*) D.T.S. should personally visit mandis (trade centres) and should hear the complaints first-hand, and when staying in his rest-house should be freely accessible to the public.

(*c*) Railways at present do not meet the requirements of the trade as well as the travelling public, and they say it is due to shortage of wagons and shortage of coal. I do not believe in either; the question of carrying capacity of wagons and trucks, as well as carriages for passengers, is not properly studied. To begin with, I am firmly of opinion that goods wagons are not properly designed. Standing along a long line of goods train, we find that the tare of wagons varies considerably from one-third to half. Special attention should be paid to a reform in this direction, and all old-fashioned wagons should be scrapped, and the tare should be brought down to one-fourth. In passenger carriages, specially first and second class, a considerable saving of carrying capacity can be effected by introducing corridor carriages, as on the Continent; the luggage racks should be considerably extended and improved. Low seats should be avoided, so as to give a lot of space for luggage under the seats.

In regard to coal, the so-called shortage of the carrying capacity is throttling all industries, and yet I believe it is due to enormous waste of coal in the locomotives and in the engines working at the pumping stations. Want of double lines also leads to enormous waste of coal, because the goods trains have to wait for a very long time to let the passenger trains pass by. There should be more extensive use of mixed trains. There is no reason why goods trains should not run at fixed times, and each such train may take a couple of third-class passenger vans at the back of the trains. The difficulty of the want of vacuum brakes can be got over.

(*d*) A special technical committee should investigate how much coal is used in the Railway Department, who, I believe, are extremely uneconomical and careless, because they have the pick in quality and preference in the carrying capacity of wagons, and this extravagance in the Railway Department tells on the public demands.

Having made these general observations, I shall try to answer the questions as far as I can.

Question No. 1.—I would prefer State management, subject to improvements to remove the defects above mentioned. Why pay a share of earnings to companies? If the earnings are to be shared, the share ought to go to the staff on the modern business methods. At present all railways, taken together, pay under 8 per cent. If they are properly managed none should pay less than 12 per cent., and a good many should pay 20 per cent. The remedy is, generally speaking, *decentralisation.* To begin with, the system of Government borrowing for general purposes and then allotting doles to railways is unbusinesslike. Both railways and canals are business concerns, and should be managed on business lines. The surplus earnings of each railway should be utilised in the improvement of that particular railway, so as to create a healthy competition. Special grants should be made from general revenues of the country on strategic lines in the Punjab, and this allotment should be spent on doubling the lines and construction of more loop lines in Punjab, so that the public does not suffer when there is a demand for military traffic, which is not a concern of Punjab alone, but the whole of India.

Part II.

The Railway Board is no doubt a great improvement on the old system, but it should not be under any other department; the president should have a seat in the Executive Council. The constitution of the Railway Board requires considerable modification. In the first place, the Board should be split up into two parts, technical and traffic. A good railway engineer need not be a good traffic man, and *rice re* . Each section should have experts. The traffic section of the Board should be represented by an honorary board representative of the people and the trade. A man from each province should be appointed on the Board by nomination or election.

2. Railway Board should delegate more extensive powers to the agents and managers, and should not meddle in petty details. Agents should have free hand in buying stores, and they should be given explicit instructions to give preference to indigenous articles and to the productions of Indian concerns. I have already given my opinion about the purchase of stores before the Stores Committee.

Part III.

Questions Nos. 19 *and* 20.—At least 20 crores are required each year for railways, and all surplus earnings of particular railways should be devoted to those railways, *decentralised,* as I have already said. For the balance, call for the money should be first made in India and then in England. Preference shares to be at the rate of 1 per cent. above the highest rate of Government paper, and shares should be offered as (*a*) Debentures, (*b*) Preference shares, (*c*) Ordinary shares. The earnings of railways should be divided thus, taking the amount earned as 100, pay in somewhat as the

following ratio: (*a*) 10 per cent. to Debentures, (*b*) 10 per cent. to interest on Preference shares; out of the remaining, first pay reasonable interest on Ordinary shares, and from whatever remains pay 10 per cent. bonus to staff and spend the rest in improvement and building of wagons.

Question No. 21.—The terms now offered to the public are not sufficiently inviting, and too much red tape is observed in negotiations. Government of India should be final authority in all railway matters.

Question No. 23.—I have a scheme of revenue compounding which I need not describe; I will hand over a few copies of my pamphlets on the subject. If this scheme is adopted any amount of money can be raised in India, and all the hoarded wealth of India, to which Government have largely contributed by their wrong policy of selling gold by tenders, can be disgorged.

Part IV.

The present system of payment of claims is unsatisfactory and leads to corruption. If a consignment goes astray payment should be promptly made to the claimant, but searching enquiry should be made in each case why they went astray, and the neglecting staff should be properly punished. At present a good many consignments go astray for want of proper system of labelling.

Every year railway conferences are held, but this conference of representatives of different railways is generally held to settle disputes between each railway, but no conference is held to hear the grievances of the public. In all railway conferences representatives of people and trade should be invited.

General.

Carrying capacity is inadequate, and even what exists is not properly utilised. I think trading firms should be allowed to own wagons, in lieu of which they may receive preferential treatment. Preferential treatment to traders for full truckloads, if properly organised, can lead to very profitable results.

There is no reason why railways should not earn more money by charging, say, 25 per cent. more on the occasion of fairs and visits to holy places by running special trains.

Generally speaking, railways should be treated as business concerns and should be managed on business lines, and management should be assisted by consulting boards to represent the interest of the public.

STATEMENT No. 75.

F. A. HADOW, Esq., Agent, North-Western Railway.

NOTE.—My experience on Indian railways has been as follows:— **See oral evidence, paragraphs 6100/6138, 6180/6213, 6237/6256.**

1896-1902.—Mainly on new railway constuction in Bengal, but with short periods as open line Engineer.
1902-1905.—Assistant Manager, Eastern Bengal Railway.
1905-1909.—Assistant Secretary (Engineering) to the Railway Board.
1909-1911.—Manager and Engineer-in-Chief, Bhawnagar-Gondal-Junagad-Porbandar Railway, Kathiawar.
1911-1916.—Deputy Manager (Deputy Agent), North-Western Railway.
1916-1919.—Secretary, Railway Board.
1919-1920.—Agent, North-Western Railway.

Part I.—The Management of Railways Owned by the State.

1. The reasons which have led to most of the large railways in India being owned by the State are explained in the note on this subject which has formed an appendix to the Administration Report on Indian Railways in recent years. The question whether in any country where the State owns the railways these should be worked by the State or by companies which are given an interest in the working is one which has to be considered on the conditions prevailing in that country from time to time.

2. There may, for instance, be a time in the early stages of a country's development when it is inadvisable to work State-owned railways on commercial principles, and when, consequently, it is necessary to work them by State agency, or it may be politically necessary in a country which has extensive land frontiers where military requirements are paramount to keep the working of such railways in the hands of the State, even though they can be worked commercially. Neither of these conditions seems to apply at the present day to the State-owned railways in India, except, possibly, to parts of the North-Western Railway on the north-west frontier; with the latter exception all the State-owned railways in India can now be worked on commercial principles as they have been in the past.

3. To arrive at a decision on the question of working depends, therefore, on—

(*a*) whether it would be financially more profitable to Government to work all State-owned railways by State agency or to hand them over to companies (with an interest in them) to work on behalf of the State; and

(*b*) whether State or company management is likely to be more efficient in meeting trade requirements.

These are both difficult questions to answer and they overlap one another to some extent; as regards (*a*), although it might be argued that the surplus profits earned by the working companies are a loss to Government, it is certain that there is a considerable saving to Government to set against this for, if all State-owned railways were worked by the State, a much larger controlling organisation than exists at present would be necessary. Moreover, Government would find it much more difficult to work on commercial principles if all State-owned railways were worked by the State than at present when the majority are worked by companies, and this might result in reduced earnings.

4. It is very difficult for a Government department to work on commercial principles, and the fact that it has succeeded to a considerable extent in doing so on State-worked railways in India is due, in my opinion, to the fact that several of its own railways have been worked alongside by companies on a profit-sharing basis. I am unable to anticipate that it would be in the interests of the trade of the country generally to work all the State-owned railways by State agency, for, I think, there would inevitably be a falling off in efficiency, and this would sooner or later react on trade, which would again seriously affect the finances of the State. Any proposal, therefore, to hand over the working of the company-worked railways to State agency should be deprecated and, in my opinion, it would be preferable to hand over other State-worked railways to companies than to move in the other direction. It is possible also that the retention of the working companies will give openings for the raising of more capital, which is so badly required at present for development. On the whole, I am in favour of the existing arrangement continuing.

5. The present system, under which such working companies in India hold a share of the capital and receive a proportionate share of the net earnings, appears to be the best system that can be devised, and the advisability of such companies holding a considerably larger share of the capital expended on the construction of such railways might be considered, though this would result in a loss of profit to Government, in order to allow of more money being available for railway development. It might, perhaps, be considered advisable that the share held by the working company should be limited by a requirement that Government should hold a certain percentage of the capital in order that the interests of the company might not become predominant.

6. The Board of Directors of such companies would, I think, ordinarily sit in the country where the company is domiciled, that is, where the capital has been raised, and so long as the majority of the shareholders in the existing companies are resident in the United Kingdom, it is difficult to see how the domicile could be moved to India before the termination of the existing contract. In my opinion, however, it is desirable to aim at domiciling such companies in India and that Boards of Directors of them should sit in India. I should expect that this can only be done very gradually, but it seems to me that there must be a certain amount of disadvantage in the Board of Directors of a railway company sitting in a country so far away from the country in which the railway is situated.

7. I have had no personal experience of working on a State-owned company-worked railway, but it must be more difficult to work with a Board of Directors five or six thousand miles away than with an equally capable board on the spot, even though the difficulties may be to a great extent reduced by frequent visits paid by such directors to India. It is a question, however, whether equally capable of Boards of Directors could be found in India, and there would, undoubtedly, be difficulty about this in the first instance, though it is probable that the demand would eventually create a satisfactory supply. The East Indian Railway Company have in Calcutta a sort of subsidiary board, but I do not know whether this board is of any great assistance to the Home Board or to the agent, or whether it is really more than a board of advice to whom the agent can go to obtain help or information on trade matters; it is possible, however, that the idea might be developed, though I do not quite see how such a board could really fill anything but an advisory capacity if the real Board of Directors were sitting in London. An Advisory Board of a similar nature might also be of use to the agent of a State-worked railway and to Government.

8. On the whole, while I hold to the opinion that it will eventually be better for India to have the boards of such railway companies sitting in Calcutta, Bombay or Madras, than in London, it appears to me that progress in this direction must necessarily be very slow and depend, to a very great extent, on where the capital of such railway companies is raised. I do not see that the constitution of such a board need prove an insuperable difficulty, and I think it ought to be possible to find suitable men of business who, in combination with one or two experienced Indian railway men, could satisfactorily perform the functions of such a board. There might be one Government representative on such a Board of Directors, but the final control by the Government of India would presumably have to be maintained, and, therefore, I do not consider it necessary that the chairman should be a Government man.

Part II.—Railway Board and Government of India Control.

9. A Board composed mainly, if not entirely, of men of long experience on Indian railways is probably the best organisation that can be framed for the control by Government of its interests in the State-owned railways. But the present board, consisting of a president and two members, is not really strong enough for the work to be done, and the president of the Railway Board should be member of Council for Railways The president and members of the Board should have time to make tours over India and get into direct touch with the local Governments; at present, it is all they can do to keep pace with the work that now passes through their office, and their tours are much too few and far between. Moreover, there is no doubt that the reformed councils will take up a good deal more of the time of the president, and, if he becomes member of Council for Railways, and, consequently, has to represent Government in the Council of State, of another member of the Board also who would have to sit in the Legislative Assembly.

10. The Board must, therefore, be strengthened and, I think, should consist of three members at least in addition to the president, who should always be a technical railway man; of the three members, two at least should be railway men, and the third, if possible, an experienced man of business or financial expert. I think it is important that an expert mechanical engineer should be attached to the Railway Board's staff, and, probably, one or two additional assistant secretaries are required; it is almost an impossibility for the secretary to be directly responsible for the work of any particular branch of the office, though this has been attempted sometimes.

11. It might be argued that a Board of four members, including the president, would be insufficient, but I am distinctly of opinion that everything possible has not yet been done to relieve the Board's office from being encumbered wth unnecessary references.

The relations of the Board towards the State-worked railways are, of course, different from its relation towards company-worked railways; towards the latter it has to see that the interests of Government are not neglected by the working company, but towards the State-worked railways

it is in the position of a Board of Directors, and, consequently, has to deal with a number of questions a good deal smaller in importance than those which are referred to it by the company-worked railways. In the exercise of this function of a Board of Directors of State-worked railways, however, it is in many respects compelled by the application of Government rules and regulations to receive references on matters which might well be left to the agents of those railways to settle. These rules are many of them quite unsuitable for the control of the large and heterogeneous staff of a big railway system which is meant to be worked on a commercial basis. For instance, if my locomotive superintendent gets a chance of employing a mechanic or driver whose market value is intermediate between the top and bottom of a certain sanctioned class, a reference becomes necessary from him to me, and by me to the Railway Board; often by the time these formalities are gone through the chance of obtaining the services of the applicant, which may be badly required, has been lost as he obtains employment elsewhere. This is a question that I have already referred to the Railway Board.

12. Similarly, there are cases which it is right that the agent of a State-worked railway should refer to the Railway Board, but on which the Railway Board themselves have not the power to give a final decision, although it seems proper that they should have. A case such as I have in mind would be that of a gazetted officer who is not on one of the ordinary establishment scales, but is something of a specialist; the Board have to spend valuable time in trying to obtain the sanction of the Finance Department to the special salary proposed and are not always successful, though they are presumably in the best position to gauge the value of that particular officer's services to Government. Here, again, there is the possibility of the services of a valuable officer being lost in this way.

13. Other instances of matters which should be decided finally by the Railway Board or by the agent could easily be found. To a great extent these matters encumber the Railway Board's office with detail which they should be free from and take away from the time which ought to be spent in considering important matters of policy. I am of opinion also that the attention paid to petitions causes a good deal of waste of time. In these ways I should think there is a distinct gain in company working.

Part III.—Railway Finance.

14. The most serious matter at the present time is the question of the supply of funds for the maintenance, improvement, and development of Indian railways. So far as maintenance is concerned, the immediate difficulty lies more in obtaining material, but I do not think it can be said that the supply of funds for maintenance purposes has always been adequate. Before the war started the larger railways were drawing up elaborate programmes for renewal of permanent way and rolling stock, and these, I believe, generally showed that in order to ensure efficiency in transportation by rail of the increased trade anticipated, bigger expenditure on maintenance was required. As a result of the war the position is now worse on all railways. The N.W. Railway programme of renewals is very seriously in arrears, and for some years to come very heavy expenditure on renewals has to be met, and this must be provided for.

15. Moreover, expenditure on renewals of permanent way and rolling stock nearly always involves betterment, and capital and revenue funds are simultaneously required in such cases, but the expenditure on the purchase of all materials is entirely debited in the first instance to capital; the capital budget, therefore, has to provide for:—

(*a*) the purchase of all stores and materials, even though eventually used for pure maintenance purposes;

(*b*) the relief of the capital account by debit to revenue of such stores and materials as are utilised for working or maintenance purposes.

Indian railways are, however, still dependent on a distant source of supply for a large proportion of their stores and materials, and the difficulty of working to an annual capital budget that has been prepared on the assumption that certain articles would be received in a certain time is very great and leads to the necessity for perpetually reviewing the budgets, both capital and revenue.

16. For instance, even before the war it used to take 18 months from the date of sending forward an indent before locomotives could be expected to arrive, and an indent could not always be sent forward at a time which would ensure the arrival of the locomotives in the next financial year, this resulting in considerable embarrassment to the railway budget. This is only one instance of the difficulty which arises in working to programmes of renewals and development under the present system in which a railway administration never knows in advance whether it will be able to follow up a desired programme in improving its capacity. In one way it is an extreme instance, for a locomotive is an article at one end of the scale as regards the period taken to supply, but in other ways it is not a particularly embarassing article, for a locomotive is complete in itself, whereas other articles which have to be obtained are only parts of the work which has to be done.

17. Under the present system capital funds which have not been spent by the end of a financial year lapse, and in the circumstances explained above it is a very serious handicap to economic development that the capital funds are dealt with on an annual basis, and, consequently, one never knows at the time of commencement of a work of improvement when it will be possible to get the funds to complete it. It is probable that this difficulty due to lapse of capital funds unspent at the end of a financial year becomes more accentuated when a large proportion of the capital funds available is going towards improvement and development of open lines than when a larger proportion is allotted to the construction of new lines; in the latter case it leads to delay in opening new lines, and tends to higher cost against capital; but it is not so serious as delay to important works being carried out on open lines when it is likely to interfere seriously with the movement of traffic.

18. Writing from a knowledge of the state of affairs on the N.W. Railway, I consider it most important at present that the first call on capital funds should be for open line works, since it is

useless to make matters worse by opening new lines and bringing new traffic on to lines that are already congested. Generally speaking, the policy of giving the open lines the first call on capital funds is undoubtedly right, and there is no fear of this policy being overdone for years. The fact that this policy has been followed for years past and that the capacity of existing lines (judging by the N.W. Railway and from my limited knowledge of other lines) is considerably behind the demands made upon them shows how inadequate has been the allotment of capital funds. Considering that further large irrigation schemes are contemplated in the country served by the N.W. Railway in the immediate future which need additional railway lines for their proper development, the urgency of spending large sums on open lines as well as on new lines is unquestionable, and, I think, anything from 400 to 500 lakhs of capital funds per year could be advantageously spent for some years on the open sections of the North-Western Railway, irrespective of demand for new lines.

19. I doubt if sufficient capital can be raised in India alone, and any possible source should be tapped; it somewhat surprised me a little time back to hear that a large portion of the capital raised for certain railways built under the branch line terms had been subscribed in England, which seems to show that this form of investment is not very popular in India, but in the interest of the country it is, no doubt, desirable that such capital should be raised in India as far as possible.

20. The main conclusions to be drawn from the preceding paragraphs are:—

(i) that it is vitally important for India at the present time to increase the capital grant for railways;

(ii) that the lapsing of funds unspent at the end of a financial year is a serious hindrance to proper development, and should be avoided.

These are both matters that should be put right without delay as they are of the greatest importance.

21. The recent increase in working expenses due to the necessity for larger renewal programmes, to the higher cost of materials and to higher wages naturally leads to a consideration of the advisability of increasing rates and fares. In a calculation I made some months ago, treating the commercial section of the N.W. Railway only and leaving the military section out of account, I estimated that we ought to aim at increasing our earnings in the immediate future by 2¼ crores of rupees; this calculation was made partly on assumed figures and on similar calculations made recently by my chief auditor, it is estimated that an increase of earnings of about 1¾ crores would enable the commercial section of the N.W. Railway to give a return of 6 per cent. on capital.

22. If this were done by an all round increase of goods rates, it would mean an increase of about 30 per cent., but an all-round increase is not recommended, as it is considered it would be more satisfactory to effect this by increasing rates on certain named commodities. The matter has been recently gone into by the Traffic Committee of the Indian Railway Conference Association and a Rates Sub-committee appointed by them; if the recommendations suggested by this committee are followed, the additional earnings anticipated on goods traffic would amount to Rs. 110 lakhs. In addition to this, if the first-class, second-class, and inter-class fares were put up to the maxima, this would yield about Rs. 37 lakhs, and the recent increase in parcels rates would make the total increase up to well over Rs. 1½ crores. I think that for the present measures on these lines should be adopted, and there would be no necessity at present to increase the maxima prescribed by Government.

STATEMENT No. 76.

LALA KASHI RAM, Sen., Millowner, Ferozepore.—MEMORANDUM DATED 26TH JANUARY, 1921.

See oral evidence, paragraphs 6139/6153.

NOTE.—I own a flour mill at Ferozepore, in connection with which I have to handle nearly six lakhs of maunds of wheat and flour in a year. I also own four cotton ginning and pressing factories situated in the Punjab and elsewhere. In connection with the business of my firm and otherwise I had occasions to travel to Karachi, Bombay and Calcutta.

Question No. 1.—I consider that railways owned by the State should not be managed by the State as at present constituted, but should be managed by Indian companies on a profit-sharing basis. By the term Indian companies I mean companies floated mainly with Indian capital and manned and managed principally by Indians, in which category I would include foreigners naturalised in the country.

The management by the State and by the foreign companies is very costly. The directorates and high railway officials are too highly placed and inaccessible to the people. The masses, who are the principal sufferers from the defects of the management of the railways, are poor and ignorant, and so unable to have their grievances redressed. With the present system, we have on one side the people who suffer from the defects of management, and on the other the Government or the foreign company who are responsible for those defects. Redress under such circumstances is difficult. In the alternative system proposed by me, Government will be in the position of a judge or of a supervisor, and not of an interested party. People will thus have a better chance of their interest being protected by Government.

I venture to think that the treatment which the Indians receive as members of the travelling public and in the matters of employment by railways is one of the causes of the discontent of the people with the Government. The racial question is as acute as in other departments of Government.

If with the management of the railways by private companies, as suggested by me, Government could see their way to permit to a certain extent private companies to start and work their own lines, competing with Government lines, I think the hardships of the people would be reduced to a minimum.

Question No. 2.—Yes, it is suitable and sufficient.

Question No. 6.—By election, the interest of Government being secured by their reserving the right to appoint one or more seats on the directorate, or the chairman being the Government nominee and possessing the power of veto pending reference to Government.

Question No. 7.—There would be no lack of continuity. In any case, it could be sufficiently secured by a permanent director nominated by Government.

Question No. 8.—I do not think so.

Question No. 9.—The idea is not practicable or desirable.

Question No. 35.—I would submit the following few remarks for consideration of the Committee:—

(*a*) People suffer a great deal on account of overcrowding of passengers in third-class carriages and in female carriages. Tickets are issued without regard to carrying capacity or accommodation available in carriages. Very often passengers have to travel standing in the carriages and sometimes on the footboards. Such a state of things becomes unbearable in the hot weather, when rumours are sometimes heard of deaths having taken place due to suffocation and dead bodies of passengers taken out of carriages.

(*b*) On some branch lines goods wagons are used for passenger traffic. These are without lights at night and without any latrine accommodation.

(*c*) The arrangements for water supply to passengers are so unsatisfactory that private agencies have come forward to take up the duties upon themselves.

(*d*) *Gates at level crossings.*—At level crossings at some stations people are kept waiting for the gates to open for inordinate lengths of time, and no notice of complaints to superior authorities.

(*e*) A great deal of corruption prevails in connection with the goods traffic and in other departments of the railway. I have been practising as a pleader, and cases have come to my notice in which it appeared that the Indian offender in this matter is under the protection of his European superior, against whom the higher officials are either unwilling or unable to proceed. Sometimes the police are powerless to proceed against him; at others he is let off by the jury. In this way the State suffers a heavy loss, which, in my opinion, keeps the profits of railways lower than they otherwise would be. If this and other such losses could be avoided the profits would be sufficiently inviting for the Indian investor, and a great deal of capital would be forthcoming for investment in railway companies.

(*f*) My firm has suffered heavily for stoppage of booking on several occasions, sometimes for months together. At this time we cannot book to Rawalpindi the produce of our flour mills at Ferozepore, or to Bombay or to Bikaneer via Bhatinda on the metre gauge. This is said to be due to shortage of wagons.

Even when booking is not formally stopped we cannot book our goods when we want. The railway authorities refuse to receive the forwarding note till it suits them. On one occasion we were permitted to load our goods to Bombay for delivery to purchasers within the stipulated time. Subsequently orders came to stop booking for three days. We could not get the railway receipt in time, and had to pay compensation to the buyers, but had no redress against the railway. Such a law, if it is the law, is highly injurious to the interest of trade. If railways are not bound to accept goods when tendered by the trader, he should be relieved from the consequences of non-performance of contract with his purchaser. We have also suffered heavy losses on this account in connection with our cotton trade with Bombay. My firm has also suffered from the manner, apparently arbitrary, in which our claims for loss of goods consigned to the railway are dealt with. I will mention the following two cases as examples:—

(1) We have a railway siding on our premises of the flour mills at Ferozepore. For some time the railway refused to undertake any liability for goods loaded from this siding. After considerable difficulty, the following special agreement was made with the Traffic Manager, Lahore, on the 25th of October, 1915:—

"That the railway was to provide special seals with their own mark, which was to be affixed to full loaded wagons on our premises by the railway staff. The mills had to put their own seals, and it was provided that any shortage from a seals-intact wagon found at destination was to be debited to the mills, but if seals showed signs of tampering the loss was to be borne by the railway." At destination the wagons were to be opened in the presence of our men. In one case the wagons were not opened in the presence of our men, and there was no statement by the railway that the seals were intact. Two bags were found missing, and our claim for the recovery of the price was rejected on the ground that the goods were booked at owner's risk.

(2) The Vacuum Oil Company at Bombay consigned eight casks of oil to our address at Changa Manga under a clean receipt from the railway. At destination two out of the eight casks were delivered empty and the rest were badly leaking, and oil of the value of about Rs. was missing. The railway have charged full freight up to destination on oil not delivered, and the Vacuum Oil Company are threatening a suit for the price of the oil which never reached us. The railway company have rejected our claim, on the ground that the oil was booked at owner's risk.

Both these cases show to what extent the Indian trader is at the mercy of the railway subordinates, who in both cases may have helped themselves with flour and oil. Complaints against them under such circumstances are out of question.

My firm has also suffered from preferential treatment accorded to our rival firms. In one case we complained by letter, but no notice was taken of it.

STATEMENT No. 77.

The Honourable LALA HARKISHEN LAL, Minister in charge of Agriculture, Punjab Government.

See oral evidence, paragraphs 6154/6173.

I consider that all railways whether owned by State or otherwise be worked by State agency My reasons are as follows:

(*a*) Nationalisation of management.
(*b*) Profits to remain with the State.
(*c*) Public influence on policy which is considered adverse.
(*d*) Independence of foreign influence on rates, etc.
(*e*) Larger employment of Indians.
(*f*) Growth of subsidiary industries.
(*g*) Possible smoother working.

My experience is general, as a trader and a public man mostly of the N.W.R.

II.

Question No. 16.—The Railway Board has so far not given much satisfaction to travelling public or Indian Commercial community or succeeded in improving railway management.

I would provincialise the railways or create a single portfolio with the Government of India, preferably first.

III.

Question No. 17.—I should have liked more rapid growth in Indian railway construction both by larger funds and economy in the working and avoidance of necessary embellishments.

Question No. 18.—I think construction should also receive more encouragement.

Question No. 19.—Cannot fix a definite sum, but I should like about 2,000-3,000 new mileage of railway added every year.

Question No. 20.—I think in future all funds be raised in India, if foreign money means foreign control also; otherwise England may have an opportunity of investing spare funds in Indian railways which are gilt-edged.

Question No. 21.—The terms now offered for branch line are not adequate. However, they ought to assure 1 per cent. over the bank rate to the investor.

Question No. 22.—All these methods may in judicious proportion be mixed up and they will assure securing of fair amount of capital.

Question No. 23.—Premium bonds may be tried.

Question No. 24.—Ordinary Government borrowings for purposes other than railway and canals have been small, excepting in war time, and I do not think they will be interfered with.

Question No. 25.—I do not consider the figures in last column satisfactory.

Question No. 28.—Relates only to accounts. These should not affect railway programme.

Question No. 30.—No. They do not exercise sufficient control.

Question No. 31.—No. They have not been used in a judicial way.

Question No. 32.—I am not conversant with the section, but I should suggest a Court consisting of legal and commercial and railway interests.

Question No. 33.—Railway employees should be more humane.

Question No. 34.—I should think so, but handling is very bad indeed.

STATEMENT No. 78.

MR. OWEN ROBERTS, Messrs Clements Robson & Co., Lahore.—NOTE DATED 28TH FEBRUARY, 1921.

See oral evidence, paragraphs 6214/6236.

I must preface this statement with an explanation that it must be understood that I am not speaking for my principals or for the export trade. I have had no time to refer the matter as it was only suggested to me on Saturday afternoon that my evidence might be of some use.

I am in charge of the up-country business of Messrs. Clements Robson & Co., and have been so for the past seventeen years. During the war large extensions in business necessitated our penetrating throughout the United Provinces and into Eastern Bengal, on one side, and the Bombay Presidency and Rajputana on the other, so that my experience of dealing with railways is fairly extensive.

The subject of corruption has come very largely to the front recently and I have been asked to lay any views I may hold on the subject before the Commission.

On considering the subject I think one must be quite clear to make a distinction between systematic corruption which appears to exist in all departments in a greater or less degree and the special complaints that are continuously made on the subject of sale of wagons.

As an exporter I have never been approached for a bribe, my only experience of the sort occurred on the O. & R. Railway when a suggestion placed before me, which would have been tantamount to the payment of a bribe to the station master, and which I was able to place before the District Traffic Superintendent who happened to be on the station with the Traffic Manager at the instance, I believe, of the Railway Board to investigate complaints against the station master made by myself and others. I think that it must be admitted that there is extensive corruption in connection with the allotment of wagons as without this admission it will be futile to urge steps for minimising the evil.

I also think that there is a great deal of feeling against this form of extortion which, if properly used, would go a long way to assisting in putting it down. The essential difficulty is that under the arrangements now existing between the railway and the public there is practically no means of convicting a station master of having departed from strict priority in the distribution of wagons. In my own case I devised a system some eight or nine years ago which has never failed to bring down punishment upon a station master who might be in the habit of departing from the strict order of priority in the distribution of wagons, because it enabled district officers, when investigating cases to see clearly that some such departure must have taken place without necessarily going

into the actual details. It is impossible, however, for the ordinary dealer to carry out careful arrangements of this description for his own protection. I am of opinion, however, that if the railway authorities would only undertake to tackle this problem seriously that it could be very much reduced, if not abolished.

The time at my disposal makes it impossible for me to go into the matter in this statement but I can if desired do so in my oral evidence and if necessary supplement this statement with a further letter to-morrow.

STATEMENT No. 79.

Colonel W. D. WAGHORN, President, and Messrs. E. A. S. BELL and A. M. CLARK, Members of the Railway Board.—MEMORANDUM DATED 10TH FEBRUARY, 1921.

Part I.—The Management of Railways owned by the State.

STATE *versus* COMPANY MANAGEMENT.

1. The question under consideration in this first section of our memorandum is one of importance in connection with the future development of railways in India. A great deal of consideration has already been devoted to this important question, and we do not think that it will serve any purpose for us to attempt to recapitulate and review the arguments which have been adduced in the past by the advocates of either alternative. The decision as between State and company management appears to rest on two main considerations:— See oral evidence, paragraphs 6257/6359, 6379/6417, 6545/6583, 6608/6677.

(i) Whether there is any evidence to show that either system of administration is definitely superior for the purposes of economical and efficient working of railways.

(ii) Whether apart from the mere question of successful working there are administrative advantages to the country in State administration or in the management by the agency of a company.

2. Both of these aspects of the matter were minutely examined and discussed three years ago when the future of the East Indian Railway was under consideration, and the results of this enquiry are embodied in the board's report which accompanied despatch No. 18 of 1917 to the Secretary of State. In regard to relative efficiency, the opinion of the board as expressed in paragraph 24 of that report was that the matter was not one which admitted of any definite statistical proof, but that the balance of advantage seemed to be with company administration. With this view we are not wholly in accord. We consider that, judging from the evidence of results and from our own experience in administration, there is no ground for supposing that either system of management is intrinsically superior to the other. Both have in the past worked successfully or proved deficient for reasons having no connection whatever with their constitution. Differences in respect of efficiency and economy in either case, if analysed, are found to be dependent on local conditions beyond the control of the administration, or in some cases to be temporary phenomena dependent on the energy and foresight of a particular agent.

We are, therefore, of opinion that in respect of efficient and economical working either system, if properly administered, will secure equally good results.

3. The second consideration is a very much more difficult matter. The experience of most countries where State control has been tried, shows the danger of exposing the railway administration to direct political influence. On the other hand, there is some advantage in State control which is productive of uniformity in services rendered and economy in use of available resources. A great deal of stress has also been laid, both in the public evidence collected in 1917 and from time to time in the press, on the necessity of the control of railway matters being vested in an authority subservient to public opinion. The idea underlying this contention is that railways which are the property of the State are worked by private companies to suit themselves rather than to fulfil the needs of the country. This may have been the case in the past, but the modern contracts are so drawn that the financial interests of the working company are identical with those of the Government, the predominant partner. This idea is, therefore, not correct, but even if it were, it appears to us to be quite unnecessary to resort to direct State management to secure the object in view, and, provided the central controlling authority is accessible to public opinion and is vested with adequate discretionary and controlling powers in all matters of administration, there is no real reason why compliance with the legitimate needs of the public should not be equally secured whichever system of administration is employed. Whether the Railway Board, as at present constituted and worked, is in sufficiently close touch with commercial opinion and is vested with sufficient power of control and independence of action to secure this object appears to us to be open to question. We will deal with this aspect of the matter later in connection with the changes which we consider necessary in the Board's constitution and powers.

4. In regard to the potential danger of political interference which would accompany a change to universal State management, we are generally in agreement with the views expressed in paragraph 9 of our predecessors' report, which were as follows:—

> "In every country, however, with a popular or democratic Government experience shows conclusively that the evil results under State management of political influences on railway working are of the most serious nature. Political considerations warp the location of new lines, a point that is fundamental for railway prosperity. They tend inevitably so far as the personnel is concerned to unnecessary enlargements of staff, to enhancements of pay, and to the grant of concessions of various kinds. And they encourage an inelastic method of dealing with railway rates, which is not in the public interest."

While we are willing to admit the truth of the above as applied to a system of general State management, we do not, however, consider that the danger of political interference is such as to justify any change in the existing conditions under which certain lines are worked directly under State management.

We do not consider that any advantage would be gained by instituting a uniform system of management either by companies or by the State, and, all things considered, we are, therefore, of opinion that there is no reason to disturb the principle of the existing arrangements, and that the remedy for such deficiencies as exist must be sought in improving the methods of control rather than in any attempt to alter the principle of management.

English or Indian Boards.

5. Assuming that company management in one form or another for a proportion of our railways is retained, it remains to be considered whether the directorates of such companies shall be located in England, as at present, or in India. If this vital matter is to be decided in accordance with commercial considerations, it is essential that we shall, in the first place, put aside all arguments based on vested interests or national aspirations which tend insensibly to warp the decision, and that the matter shall be judged solely with regard to the relative advantages of the two alternatives. In approaching the matter from this point of view, we are faced at the outset with an important difficulty. We have at present no experience of an Indian railway directorate, and the arguments in its favour or otherwise must, therefore, be largely based on conjecture. As a general proposition, there are advantages in vesting the control in a local body drawn from and directly representative of the interests of the country served. Assuming that the members of such a board are mostly business men representing both Indian and European commercial interests and having personal knowledge of local requirements and conditions they ought, assuming equal ability, to be in a better position to conduct the administration than a board located some thousands of miles away. Such a board should be better situated to give directions as to the lines on which railways should be developed with a view to utilise the natural and industrial resources of the country, and there should be some gain in the expedition with which difficulties could be considered and the necessary remedies provided.

6. The creation of a suitable Indian board is, however, dependent in the first place on the possibility of securing personnel possessing the requisite qualifications. For the purpose of efficient administraton of an important railway, the board of management should have amongst its members experienced administrators and financiers, business men and railway experts of proved merit. So far as the expert element is concerned it will be a matter of very great difficulty at present to secure men with the necessary knowledge of railway practice or administration, and in regard to the commercial and financial element, it appears to us to be open to very grave doubt whether boards of the necessary standard could be obtained from amongst the business men at a railway headquarters, whose time is, in most cases, very fully occupied with their own concerns. In the case of European firms there is, moreover, the additional difficulty that the members would be drawn from a fluctuating community, and consequently it would be difficult to secure continuity of administration.

7. Apart from the question of personnel, there is the additional difficulty that India has not yet reached the stage at which she can maintain and develop her railway property independently of English assistance in respect of finance, staff and material. It would, therefore, be necessary in any case for some years to retain some form of English agency for this purpose, and although the difficulty in this respect is certainly not insurmountable, it would be hardly wise to decide on supersession of the existing machinery before we have a tried and reliable substitute to put forward in place.

Although, therefore, we are in full sympathy with the proposal to conduct the management of Indian railway property by an agency located in and belonging to the country, we consider that ordinary prudence demands that an important change of this nature shall not be hastily adopted. We are of opinion, for the reasons given, that the question of successful management by boards in India is one which can only be decided after trial and experience, and would recommend that this trial should be confined, in the first instance, to a single administration, and that no further extension of it should be made until experience has shown that it can be safely and efficiently conducted.

Constitution of an Indian Company.

8. If it is decided that a trial shall be made of an Indian company, considerable care will be necessary in settling the constitution of the directorate if the experiment is to have a fair chance of success.

When this question was last under consideration in 1917 the Government of India suggested to the Secretary of State that an Advisory Committee, such as that which at present exists on the East Indian Railway, would form a convenient nucleus for the formation of an Indian directorate, and we think that this would be the most suitable way to initiate matters. We think that it would be desirable to make the Government inspector *ex-officio* a director, and that he should in all cases have the power to stay proceedings in any matter in which he considers that any proposed action of the company in respect to administration of the railway is contrary to Government interests or to the general interests of the community. We consider that in handing over the administration of a railway to a directorate which must necessarily be formed almost wholly of men actively engaged in business, there may be a tendency, at any rate at the outset, on the part of individual directors to attach undue importance to the interests of the particular business in which they are engaged. It is anticipated, however, that should such a tendency show itself it will be transitory, and that the Indian board will appreciate the necessity of working the railway strictly in the public interest. It is, however, as a safeguard against any complaint of this nature, as well as in the interests of continuity of policy, that we have suggested the appointment of the Government inspector on the board with a power to stay action in cases where he considers it necessary in the public interest pending a reference to the Railway Board.

English Companies.

9. So far we have considered only the possibilities and advantages of a new departure in respect of company management. But we think that a brief examination is necessary in regard to some of the arguments which have been put forward in regard to alleged defects of the existing

system of boards located in England. Speaking generally, we are of opinion that the London boards fulfil very important functions which it will be difficult to provide for in their absence. But we think that there is certainly ground for the contention which has been advanced by responsible public opinion in India that the existing arrangement which vests these boards with a large measure of detailed control over the administration is in practice now out of date and unnecessary.

10. Turning to specific charges, it is sometimes urged that the London directorate is, in the first place, out of touch with Indian conditions and requirements. We do not think that there is much force is this contention as a general proposition. The directorates of Indian railway companies are largely recruited from amongst retired railway men and Indian officials who have the advantage of long experience and sympathy in matters relating to this country. Moreover, the practice which has obtained in recent years of directors visiting this country has done much to meet the charge of want of touch with existing conditions.

The second charge against the existing arrangement is that the exercise of control from a centre 6,000 miles away is necessarily productive of delay. We think that there is undoubted force in this contention, but that when analysed the practical difficulty appears to be dependent on the extent of devolution of authority and that the remedy is in most cases simple.

11. There are two main aspects of this question of control which must be separately considered. Firstly, as between the London board and their Indian agent. Certain powers are conferred upon the home boards, and it is left to their discretion to empower their agents to act direct to any extent they consider desirable. The powers thus delegated to agents vary on different administrations, and there is ground for the contention that more devolution of authority and less control in matters of detail by home boards is desirable. This control is certainly in some cases productive of delay, and hampers both the agent and the Railway Board. We consider that the principle to be adopted in this matter is that delegation should be made to the full extent possible, and that discretion in this matter should rest with the Railway Board to require the London board to empower their agent in India to exercise the same powers in all respects as the Railway Board may from time to time give to the agent of a State railway in India. It would, of course, be open to the London board to require their agent to report for their information any matters in regard to which they desire to be kept informed.

Secondly, as between the Railway Board and London boards. The existing procedure is based on a resolution of the Inchcape Conference of 1912, which runs as follows:—

"No orders shall be issued by Government affecting the working of railways by companies without first consulting the companies and ascertaining their views."

This resolution was agreed to subject only to the condition that the home boards' views should be communicated within three months. The result of this arrangement is that if the Government of India desire to issue any general orders they are compelled in the first instance to secure the unanimous assent of the companies concerned, and the refusal of a particular board can, and does in practice, render impracticable the adoption of measures of the effect and necessity for which the Railway Board and the Government of India are in a much better position than the home board to decide. Moreover, it appears to us that a principle which gives to the home board an equal voice with the Government of India in the administration of the property in which their financial stake is small is unjustifiable, and there is considerable force in the contention which has been repeatedly put forward that whatever the system of management the Government of India should be in a position to administer these railways, which are their property, in a way best suited to the interests of the country.

We are therefore of opinion that if, or for such time as, the London boards are retained, the Government of India should be definitely vested with the power to overrule the objections of home boards in any matter of general or particular policy in respect of questions affecting the working of the railways, and that the agents of railways shall in such cases be under the obligation to carry out immediately the orders of the Government of India.

Duplicate Boards in England and India.

12. Before concluding our remarks on this part of the subject, we think a word is necessary in regard to a third alternative arrangement which has sometimes been urged. It has been suggested that the advantages of the English connection might be retained while meeting Indian wishes for a measure of direct control in their own country by the establishment of duplicate Boards in England and India. This idea was mentioned in the Report of the Railway Board of 1917 already referred to. The existence of a similar scheme of administration in respect of the Argentine railways was quoted as a precedent and it was thought that this procedure might possibly be found suitable to Indian conditions. We have carefully considered this alternative and are of opinion that the conditions of the two cases are so different that no parallel can be drawn. In the case of the Argentine railways, the whole of the capital is held by private shareholders and mostly in England. The main centre of control is, therefore, naturally located in that country and the local board in the Argentine appears, so far as we understand the position, to perform the function of a link between the foreign directorate and the legislature and people of the country in which the railway is located. A board of this nature is, moreover, necessary in accordance with the legislature of that country. The case of Indian railways which are owned mainly by the Government of India and of which a very small portion of the capital is held in England is in no sense analogous. There is no necessity in the circumstances of India's case for a body performing the functions of the Argentine local board. A scheme of dual control by boards located in England and India could only be worked by reducing one of the two boards to the status of an advisory body with little executive power or effective voice in the administration. If the main control was retained in England, the Indian board would either be similar to the existing advisory bodies or to the extent to which it departed from the standard would interpose another medium of control between the Agent and the Home Directorate.

We are, therefore, of opinion that any form of dual control in this country does not hold out promise of success and should not be attempted. We think, however, that while the present arrangements continue it would be desirable to extend the principle of employing advisory committees to other lines.

PROPORTION OF COMPANIES' CAPITAL.

13. There is one matter which affects both English and Indian companies which must be mentioned here, *viz.*, the existing system under which companies hold a relatively small portion of the total capital of their undertaking.

We are of opinion that the principle of retaining in the hands of Government a preponderating interest in railways is wise and should be adhered to. It follows that the interest of the working companies must be confined to a relatively small share in the surplus earnings. We do not consider that as a general principle this system is open to any serious objection. As long as the capital of the company is sufficient to ensure their active interest in its prosperity, community of interest between Government and the shareholders is attained. Moreover, it has to be remembered that all contracts provide for determination at some fixed time by repayment by the Secretary of State of the company's holding. If the company's capital were large the question of repayment might have to be decided on a consideration of ways and means rather than on the advantages to the State of taking over administration of the railway, and it would be the reverse of prudent to do anything which would produce a situation with such embarrassing possibilities.

Part II.—The Railway Board and the Government of India's Control

CONTROL BY MEANS OF A BOARD.

14. So far our consideration of the issues before the Committee has been devoted to matters relating to the administration of railway systems, and we now come to the further question of the control of such administrations by the Government of India.

Prior to 1905, the control of the Government of India over railways was exercised through the medium of the ordinary departmental machinery of the Public Works Department in the Railway Branch. In his report Mr. Robertson criticised this procedure in the following words:—

"The great railway undertakings in India are reduced more or less to the same dead level as other departments of Government and are not administered as large commercial concerns on the lines on which such undertakings can only really be successfully worked" The report went on to explain that the result of the cumbersome machinery of an ordinary Government Department being applied for this purpose was to impair the sense of responsibility, crush initiative, check progress, and delay business, to an extent which would be fatal to any other commercial enterprise. With this view of the matter, the Government of India agreed generally and it was accordingly decided to substitute a Railway Board. The original central idea of the conception of this Board, as put forward by the Government of India, was stated to be that there should be a body of practical business men entrusted with full authority to manage the railways in India on commercial principles and freed from all non-essential restrictions and needlessly inelastic rules. The Board proposed by the Government of India was to consist of a Chairman and four Members. Of these the Chairman was to be selected in England. One of the Members was to be the Secretary in Railway Branch of the Public Works Department. A second was to be selected for traffic experience either in England or India, a third the Director of Traffic or Construction or the Accountant-General, and the fourth was to be located in England and to take the place of the Government Director in London. The Secretary of State disagreed entirely with the composition and substituted a board consisting of a president and two members. The two members were to be selected one in England and one in India.

It is admittedly the case that both in respect of constitution and powers of independent control exercised, the Board has fallen below the standard which the Government of India contemplated. We consider, however, that the principle of control by means of a board is correct and should be retained, but in order to render this control satisfactory it is necessary that the constitution and powers exercised by the Board shall be examined and measures taken to place it in a position to fulfil the objects with which it was started.

15. The first point for consideration is one of principle. The Board was as stated by the Secretary of State intended to be "an authority subordinate to but outside the Government of India." This conception has in practice never been attained. The Board was vested with certain enlarged powers but both in respect of financial and administrative considerations remains virtually a Department of the Government of India. Consequently the procedure has tended more and more to revert to the ordinary Departmental Secretariat practice with all or many of the incidental drawbacks of delay and want of initiative which it was hoped to avoid. The remedy for this fault is mainly concerned with finance and we will deal with this subject more fully in our proposals in regard to financing railways.

CONSTITUTION OF THE BOARD.

16. Secondly, the Board as constituted is certainly for existing conditions too small for the work to be done. The members are practically tied to headquarters and have insufficient opportunity to visit the different administrations. We would lay very great stress on this point which in our opinion is of the first importance if co-ordinated effort in administration is to be secured. Moreover, the absence of a commercial member is certainly a very severe drawback. We are aware that an appointment of this nature was contemplated, but considered impracticable because it was maintained that a suitable man could not be procured for the salary which could be offered and because in any case his impartiality might be questioned. We are fully conscious of these difficulties, but we consider that, if the legitimate wishes of the trading community for representation in the administration of a department on which they so greatly depend is to be met, an effort should be made.

17. Thirdly, we are of opinion that in view of the very important part which finance must play in the Board's proceedings it would make for more harmonious and speedy working if a representative of the Finance Department were included in the Board. We are at present virtually working this arrangement, as with the Secretary of State's approval a Financial Adviser has been appointed, and very great advantages have been thereby secured. We feel, however,

that if financial arrangements on the lines which we propose to put forward are found possible it will be essential that this officer shall be constituted an integral portion of the Board in order that the whole of the financial policy of railways shall be under his supervision.

18. We therefore propose the following constitution for the Board:—

(1) President.
(2) Financial Member.
(3) Engineering Member.
(4) Traffic Member.
(5) Commercial Member.

The President might be appointed either from England or India for general all-round knowledge of railway policy and working. He would exercise general supervision over the Board's proceedings.

The Financial Member should be appointed from the Finance Department of the Government of India, and would constitute the representative of that Department on the Board and take the place of the present tentative appointment of Financial Adviser. He would be in charge of all purely financial matters, budget, accounts and statistics, and would be responsible generally for the financial regularity of the Board's proceedings.

The Engineering Member should be an engineer with administrative experience in India, and would be in charge of all engineering matters, both in respect of open lines and new projects.

The Traffic Member should be a traffic expert with administrative experience in India, and would deal with all questions of rates and general traffic working in consultation with the Commercial Member.

The Commercial Member should, if possible, be recruited from a large commercial firm in India, and it should be his duty to make frequent tours to large trade centres in order that he may be in constant touch with public wishes and trade requirements generally. He would also deal with all questions relating to the supply of stores for railways in India so far as these are controlled by the Railway Board.

Staff of Officers in Board's Office.

19. In regard to the officers employed in the supervising staff of the Board's office, we do not consider that any great change is necessary. We consider, however, that the present title of Assistant Secretary is misleading, as the status and duties of the officers who fill these positions are in no sense analogous to assistant secretaries in other departments of Government. They are usually technical officers of fairly high standing and service, and in respect of the majority of their work they deal direct with members of the Board We consider, therefore, that they should in future, to avoid misunderstanding, be styled Deputy Secretaries.

The present staff consists of—

Secretary.
Joint Secretary.
Assistant Secretary, Establishment.
" " Traffic.
" " Projects.
" " Stores.
" " Way and Works.

The last appointment is temporary and provisional, and we consider that this should be made permanent.

20. Beyond this staff, there is the Chief Engineer to the Board, who is a selected senior officer and acts as technical adviser to the Board in respect of all large projects. He is, moreover, specially employed in initiating and co-ordinating technical research. We consider that this appointment is of great importance, and should be retained.

21. There is, however, one other appointment of the same nature which we think is necessary. The present staff as described above makes no provision for expert advice in respect of mechanical engineering. No member of the Board, either as at present or proposed, has necessarily any professional qualifications in this respect. It must be remembered that the Board have in their administrative capacity to come to very important decisions in respect of rolling stock designs, workshops and machinery supply, watering arrangements, fuel supply, and many other important matters in which mechanical considerations are involved. They are required to judge in respect of accidents which are often due to mechanical defects, and in respect of new projects to criticise location of workshop sheds, engine runs, and train loads on which the success of a new line may depend. Moreover, economy in working is now a matter of such great importance that criticism of the scale of expenditure in the largest spending department of a railway has assumed particular significance, and it is desirable that the Board shall have at their disposal means to enable them to co-ordinate efforts on all railways and initiate measures of economy for general adoption. We think, therefore, that for these reasons there exists an urgent necessity for supplementing the existing staff of the Board's Office by a Chief Mechanical Engineer.

The above statement of the constitution of the Board and the estimate of the strength of the staff presupposes that the conditions under which railways are worked, partly by companies and by the State, will continue. If it should be decided that all railways are to be worked by the State it will be necessary to reconsider the constitution and greatly to augment the numbers both of the Board and their staff.

Functions and Powers of the Board.

22. Assuming that a board on the above lines is constituted, reconsideration of the powers exercised will be necessary. We do not, however, think that any purpose will be served by going into this matter in detail at this stage; and will confine our consideration to general principles.

The main powers assigned to the Railway Board by the Government of India (*e.g.*, powers of financial sanction to works) are sufficient. In questions of detail, however, there are many matters, especially relating to establishment, where the Board are denied any discretionary power, and the necessity of reference to the Finance Department does in practice cause a good deal of delay and

adds to the volume of work. The appointment of a Financial Adviser has certainly been of great assistance in this respect, and if our proposal to include a representative of the Finance Department on the Board is accepted we see no reason why the full powers of the Government of India should not be exercised by the Board in all respects.

Position of the Railway Board *vis-à-vis* the Government of India.

23. Before leaving this part of the question we should like to say a word in regard to the present position occupied by the Railway Board in the administrative machinery of Government, as we do not consider that the present status of the Railway Board *vis-à-vis* the Government of India shows a sufficient recognition of the relatively great importance which railway administration and railway development bear in the general administration of the country. As matters stand, the position of the Railway Board is somewhat anomalous. Whereas they have certain powers as a Board, they cannot speak as the Government of India without the authority of the Member for Commerce and Railways, and their interests in the proceedings of the Executive Council are represented by that member. The situation, then, is that the Railway Board, though held responsible for the success or failure of railway administration, is given no direct voice in the settlement of questions of policy which come under the consideration of the Government of India. Considered only from the point of view of the Government of India, we venture to think that this arrangement cannot conduce to efficiency. Cases which may have to come before the Council often involve considerations of such a nature that it is difficult for anyone without intimate knowledge of railway working adequately to appreciate or represent them to the Council. It is true that the President may be, and is, called in to represent his views, but he does so only in the position of a secretary of a Government department, and though liable to be questioned or called upon to explain matters, he has no authority to refute arguments opposed to his views. This must be the case so long as a non-railway member represents railway interests in the Council.

We are therefore of opinion that the present position assigned to the Railway Board in the deliberations of Government in respect of railway matters requires to be reconsidered, and that the Board, considered as a unit of the administration, should be placed on the same level as a department of Government We think that, in accordance with the principle stated above, the president of the Railway Board should have the status of a member of the Executive Council and should attend the Council as an additional member, though without the right of voting, when questions involving railway interests are under discussion in order that Government may obtain the benefit of a direct expression of his views before arriving at a decision in regard to matters on which his advice may be of the first importance.

Board's Control over Railways.

24. Turning now to the question of the exercise of the Board's functions, we think that a great deal of misapprehension exists in regard to the extent of detailed control which the Board exercise under existing conditions. This matter has been twice specifically raised and considered. Once in Mr. Robertson's report of 1903 and again in 1908 in the report of the Finance Committee The result has been the withdrawal of a great deal of Government control in matters of detail and the delegation of extensive powers to companies and State railway agents. The principle of delegation to the full extent compatible with efficient control has been steadily kept in view, and further extensions are contemplated. We, therefore, consider that there is in present conditions very little ground for complaint on this account. It is impossible without danger to delegate to individual companies the power to adopt measures which would affect neighbouring lines or cause administrative difficulty in the country served. From an administrative point of view, therefore, a general limiting control over rates, wages, or conditions of service, adequacy of transport service, and conditions of travel must always be necessary. From a financial standpoint the powers vested in the working administrations have been extended to the full limit compatible with control by the Government of India which is eventually financially responsible, and it is doubtful whether any further extension in this direction is either necessary or desirable.

Part III.—Railway Finance.

General.

25. We now come to a portion of the enquiry which presents very considerable difficulties, the solution of which is, in our opinion, the most important part of the task of the Committee. No arguments of ours are perhaps needed to support the fact that the fundamental difficulty from which railways are suffering is financial, and, unless this can be successfully surmounted, no change in administration or otherwise will effect any considerable improvement.

When the question of railway finance was considered in 1907, the Committee presided over by Sir James Mackay (now Lord Inchcape) came to the conclusion that the amount spent in years previous to that date had been insufficient, and that the railways had in consequence failed to deal satisfactorily with the traffic. They stated that the principal complaint was the inadequacy of the supply of rolling-stock and, in a less degree, the necessity of improvement of traffic facilities. They recommended an annual railway capital programme of 12½ million pounds, which would provide 100 millions for improvements in the ensuing eight years, though it was considered possible that a further review of the position might be necessary before the end of that period. Unfortunately, the standard then proposed was only once attained in the next eight years, and the total capital expenditure on railways from 1907-08 to 1914-15 was 78 millions as against the 100 millions which it was hoped to provide.

Present Position.

26. Turning now to the present position, there is probably no ground for difference of opinion that our railways are at present in a very unsatisfactory condition. They have fallen seriously into arrears both in ordinary maintenance and in respect of improvements necessary to enable

them to cope with trade and other public requirements. Though, however, these facts are patent to everybody, there are difficulties in analysing the cause or suggesting the financial limits of the remedy. It must, in fact, always be an exceedingly difficult matter to demonstrate adequacy or in adequacy by an appeal to figures, or to fix a hypothetical standard of outlay which would have prevented the ground for complaints of the public so far as it is admitted that these are based on solid reasons. Moreover, in the present case the facts are obscured by the special effects due to the war, the shortage of materials, and abnormal rise in prices. It has been urged that the present unsatisfactory position is mainly due to the war, and the recovery must, therefore, as in the case of many other matters, necessarily be slow. We are not convinced, however, that this is a true statement of the position. The complaints in regard to inadequacy of rolling-stock and the inability of railways to deal with traffic were loud for some years before the war, and we are of opinion that the inadequacy which the Mackay Committee admitted in 1907 was present in an equal or more accentuated form even before the war had come and added so largely to the difficulty.

27. In considering the present unsatisfactory condition on all lines, an important distinction must be drawn between works of ordinary maintenance and betterments. In regard to maintenance, the arrears are in no sense due to financial causes, but are wholly due to want of materials, owing to the fact that India was at the beginning of the war almost entirely dependent on England for her supply of materials. This supply was necessarily interrupted, while even the small accumulated reserve was drawn upon for purposes of war areas outside the country. The remedy for a contingency of this nature is mainly, therefore, economic rather than financial.

28. In regard to renewals and in an even greater degree to betterments the position is, in our opinion, different and is mainly due to inadequacy of funds. It is difficult to measure the extent of the deficiency. As we have already stated, we consider that in a matter of this sort figures cannot be taken as a conclusive guide, but the following will, at any rate, afford some evidence of the relative growth in traffic and the rolling-stock provision which was made to meet it.

Year.	Goods.					
	Ton-miles (in thousands).			Total number of goods wagons (in terms of 4-wheelers).		
	Broad gauge.	Metre gauge.	Total.	Broad gauge.	Metre gauge.	Total.
1908	8,258,775	1,903,681	10,162,456	87,881	49,114	136,995
1909	8,967,554	1,946,352	10,913,906	95,268	50,764	146,032
1910	9,955,079	2,086,422	12,041,501	98,598	51,617	150,215
1911	11,008,984	2,291,852	13,300,836	101,727	52,853	154,580
1912	12,964,352	2,597,717	15,562,069	104,425	54,809	159,234
1913-14 ...	13,067,595	2,479,989	15,547,584	115,080	57,377	172,457
1914-15 ...	12,754,271	2,402,810	15,157,081	126,199	59,592	185,791
1915-16 ...	14,503,934	2,579,375	17,083,309	130,040	60,252	190,292
1916-17 ...	16,954,674	2,767,717	19,722,391	131,476	60,213	191,689
1917-18 ...	18,036,710	2,900,408	20,937,118	133,172	59,110	192,282
1918-19 ...	17,615,665	3,422,412	21,038,077	133,779	58,584	192,363
1919-20 ...	17,215,040	3,058,355	20,273,395	136,588	59,318	195,906

Year.	Passengers.					
	Passenger-miles (in thousands).			Total number of coaching vehicles (in terms of 4-wheelers).		
	Broad gauge.	Metre gauge.	Total.	Broad gauge.	Metre gauge.	Total.
1908	7,766,231	4,129,855	11,896,086	12,230	9,334	21,564
1909	7,948,668	4,220,541	12,169,209	13,124	9,824	22,948
1910	8,627,970	4,588,146	13,216,116	13,668	10,285	23,953
1911	9,206,142	4,938,125	14,144,267	14,591	11,088	25,679
1912	9,618,817	5,344,490	14,963,307	15,056	11,406	26,462
1913-14 ...	10,421,886	5,870,600	16,292,486	15,648	11,698	27,346
1914-15 ...	10,108,669	5,584,817	15,693,486	16,201	12,146	28,347
1915-16 ...	10,536,224	5,600,657	16,136,881	16,403	12,530	28,933
1916-17 ...	11,380,499	6,063,130	17,443.629	16,745	12,682	29,427
1917-18 ...	10,400,945	5,426,270	15,827,215	17,322	12,855	30,177
1918-19 ...	11,598,526	5,991,851	17,590,377	17,524	13,102	30,626
1919-20 ...	13,082,896	6,960,190	20,043,086	17,464	13,112	30,576

From these figures it appears that in the last twelve years, so far as the broad gauge is concerned, the ton-miles of goods have increased by 108·45 per cent., and the number of wagons by 55·42 per cent. In respect of passengers, the mileage of travel has increased by 68·46 per cent., and the stock by 42·80 per cent. During the same period the metre gauge shows on increase of ton-mileage of goods of 60·65 per cent., and of wagons of 20·77 per cent., and in respect of passengers an increase of mileage of 68·53 against an increase of stock of 40·48 per cent.

It is therefore evident that if the opinion of the Mackay Committee in regard to inadequacy of stock was correct in 1907 the position is certainly very much worse now

29. It is interesting to compare these figures with similar figures for the Pennsylvania Railroad Company, whose gross earnings with an open mileage of 4,541 miles are more than those of all Indian railways put together. The figures shown are for the year 1917. The work done by the Pennsylvania Railroad Company in respect of goods traffic was 30,000 million ton-miles, and their equipment consisted of 147,875 cars with a total capacity of 7¼ million tons. The broad-gauge railways of India in 1919-20 did 17,000 million-units of work with 136,588 wagons having a capacity of about 2¼ million tons. The work done on Indian broad-gauge railways, therefore, represented ·57 of the work of the Pennsylvania Railroad Company, and this was done with an equipment capacity equal to about ·3 of that of the Pennsylvania Railroad Company.

30. Apart, however, from the question of rolling stock, there is another and, in our opinion, an even more important deficiency, viz., facilities for handling traffic. It is useless to multiply rolling stock if the machinery for handling it is deficient. It is equally useless and wasteful to add to the sum of stock unless adequate facilities for repair are available. It is difficult or impossible to demonstrate much in this connection by means of figures, but it is, in our opinion, undoubtedly the case that practically every railway in India is now behindhand, and some of them very seriously, in these respects. To take one simple item, the provision of double tracks. We had at the end of 1908 2,138 miles of double track, and in 1919-20 the double track had increased to 2,980 only. Apart from the difficulty and delay incidental to working heavy and continuous traffic over single lines, there is the added trouble on all lines of inadequate yards, platforms, sheds, signalling arrangements, etc. The works embraced in the above category are in many cases large and expensive, and it will be necessary to spend a considerable sum of money before a real improvement is evident.

We consider that these deficiencies, both in respect of rolling stock and traffic facilities, are not entirely attributable to the war. They were evident in a less acute form before the war started, and to this extent are to be ascribed to inadequacy and uncertainty in the supply of funds, which has prevented any definite and consistent programme of improvements being worked to.

31. So far we have omitted all consideration of new construction. The additional mileage opened in the last ten years is as follows:—

Year.	Mileage opened.
1910	602
1911	755
1912	668
1913-14	1,053
1914-15	646
1915-16	606
1916-17	468
1917-18	402
1918-19	335
1919-20	119

These results are not satisfactory, and there is no doubt that if funds had been available the progress in this respect would have been more rapid. We think, however, that the question of new construction must be considered from an entirely different standpoint to that adopted in respect of other capital expenditure. For economic reasons, it is unsound to raise money for new construction at a time when the position of the market or the high cost of materials will impose a permanent liability of a magnitude which the urgency of the case does not justify. It may, therefore, be necessary in such cases to restrict expansion to the lowest limits. A similar consideration does not, however, apply with the same force to capital expenditure on open lines, since it is the worst form of economy to allow your existing property to fall below a standard at which its full earning capacity can be developed. We consider, however, that one great fault has been apparent even in such new construction as has been carried out. Owing to the uncertainty in the supply of funds inseparable from the present arrangements, the completion of many projects has been delayed far beyond what was necessary or desirable, with the inevitable result that capital has lain idle.

32. Before leaving this side of the subject a word of explanation is perhaps necessary in connection with this question of adequacy of funds to meet the argument that has sometimes been put forward, that the failure of railway administrations to work up to their grants, and thus utilise fully such funds as have been provided, affords ground for assumption that a more liberal allotment could not have been spent. This argument is, of course, based on a fallacy. The failure to spend grants is no indication that the limit of requirements or capacity to carry out work has been reached. It is due in almost every case to the failure of English supplies, a fault that is directly traceable to the want of continuity of financial policy and the consequent impossibility of placing orders sufficiently far in advance to ensure delivery within the year This point will be dealt with in more detail in connection with the question of lapses.

Past History.

33. Although the above explanation does not enter into any great detail, we think that the facts as given will be sufficient to convey some general idea of the directions in which the main deficiency exists. When, however, we come to seek for the reason and the remedy, it is necessary to go back to past history in order that the steps by which we have reached our present position may be realised, and the real cause of the difficulty assigned. We should, therefore, like to refer very briefly to a few of the relevant events in the past which have influenced us in formulating the view which we are putting forward in this memorandum.

When railway construction began in India about the fifties of last century, the first lines were financed through the agency of guaranteed companies—no capital outlay beyond that involved by the free grant of land being provided from State sources—Government assistance was confined to the obligation to meet guaranteed interest. About 1870, Government began to borrow money for the construction of railways by direct State agency. A very cautious policy was, however, adopted, and for many years the State operations were on a comparatively small scale. The scale of expenditure was, however, gradually advanced, and in 1892 had reached a standard of Rs. 5 crores per annum. We may pass over the history of this period which has no direct bearing on our present

position, but it may be mentioned that, in proposing the higher standard of Rs. 5 crores, Lord Cross alluded particularly to the want of economy involved in the serious fluctuations in expenditure on railway construction. We have here the first recognition of the difficulty which has since formed the subject of much consideration and which has never been satisfactorily solved. It was speedily found that the fixed standard of railway expenditure proposed was ineffective mainly for the reason that no means had been provided to enable it to be adhered to. In 1893 94, the question was again considered, and the Government of India suggested that the difficulty might be met by providing for new construction wholly by assisted private agency and by fixing the railway grant for open lines at Rs. 5 crores less the amount spent from famine insurance grant. Lord Kimberley rejected these proposals on the ground that they would bind the Government of India to borrow the whole 5 crores in years of stress. A year later, the Bengal-Nagpur Railway Company came forward with a proposal to relieve the situation by raising money in India by issue of debentures. Lord Elgin's Government rejected this idea, because they considered it would be expensive and because in effect it would depress Government credit and render ordinary loan operations difficult. The position, therefore, so far as financing from Indian sources was concerned, remained as before. It must, however, be remembered that up to this time the old guaranteed companies had still the option of supplementing their individual resources by borrowing from England with the Secretary of State's approval.

34. In 1896, the Secretary of State put forward a proposal designed to secure continuity of expenditure, and asked the Government of India for a three years' comprehensive programme. In reply, the Government of India put forward a programme working up to 28 crores in the next three years for State-owned lines *plus* a further 1¾ crores in respect of the guaranteed companies. The idea of a three years' estimate was in itself not entirely new, as the Government of India had previously been including in their annual forecast a programme for ensuing years. But the principle of financing railways from a general programme which was henceforth adopted marks a very important change. Hitherto, as already stated, companies' lines had been in a position to initiate the raising of capital to be expended on their own systems. It was still contemplated to borrow in sterling by means of companies, but the funds so raised were for general purposes. The companies thus lost the quasi-independence of action which they had hitherto enjoyed, and the whole financing of capital expenditure became dependent on the Government of India's annual resources. This system still remains, though several attempts have been made to get away from it.

35. It is perhaps not necessary to enter into any great detail in regard to the various schemes which have been put forward with the object of raising funds, but there are one or two points in the history of this period which have an important bearing on our present proposals. In 1900, the whole position was reviewed by the Government of India, who proposed that the programme to be prepared in advance should represent a minimum figure which must in all cases be provided, and might be exceeded if possible. This idea was rejected by Lord George Hamilton, who considered that any such standard would be inadequate in some years and embarrassing in others. He was of opinion that so long as railways depend for money on Government, they must share in the vicissitudes of the public finances. This enquiry is remarkable, however, for the fact that a suggestion was put forward by Colonel Gardiner for the separation of railway expenditure from the general finances of the State. The principle of Colonel Gardiner's views which were embodied in a Minute, which accompanied the Government of India Despatch, was concurred in by Lord Curzon, who stated that, though he was in favour of the Government of India's proposals for a minimum programme as a provisional arrangement, he hoped that it would eventually be possible to adopt measures for the separation of money raised or granted for productive works from the general finances of India, and that he was strongly of opinion that matters would never be on a satisfactory footing till this was done. The Secretary of State mentioned in reply that this idea of financial separation and management of railways by a Commission or Trust had been suggested to him from time to time for years past. He was of opinion, however, that it would be useless because it would be impracticable to give such a body power to raise money on the credit of Government and without reference to the financial situation. The idea was, therefore, dropped, but we would draw attention to the fact that the sole difficulty appears to have been that the Secretary of State could not accept the position that any independent body should be in a position to raise money without reference to general requirements.

36. The next proposal in this connection was that put forward by Mr. Robertson, who suggested that financial independence might be secured by forming a railway fund. The details of this idea need not be considered as it was speedily shown that the fund as proposed would be inadequate for the purpose. Mr. Robertson's other idea of securing partial independence by a reversion to the old principle of leaving working companies to raise the capital they required, was also negatived on the ground that it would involve the unlimited pledging of Government credit. Subsequent attempts at a programme again came to nothing for the same reason as before, *viz.*, they made no arrangement for finance. Finally, the Mackay Committee who considered this question proposed a standard of 12½ millions which has proved in practice as ineffective as its predecessors. This committee again considered the question of financial separation, and rejected it for reasons very similar to those given by the Secretary of State in 1900. They considered that it was impracticable to provide that the extent of capital to be raised should be determined by the requirements of railways, but that the amount to be expended on railways must depend on the general financial position of the Government of India.

Retrospect and Proposed Remedy.

37. Looking back on this financial industry, we think it is evident that there has been no want of recognition on the part of Government of the evils resulting from want of continuity of policy due to the financial uncertainty inseparable from the present arrangements. All of the proposals put forward in the past with the idea of securing continuity appear to have failed for one simple reason. They attempted to provide continuity in the railway programme while maintaining direct connection and dependence on the ordinary annual resources of Government which are

themselves necessarily variable. Consequently, the arguments revolved in a circle, and invariably came back to the point that so long as expenditure on railways depends on the ordinary ways and means of Government money, no guarantee beyond a year is possible. We think, therefore, that any further attempts to fix hypothetical standards or formulate a programme in advance will, undoubtedly, be useless, unless they are accompanied by some definite scheme of finance which can be worked to apart from other Government considerations.

In view of the above facts, we express the very definite opinion that the system of regulating expenditure on railways both in respect of capital and revenue to accord with the fluctuating resources of the Government of India from year to year has been very detrimental to railway improvement and development, and we consider it to be an urgent necessity that an alternative should be found. It will admittedly be a matter of some difficulty to devise this alternative, but we are very strongly of opinion that if our railway property is to be brought back to an efficient condition, and a definite and consistent policy is to be followed, an entire change of principle in the matter of finance is necessary. We consider that past experience has shown that it is impossible to administer satisfactorily a quasi-commercial concern like railways in the same way as another department of Government. No commercial concern could be satisfactorily conducted if the funds required for its administration were to be made dependent from year to year on no definite plan or principle, but on fluctuations of expenditure and resources of the predominant partner which entailed the withdrawal each year of the unexpended balance with no assurance of re-allotment. We venture, therefore, to express the opinion that financial autonomy in one form or another is the only possible remedy for the difficulties complained of, and, to quote the dictum of Lord Curzon already referred to, we are firmly of opinion that matters will never be on a satisfactory footing till this has been realised. We think, however, that in all previous considerations of this idea there has been a tendency to imply a measure of separation beyond what is necessary or is in fact admittedly possible. It is not our desire to suggest that the Railway Board, or whatever body it is finally decided shall administer the railway property, should be vested with an independent power to raise money or pledge the credit of Government without consideration of the other needs of India. Any such idea is obviously impracticable. All, therefore, that is implied by the proposals which we now put forward is that the funds raised for purposes of railway development and administration shall stand outside the ordinary ways and means of Government. These funds shall be raised in accordance with a consistent programme fixed for a term of years. This programme need not necessarily bind the Government of India to borrow the same amount in each year irrespective of the state of the market. In accordance with the same principle, we propose that the whole of the surplus revenue of railways, after meeting the Government of India's liability for interest on loans, shall be used to supplement the funds so raised, and that this shall be taken into consideration in fixing the programme of borrowing necessary. The result of this part of the proposal will be to make the policy of development dependent, as it should be, on the earning capacity of railways, and to make it absolutely necessary that fluctuations in the cost of administration in the form of interest on capital expended as well as working expenses are directly reflected in the charge for transport.

Outline of Financial and Administrative Scheme.

38. In brief outline, the scheme which we propose is as follows:—

(i) The administration of railways to be handed over to the control of a Board or Commission, outside the Government of India, to manage the property as a trust, and to be vested with extensive powers to carry out all measures necessary for its successful administration in the interests of the country, subject, of course, to such limitations as the Government of India may consider necessary for purposes of political and financial control by the Supreme Government, some of which are referred to below.

(ii) The Board or Commission to be constituted as already recommended.

(iii) The Railway Board (or Commission) as so constituted to take over the administration and financing of all railways as existing at present, including military lines, but any further lines required solely for military or political purposes and not considered justifiable on commercial grounds to be outside the scope of their financial operations. Funds for such lines to be provided separately by the Government of India, Local Governments or Indian States, on whose behalf the lines may, if they so desire, be constructed and worked by the Railway Board (or Commission).

(iv) The Railway Board (or Commission) to be financed as follows:—

From loans raised by the Government of India in accordance with a definite programme fixed for a period of five years ahead in England and in India. Such loans to take the form of debentures, company stock, or Government of India Railway Loan, as may be convenient, but all the money so raised to be placed at the disposal of the Railway Board (or Commission) separate from and entirely outside the ordinary resources of the Government.

(v) The entire ordinary surplus resources of railways after meeting the Government of India's liability for loans, annuities, etc., to be at the disposal of the Railway Board (or Commission), and such surplus to be taken into consideration in fixing the amount of borrowing required.

If the Government of India consider it necessary to raise revenue through railways for the general purposes of the country, such revenue to be raised by imposing an Imperial surcharge on rates or fares, or both, to the extent necessary, the sum so raised being credited to Government outside the railway accounts.

(vi) The Railway Board (or Commission) to prepare a programme of their proposed operations each year showing the expenditure which it is proposed to incur, which will be submitted for the Government of India's approval. They would also submit an account of their expenditure at the close of each year in such form as the Government of India may prescribe.

(vii) The programme and accounts above referred to, to include all expenditure as classified under "11" subsidised companies, land, etc., and "12" miscellaneous railway expenditure, and also such new constructions as it may be necessary or possible to

undertake from the Board's resources. The needs of the latter would, however, be kept entirely distinct from open line requirements.

(viii) Subject to the above approval of the Government of India to their programme, the Board (or Commission) to be vested with full powers to control and administer railways, to regulate all rates and fares necessary for working railways as a solvent concern, and to provide necessary improvements to keep pace with the commercial requirements of the country, subject to the condition that alterations in special rates applicable to military or other departments require the approval of the Government of India. In order to encourage the association of private enterprise in railway construction, the Railway Board (or Commission) to be empowered to fix and vary the detailed terms of concessions given to railway companies for construction and working of new railways in India, subject to any fundamental limits which the Government of India may see necessary to prescribe.

We are conscious that these proposals afford only the barest outline, and that many questions in regard to detail of powers and administration will have to be faced before this important departure in principle can be adopted. It is impossible, however, within the limits of this memorandum and in the time at our disposal, to enter into details which would, moreover, tend to obscure the issue, and it is hoped that this outline will serve to give an idea sufficiently definite of the principle of administration which we consider affords the only workable solution of the difficulty.

Method of Preparation of Programme.

39. We do not propose at this stage to attempt to demonstrate the advantages which we hope to secure from this proposal. We should like, however, to mention two main points.

We have already referred to the fundamental defect in the present system which renders impossible the maintenance of a definite and continuous policy of expenditure. This fault is reflected in both matter and method of preparation of the present budgets. Prior to the war it was customary to show in each year's programme figures for two years ahead, in addition to that for which the programme was prepared. These figures were, however, in actual practice little more than a formality, since the actual programme depended on funds available and bore no direct relation to what was required. Consequently no great attention was ever paid to this feature of the programme, and during the war it was discontinued altogether. Efforts have, however, been made, apart from this exhibition in the budget, to regulate our attempted progress by a consistent programme. Most railways had, before the war, prepared, for their own purposes, regular programmes of renewals of stock and permanent way. It was felt, however, that special measures would be necessary to enable a co-ordinated programme of works, both capital and revenue to be carried out after the war, and in 1916 the Railway Board called upon all railway administrations to prepare for this purpose—

(*a*) a forecast of capital expenditure in the first three years after the war;

(*b*) a programme of renewals of rolling stock and permanent way chargeable to revenue for ten years ahead.

The figures given in these programmes, so far as finance is concerned, have, however, been rendered of little value by the abnormal rise in prices, but in respect of the work to be done they have served generally as a guide in our budgets. For various reasons, financial and otherwise, the standard proposed has not been attained, but we have here the nucleus of our proposals for the future. We propose, provided arrangements can be made to secure financial stability as we suggest, to request all railways to prepare and maintain complete programmes on similar lines of renewal and development for three years ahead, and to require general adherence to these in the annual budget, so that a steady and consistent policy of development may be followed.

Lapses.

40. The second point which we think merits some special explanation is in respect of lapses. The result of our proposals, if approved, will be to get rid once and for all of this difficult question, but we think that the importance of this matter to railways may perhaps be insufficiently appreciated. The difficulties entailed by the present system in this respect have certainly not suffered for want of recognition, and many attempts have been made to find a remedy for what was generally admitted to be a very serious evil. We do not think that any purpose would be served by tracing the history of the various remedies proposed and discarded. It will suffice to say that most of the proposals in this respect have proved in practice either ineffective or unworkable. In fact, most of them were never adopted at all.

41. The only mitigating provision which exists at present is as follows:—

"The Government of India may (1) at any time when the budget is being prepared in March sanction an addition, not exceeding the amount of the anticipated lapse in the sanctioned grant for the expiring year, to the railway programme of the ensuing year, as sanctioned by the Secretary of State in Council; and (2) they may, when the actual amount of the lapse is known, sanction an addition to the programme, or an increase to any addition already made under provision (1), not exceeding any amount by which the actual lapse in the grant for the previous year may have been greater than the lapse that was anticipated when the final revised estimates of that year were framed. All such regrants will be subject to the following conditions:—

(*a*) that the total amount of any regrant made under provisions (1) or provision (2) or under provisions (1) and (2) combined, in respect of any one year shall not exceed Rs. 50 lakhs;

(*b*) that if the actual lapse in the grant of the previous year prove to be less than the regrant sanctioned under provision (1) that regrant shall be reduced accordingly; and

(*c*) that no regrant shall be made unless it can be provided for without disturbance of the ways and means programme."

The only effect of this provision is to empower the Government of India to alter the amount sanctioned by the Secretary of State for the railway programme to the extent of Rs. 50 lakhs to provide for the effect of a lapse, provided that this can be done without upsetting their ways and means programme. Obviously this provides no sort of assurance, and the small amount makes it ineffective as a remedy for any large lapse of grant such as those which have occurred in recent years.

42. It will perhaps be useful in judging the actual facts of the position if we give a few figures of the capital lapses which have occurred in recent years.

(In thousands of rupees).

Year.	Grant.			Lapse or excess.			Distribution of lapse or excess.		
	Open line.	Construction.	Total.	Open line.	Construction.	Total.	India.	England.	Total.
1910-11 ...	11,81,37	4,48,63	16,30,00	— 4,30,94	— 82,17	— 5,13,11	—3,42,79	—1,70,32	— 5,13,11 (*a*)
1911-12 ...	9,53,61	4,71,39	14,25,00	— 1,94,85	— 42,99	— 2,37,84	— 86,55	—1,51,29	— 2,37,84 (*b*)
1912-13 ...	9,51,18	3,98,82	13,50,00	+ 1,18,95	+ 15,47	+ 1,34,42	+ 74,76	+ 59,66	+ 1,34,42 (*c*)
1913-14 ...	15,18,69	2,81,31	18,00,00	+ 26,77	+ 19,17	+ 45,94	—1,11,97	+1,57,91	+ 45,94
1914-15 ...	15,91,88	2,08,12	18,00,00	— 11,74	— 73,30	— 85,04	— 33,11	— 51,93	— 85,04
1915-16 ...	10,42,05	1,57,95	12,00,00	— 4,62,42	— 63,89	— 5,26,31	— ',03,91	—3,22,40	— 5,26,31 (*d*)
1916-17 ...	4,09,50	40,50	4,50,00	— 2,24,03	+ 70,83	— 1,53,20	+ 15,86	—1,69,06	— 1,53,20 (*e*)
1917-18 ...	5,25,85	14.15	5,40,00	— 2,86,57	+1,25,97	— 1,60,60	+1,08,79	—2,69,39	— 1,60,60 (*f*)
1918-19 ...	5,50,19	80,16	6,30,35	+ 23,76	— 30,93	— 7,17	+ 60,26	— 67,43	— 7,17
1919-20 ...	25,78,78	76,22	26,55,00	—11,85,96	— 55,39	—12,41,35	—3,55,36	—8,85 99	—12,41,35 (*g*)*

(*a*) Due mainly to a number of projects included in the programme not having been started owing to want of sanction to detailed estimates.

(*b*) Due to amount provided for purchase of stores in England not being utilised.

(*c*) The grant was raised to 15,76,41 in the course of the year compared with the increased grant ; the actuals show a lapse of about a crore of rupees.

(*d*) Due to non-supply of materials owing to congestion in the workshops at home.

(*e*) and (*f*) Due to difficulties attendant on the supply of materials from England.

(*g*) Mainly due to the difficulties attendant on the supply of railway materials from England and to fluctuations in exchange.

(* *Memorandum by Railway Committee.*—It was subsequently pointed out by the Financial Secretary that if allowance were made for exchange the real lapse in 1919-20 was about Rs. 6 crores.)

43. One fact which stands out clearly from these figures is the predominating influence of the English transactions. In this connection, we should like to draw particular attention to a fact which appears to have been given very insufficient attention in all previous considerations of this question. Railways derive their supplies of material very largely from England, and their English expenditure is, therefore, compared with other departments, disproportionately heavy. The English grants in the last ten years have been as follows :—

Year.	£ (in millions).
1911-12	5·97
1912-13	6·47
1913-14	8·69
1914-15	8·85
1915-16	5·69
1916-17	2·42
1917-18	2·92
1918-19	2·49
1919-20	18·00
1920-21	18·14

A failure or delay in the English supply is therefore a very serious matter. When a failure of this nature occurs the railway department is unable to spend the grant allotted within the year, but is, nevertheless, left with the liability for orders placed which *has got to be met in a subsequent year*. Meanwhile, the balance of grant unexpended which was intended for the purpose becomes part of the Government ways and means for next year, and if circumstances should occur to necessitate a restricted allotment the railways are left to meet the last year's liability as best they can. There is, therefore, an important distinction between a lapse in the railway grant and that of any other department of Government. In any other department a lapse represents *mainly* work deferred which may or may not be resumed in next year. In the railway department it represents *mainly* a liability incurred which must be met whatever happens.

44. Before we leave this important matter we should like to mention specially an argument which has sometimes been put forward in defence of the existing system. It has been contended, and this view was concisely stated in the report of the Mackay Committee of 1907, that since a lapse forms part of the ways and means for the next year, in which railways share, it is in effect virtually re-allotted. It is obvious, however, that though this may be generally true of all departments of Government taken together, it may cover a fallacy in respect of a particular department. A famine or a frontier war may compel the diversion of a disproportionate amount of ways and means to a department having no connection with railways, and the money provided in the first instance for the railway department is to that extent diverted from its object, which, though quite justifiable from the Government of India's point of view, does in effect leave the railways to meet their liability without the necessary funds.

Extent of Funds Required.

45. We have deferred to the end of this section of our memorandum the important question of the amount of capital which is required and the methods by which it shall be raised, because we

did not wish to confuse the issue in respect of main principles with the practical difficulties attendant on the raising of the necessary funds. We will, therefore, now deal with this side of the subject.

The first point for consideration is in respect of the financial provision which we consider will be necessary for capital expenditure in future. In this matter it is admittedly very difficult to formulate an estimate with any claim to precision, since such estimates as we have in the three years' forecast already referred to are unreliable owing to the rise in prices, and our only guide based on direct information from railways is contained in the figures in the railway forecasts for the two ensuing years referred to below. In respect of the past, the figures during the war period are, of course, no guide at all, since the demands were formulated by agents after a very definite warning that their expenditure would, for financial reasons, have to be restricted to a minimum, though even the amount so asked was not allotted Going back still further to the years before the war, the wide difference in the value of money makes any comparison impossible. We think, therefore, that the only way in which a really reliable estimate of requirements could be formulated would be to collect the necessary information in detail from railways, and this has not been possible in the time at our disposal. Taking, then, such recent figures as we have, the demands of railways since 1919-20 and provisional estimates for 1922-23 and 1923-24 are as follows:—

(In lakhs of rupees.)

Year.	Open lines.	New construction.	Total.	Remarks.
1919–20	27,22·79	76·22	27,99·01*	* Actuals allotted Rs. 26,55·00.
1920–21	26,16·20	3,41·12	29,57·32†	† Actuals allotted Rs. 21,97·64, but the reduction in this case is largely due to alteration in rate of exchange.
1921–22	31,55·24	4,14·72	35,69·96	
1922–23	28,66·81	4,94·16	33,60·97	
1923–24	24,67·02	4,17·03	28,84·05	

46. It must be borne in mind that these figures of demand for open lines of the last four years represent estimates put forward by agents after they had been warned that their expenditure would have to be confined to works which were vitally urgent, and that all large schemes of improvement, however desirable, must be deferred. It may, therefore, be taken that, in the opinion of the agents themselves, these programmes were limited to essentials. It is doubtful if the figures of 1922-23 and 1923-24 can be taken as a full measure of the limit of necessity, and the decrease shown is probably without any significance. In making these estimates for future years agents usually take into consideration only works in progress and such other works as they consider will have to be started. When, however, the year's estimates are eventually made out, other urgent demands present themselves. We do not think there is any reason to suppose that the open-line arrears would have decreased by 1923-24 to an extent justifying any relaxation of effort, and it is certain that the eventual demand in both 1922-23 and 1923-24 will not be less than 30 crores. This omits all consideration of new construction, and, as already stated, it will not be possible to provide anything considerable for this purpose from programme sources for some years to come.

From such information, therefore, as we possess, we are of opinion that the needs of open lines for perhaps the next three years will be not less than 30 crores per annum. Thereafter the total amount required may possibly be reduced as arrears are brought up, but this will almost certainly be counter-balanced by the normal increase in open-line requirements.

Methods of Raising Capital.

47. The question of the method by which these large sums of money are to be raised is admittedly at present a very difficult one. As already stated, we consider that the Government of India's direct borrowing should be in the form of specific railway loans to be raised in England and in India. To supplement this source of supply, we have already suggested to the Secretary of State a scheme of raising money by Indian companies affiliated to the existing main-line administrations. We see no reason why, in cases where this is possible, further sterling capital of the existing companies should not be issued, provided that the principle of predominating Government interest in the line as at present is retained. The existing arrangement of raising money by means of debentures might be utilised in England, and also in India if the income-tax trouble can be surmounted.

48. There is, however, one important difference in principle in our proposals in respect of all forms of borrowing except the Government of India loans above referred to. Hitherto money raised by means of railway debentures has been treated by the Secretary of State as a repayment, in terms of the contracts, of expenditure incurred from funds provided by Government, and has, consequently simply served to augment the Secretary of State's balance available for general purposes. We have proposed in connection with the scheme now before the Secretary of State that rupee capital raised by means of affiliated companies should be treated as additional resources of the company concerned, and we suggest that a similar principle should in future be adopted in respect of fresh capital raised by companies either in the form of shares or debentures. This method of assistance will usually be adopted to provide for specific works or schemes associated with a particular administration, and it will obviously facilitate the operations of the company in enlisting the assistance of existing shareholders if they are assured that the money so raised will directly benefit their own administration. Further, we have already under consideration the proposal to relieve our immediate necessities by meeting liabilities for heavy items such as rolling stock by means of short-term bonds. The idea is, however, only designed to enable us to meet our immediate necessities by a deferred payment and, apart from the present exceptional conditions, is probably not necessary or desirable.

The extent to which all or any of these expedients shall be utilised must depend on the circumstances of the market, but we are of opinion, in view of the great importance of the matter, that no expedient with any promise of success either in this country or in England should be left untried.

49. The funds for new construction will, at any rate in the immediate future, have to be raised by private companies, and for this purpose the existing branch line terms are inadequate. In the face of the existing demand for capital in India for commercial enterprise, it is impossible to raise money for railway construction unless good prospects are backed by a substantial guarantee. The terms of the guarantee necessary should be, however, dependent in each case on the circumstances of the line, and it appears to us to be a mistake to lay down one limit for all projects. A line which is for commercial reasons an urgent necessity, and which will bring a heavy long lead traffic on to a main line, may safely be allowed very liberal terms on a rebate basis, and can, therefore, be carried out when the money market is comparatively unfavourable. It would, however, be economically unsound to concede similar terms as a general proposition. We have, therefore, suggested when dealing with the proposed board's functions that they should be empowered to fix and vary these terms at discretion, subject to any limitations which the Government of India may consider necessary to prescribe.

Part IV.—Government Control of Rates and Fares and Settlement of Disputes.

Control of Rates.

50. The scope of the enquiry under this last head of our memorandum refers more particularly to matters in respect of which the committee will presumably be guided in their decision principally by the evidence of the public. It is obviously for the public rather than for the Railway Board to say whether the extent of control which the latter exercise over railway administrations in respect of rates is sufficient to safeguard the interests of the individual where these are in conflict with the action of the company.

In practice, the control of the Board over rates is exercised by the imposition of certain maximum and minimum limits within which the company are at liberty to vary the rates to accord with local conditions, water or road competition, or to agree with competitive rates on other lines. It is admittedly the case that this system leaves a large measure of discretion with the individual line concerned, and this appears to us to be unavoidable. It would certainly not be in the public interest to establish a central control which would fetter the elasticity of the company's arrangements for regulating rates to accord with the necessities of trade. It would, moreover, be obviously impossible for any central authority to exercise any effective detailed control over these constant variations which are governed entirely by local conditions, and depend generally on the rate which a particular traffic is able to bear. It may occasionally happen that a rate so fixed is considered by the public to be excessive, and in such cases they may refer, in the first instance, to the local railway officials, and, in extreme cases where satisfaction is not obtained, to the Railway Board. Such applications to us have, however, in practice been few, and we have found that, apart from any actual power of the Board to compel the alteration of rates, the companies have in all cases been ready to make an ample examination of complaints put forward and to remedy them where good ground was shown to exist.

We have, therefore, in the facts before us, very little evidence based on concrete cases that the powers delegated to the companies in this respect have in general been harshly used, or that they have deliberately, as a matter of principle, manipulated rates to suit their own administration without regard to public interests. The statements in support of this view which appeared in the evidence collected from public bodies in 1916, and which are often made in the press, are almost invariably of the nature of general charges without reference to any specific instance, and as such of small value in arriving at a true estimate of the real position.

We think, however, that these complaints do point to a deficiency in our existing arrangements. The Government of India's power of direct control is, as already stated, exercised only to the extent of fixing maxima and minima rates, and it is certainly within the power of companies, if so minded to use the discretionary power vested in them, to vary rates within these limits in a way that may give rise to well-founded complaint on the part of the public. We think that as a matter of principle this position is unsatisfactory and that it may reasonably be held that the Government of India should in all cases be able, where necessary, to exercise the fullest control in a matter in which the general public interests are involved. We consider, therefore, that the present powers which the Government of India exercise under the contracts should be enlarged, and that it should be definitely provided that in any case where legitimate ground of complaint in respect of railway rates fixed by companies is shown to exist, the Railway Board shall have power to compel the company to make such revision as appears to be reasonable and in the public interest.

Machinery for Settling Disputes.

51. In regard to the efficacy of the existing machinery for settling disputes, it is difficult to express any very decided opinion since it appears never to have been used. The records show that on only four occasions has a Commission been called for, and in every instance the demand was eventually withdrawn or not pressed. The provisions of the Act and the rules governing Commissions may appear at first sight cumbrous and the machinery unduly elaborate and expensive; but it is difficult to see what other alternative could be suggested. In point of fact this legislation provides for a class of case that seldom occurs in India, and, probably, the existence of the ultimate right of appeal to a Commission is in itself sufficient in most cases to prevent the need for its employment arising.

Conclusion.

52. In conclusion, we should like to offer some explanation in regard to the general principles which we have endeavoured to keep in view in putting forward our proposals.

From the public evidence collected by the Railway Board in 1917 and from such public opinion as is represented by the press at present, it is evident that there is a tendency in some quarters to suggest wholesale changes in the administration of railways. The advocates of this view put forward as a remedy for all evils that the system of administration which has stood the

test of time shall be discarded and nationalisation or some similar alternative shall be adopted in place. It is evident, however, that these proposals are made without full consideration of the elaborate machinery which would be necessary to give effect to them. We have already referred to this side of the question when dealing with the staff of the Board's office. A very little consideration will show that it would be impossible to expect a board of anything like the present dimensions to assume the control now exercised by the boards of 10 separate companies. The existing control over State lines is simplified because the Board always numbers among its members a State railway agent, and sometimes two, who have practical knowledge of the lines in question. To secure the same conditions in respect of companies' lines the Board would have to be enlarged to about 20 members and, presumably, would conduct its operations by committee, the larger issues forming the subject of collective deliberation. Even so it is very questionable of the same degree of individual attention would be secured, and the inevitable difficulties in working such cumbrous machinery are self-evident. Apart, therefore, from the prospective political danger to which we have already referred, we consider that the adoption of this alternative would be difficult to arrange and would in effect re-introduce all or many of the evils of centralised control to which particular attention was drawn in Mr. Robertson's report and which the changes then and since introduced have been particularly designed to prevent.

58. We should also like to say a few words in connection with the general question of reform in administrative procedure. Apart from the important question of finance, we have recommended very little immediate change. It is possible that in taking this view we may be thought unduly conservative, but we have adopted this attitude from the deliberate conviction that it is desirable at present to avoid anything of the nature of change for the sake of change. All alterations in administrative machinery are inevitably accompanied by temporary disorganisation, and this, it is particularly desirable at present to avoid. India is on the eve of great changes, economic as well as political. Important schemes of manufacture and mining and other development are being initiated, the progress of which depends in almost every case on adequate transportation facilities. It would, therefore be extremely unwise to do anything at the present juncture which might introduce administrative complications in the conduct of railway development and general business. What is required at present is not drastic changes of administration, but measures to improve its efficiency and to get rid of the drawbacks which have in the past prevented railways from keeping pace with the needs of the country. The difficulty in this respect is in our opinion mainly, if not wholly, financial, and we have therefore devoted our principal attention to this important feature.

We are fully conscious of the gravity of the issues involved in the proposals which we have put forward in this connection, and they have only been advocated after very careful consideration and because we are convinced that no other alternative is possible if a steady and consistent scheme of finance is to be secured. Unless this can be attained the question of State or company management is of comparatively little importance and all other schemes of improvement in future must eventually prove delusive for the same reason that has caused a similar disappointment in the past.

STATEMENT No. 80.

B. A. COLLINS, Esq., I.C.S., Director of Industries, Bihar and Orissa.—NOTE (revised by the Government of Bihar and Orissa) DATED 31ST JANUARY, 1921.

1. I have not had sufficient experience to offer any opinion as to which is the best system of management, State or company, but I am inclined to think that at the present stage there is room for both. If State management were, on the whole, best for the community, it has this disadvantage, that the development and efficient maintenance of the railways depends on the amount of capital which Government can raise at the rate of interest which it pays on all its loans. The present system, by which practically all the railways depend on Government for funds for development, has had a most unfortunate effect on the development of the country and the efficiency of the railways. Government has not been able to raise all the money required, and the whole country, and Bihar and Orissa in particular, is suffering accordingly.

See oral evidence, paragraphs 6360/6378.

2. It is hardly necessary to insist on the very large sums required if the railways are to catch up to the needs of the community. Money must be spent, and spent at once, on the building of new wagons, the doubling of lines, and the provision of marshalling facilities. Even at the present time the position of our industries is most precarious. Not only is expansion prevented, but the stability of existing concerns is threatened. In Bihar and Orissa itself, which provides more than half the coal raised in India, it is not too much to say that no single concern is getting all the coal it would like; many do not get the minimum they require, while all live in a state of constant apprehension of failure of supplies. Not only is industrial expansion hampered, but the wagon famine itself prevents the proper development of the coalfields. If collieries could be sure of a regular supply of wagons suitable for overhead loading capital would be freely invested and the production of coal could be enormously increased, since the labour available for underground work would be raised by 50 per cent. The industrial future of India depends on the early solution of this problem, and the only possible solution is the provision of adequate funds.

3. The real difficulty in Indian railway management is, therefore, finance, and everything else must be subordinated to the solution of it. It is for this reason that it has been suggested that there is room for both State and company management. The State can only raise a limited amount of money on the general rates and conditions of Government loans. Let it, therefore, only undertake the management and finance of a limited number of lines for which it can make adequate provision. The remainder should be placed in the hands of companies on such terms that capital can hope for profits over a sufficiently long period at the rates ordinarily associated with commercial ventures of this class.

4. The three chief questions asked in this connection are: (1) Should such companies be domiciled in India? (2) Could proper boards be secured for management in India? (3) Could adequate funds be raised in India? Here, again, finance should be the predominant consideration. If Indian companies can raise funds, either in India or abroad, they should undoubtedly have the preference.

It is my belief that very large sums indeed could be raised in India if suitable terms were offered, and that it would be in the best interests of India to offer such terms. Masses of capital are awaiting safe and profitable investment if rates of interest and conditions are such as will appeal to the wealthy Indian. Railways will have to compete with other industrial and commercial ventures and with the attractions of landed property.

5. It is only if the State and Indian companies cannot finance adequately all lines existing and proposed that companies domiciled elsewhere should be encouraged. But in this event they too should be offered the same terms as are needed to attract the capital required. Somehow or other the capital must be forthcoming.

6. One of the main difficulties which is hampering the expansion of trade in India is the concentration of both commerce and industry at a few large ports. The north-east of India is particularly unfortunate in this respect. All trade has to pass through Calcutta, where the port is both difficult of access and unusually expensive. This one port has to serve a population of more than one hundred millions, and every year becomes more congested. The development of an alternative port for Orissa and the south of Chota Nagpur is a matter of the greatest urgency.

7. The Governor in Council considers that the control of rates is essential, but is not in a position to suggest the form the control should take. The Local Government are aware that there is considerable dissatisfaction with regard to railway rates.

[N.B.—A note by Mr. Collins on a project to develop False Point as a harbour is not reproduced.]

STATEMENT No. 81.

The Hon. Sir MANECKJI B. DADABHOY, Nagpur.—NOTE DATED THE 3RD JANUARY, 1921.

See oral evidence, paragraphs 6479/6509.

Question No. 1.—The point is not free from doubt, but I am inclined to the view that the State-owned railways should be worked by companies rather than by the State. There has of late been, especially since the war, a good deal of strong feeling in almost all civilised countries in favour of nationalisation of railways. India has not been outside the current. Even before the war State ownership with State management was favoured in many countries of Europe. The system was in operation in Belgium from the very first, and was adopted on different dates by Scandinavia, Hungary, Austria, Russia and Germany. It was also in vogue in Australia. In the United States of America about 30 per cent. of the railways were the property of the State. In Mexico, State management was favoured and in Argentina 15 per cent. of the railways are in Government hands. In British India the policy of buying up railway concerns from the old guaranteed and subsidised companies was consistently followed by Government. The State also took over the management of important lines, and in other cases the management was left to companies under terminable leases and on conditions fairly profitable to Government. The bulk of the trunk lines and important systems of railway are now the property of Government. Leaving aside the status of light railways and branch lines which are private property worked by companies under a system of guarantee of interest upon capital from either the Secretary of State for India or District Boards, of the fourteen important systems the State owns eleven. Of the remaining three the Bengal and North-Western and the Rohilkund and Kumaon were constructed by companies without any Government assistance. The third—the Southern Punjab—is at present owned by a private company but is worked by the State as a part of the North-Western Railway. The total length of the railway, including the branch line from Narwana to Kaithal, is a trifle over 424 miles. The State has the right of purchase on successive specified dates which, I have little doubt, will be enforced. The Bengal and North-Western Railway and the Rohilkund and Kumaon Railway will automatically become State property in 1981 unless Government choose to exercise their right of purchase earlier (1932).

The question of State ownership has thus practically been determined in India in a manner consonant to the wishes of the public. The only question open to debate is that of management. And this cannot be determined on general principles only. The whole point is one of comparative merit. Judging from experience, it is by no means certain that State management is most advantageous to the travelling public and traders. I have experience of both systems of management, having travelled on the Eastern Bengal, the Oudh and Rohilkhand, and the North-Western which are all both owned and worked by the State, as also on the Bengal Nagpur, the East Indian, the Great Indian Peninsula, and the Bombay, Baroda and Central India, which are owned by the State but managed by companies. From the points of efficiency and safety and comforts of passengers, State management is no way superior to company management. My experience about movement of goods is derived from my operations as a proprietor or lessee of coal and manganese mines and manager of mills. On this point I am not in a position to institute a comparison between the two classes of management, but company management does not appear to fall short of the Indian standard. There is undoubtedly ample scope for improvement both in regard to safety and quickness in transit. The rates charged cannot vary to a large extent under State and company management. No company is likely to maintain a schedule more onerous than that adopted by the State. In India practical uniformity in this matter is secured on all systems of railway by legislation. Government have large powers of control over rates.

There may, however, be weighty reasons unconnected with efficiency for a change in the present system of management. The companies enjoy complete freedom as regards choice of staff, and this might, and does, operate in some measure as restrictive of the right of free and full employment of Indians on the railways. The higher ranks are generally staffed by Europeans. This is a source of grievance to Indians, and there is considerable soreness of feeling on the subject. But besides the adoption of a more and more progressive policy by the different companies in the matter of employment of indigenous talent, with the gradual improvement in the nature of the education of Indians and increasing limitations to the supply of European labour, due as much to the war as to industrial expansion throughout the civilised world, qualified Indians stand a fairly good chance in the competition. Companies work for profit, and they are not likely to settle their budget of expenditure on establishments on racial grounds alone. Even if they do not of their own motion

adopt a more liberal policy, their hands can be forced by arrangement at every renewal of contract. Government, after all, have got the power to enforce their will, and companies will ultimately find it to their interest to surrender a part of their present freedom even in the choice of staff. With the gradual evolution of responsible government in India, Government will not be slack to take full advantage of their position as arbiter. Already there is evidence of a healthy change in the policy of the companies. Indians are being appointed in larger numbers in responsible positions on company-managed railways, and arrangements are being made for the training of Indian apprentices in the technique of the subject. Other advantages assured, the case for a change in management for facility of employment of Indian talent is thus weaker now than it was before.

State management is justified by its protagonists for increased revenue through elimination of the company's share. There is much to be said in support of this view. But there are important considerations on the other side as well. State management of commercial concerns is not likely to be equally economical with company management. Companies working for profit are expected to make economy their first object. The State cannot regulate its budget on such a narrow basis. The cost of establishment must of necessity be larger under State management. The scale of salaries will be determined not only by the principle of supply and demand, as under company management, but also in view of the scales prevalent in similar technical departments of Government. State management may in some particulars be also wasteful and arbitrary. Companies have to work under Government control; the State, especially in India, is responsible to no authority. The lay public cannot profitably interfere in matters requiring technical knowledge. Even in advanced countries of the west, with a large percentage of intelligent, active and politically-minded people, management by the State is free from restrictions so necessary for efficiency and economy. The staff, too, has a tendency to become unnecessarily large. In a country like India the evils of State management are likely to be aggravated, as the corrective of a strong public opinion will be absent. The fact that the evils are not so notorious now on the State-managed lines may be due to the existence of company management alongside of State management, and any important distinctions in the details of management soon attract public attention and are removed. Both the State and the companies follow the same standard, and in broad outline management by the two bodies is similar. But with the elimination of healthy competition the conditions will be different. It may thus be that any gain in revenue to the State through disappearance of profit-sharing companies will be neutralised by loss in economy and increased expenditure.

State management might likewise lead to increased burdens upon the travelling public. The rates charged will then assume more and more their real character of taxes, and the scale will be determined by the financial necessities of the State.

Moreover, some lines must be left to companies. The construction, maintenance and development of branch lines and feeder lines have been due to private enterprise. The working expenses of these railways are usually higher than those of trunk lines, and the State cannot possibly think of taking over this branch of railway development in their own hands. There has been a healthy competition among different companies for construction of this class of railways. The development has been fairly steady, and were it not for the opposition of companies managing trunk lines, on the allegation of the trunk lines being "short-circuited," development would have been much more rapid. It would be a mistake to check private enterprise. It would not be to the advantage either of the State or the country. In Indian conditions companies must be tolerated to some extent.

To my mind, therefore, management by companies has certain points in its favour which make it more acceptable to the public than State management. With important changes in political, social and educational conditions, the policy now advocated by me may have to be revised in future, but for an immediate change the necessity is not clear.

Questions Nos. 2 *to* 9 may be taken together. While I prefer management by companies for reasons set out above, I would certainly like some modifications in the details. In deciding the broad question of the location and the constitution of the board of directors, note must be taken of important changes in the conditions, industrial and political, due to the war. Formerly neither the requisite capital nor the stores could be had locally in India. London was the market for both. Again, the Secretary of State for India was the final authority in all matters connected with the extension and development of Indian railways. Expert opinion was also more easily obtainable in England than in India. But these restrictive conditions have to a large extent disappeared. India is now more self-contained in regard both to capital and stores. The war has disclosed the immense possibilities of the Indian market. With the gradual liquidation of the different War Loans there will be plenty of loanable capital in India, of which full benefit can be taken by Government as much as by companies. And industrial development, which is bound to come now more rapidly than ever before, will gradually leave India fully equipped with the most up-to-date engineering establishments capable of turning out the best railway material locally. That one firm of Tata's helped a good deal in the solution of supply during the difficult times of the war. Such firms can be and will be multiplied in the near future. It may be that for some parts of locomotives India will be dependent upon the West some time longer, but for the purchase of such materials as are not procurable in India the direction need not be located in England. There is all the less reason for insistence upon a home board in view of the appointment of a High Commissioner in England to do the agency work so long done by the Secretary of State for India. There is, again, to be steady devolution of authority under the reform scheme from the Secretary of State for India to the Government of India. Every decision regarding railways will sooner or later—rather sooner than later—be taken by the Government of India without reference to the Secretary of State Every important business must thus be transacted in India. A Home Board will be an anomaly in such circumstances. A Home Board is certainly out of touch with Indian conditions. It is likewise not cognisant of the currents of Indian thought and feeling. Even by the management of railways note must be taken of the wishes and wants of the Indian public. A Board of Management domiciled in India is expected to prove more progressive and popular than a Home Board.

The apprehended lack of continuity can be provided against *inter alia* by the suggested appointment of a permanent Chairman nominated by Government. To my mind, there

is not much point in the adverse argument about lack of continuity. The policy pursued is a matter of record, and the recorded reasons for a particular line of action will not be ignored by succeeding Directors. Besides, it is unlikely that all the Directors will retire from the Board simultaneously leaving the management in the hands of a fresh body of Directors with no one to enlighten them about past action. In the extreme contingency of the simultaneous retirement of all the Directors continuity of policy will be secured as in other departments through the records. The Secretary will also be there to help the fresh Board with past experience. Should, however, doubts be still entertained the suggested nomination by Government of a permanent Chairman skilled in railway work will meet the needs of the situation.

It is just possible that some members of a Board domiciled in India will be more or less interested persons through active participation in particular industries; but the danger of bias is present in the case of members of a Home Board too. As far as I know there is nothing to prevent the Director of a railway company from being connected with industrial concerns and promoting industrial projects in India. I do not know of any particular instance where this has happened, but in the absence of a prohibitory rule, the combination of different functions in the same person is not unlikely ,But whereas interested members of an Indian Board will have to work in the strong limelight of public opinion, the members of a Home Board are free from the influence of any such corrective. Moreover, it is easy to devise means for minimising the evil. An inhibitory order will be effective.

I am not in favour of a combination of the two systems of management referred to in Question No. 9. For one thing, it is too cumbrous and will more or less be attended with delay in execution. There will not be any compensating advantage either.

The composition of a Board domiciled in India should engage the earnest attention of Government. While expert knowledge is useful and desirable in the Chairman, it need not be insisted upon in the members. The Board should be in a position to decide all questions from a broad standpoint consistently with railway interests. It will be enough if the Chairman is an expert. It is also desirable that a qualified Indian should be associated with the Board. It is necessary that someone should be present to place Indian views before the Board. The appointment of an Indian will remove causes of irritation and make the Board popular. By " qualified " I do not mean skilled in railway work. An educated Indian with business habits and business experience should prove a vauable acquisition.

The Board need not be large. A small body ought to prove satisfactory.

The railway companies should continue to share in the net profits of the railways under their management. The existing system of participation in profits affords sufficient encouragement to the companies and ensures economy in management. The company's share of profits is at present only a small fraction of the total. Government are entitled to the bulk of the profits under the terms of the various contracts. From the public point of view there is nothing objectionable in the system while it creates an interest in the companies in the undertakings.

I would, however, suggest one change calculated to ensure further the popularity of the companies. A percentage of the shares must be placed upon the market for the behoof of Indian investors. The charge is freely made that Government favour foreign capitalists and exploiters. There is at present a strong body of public opinion against railway companies, and the investigation about the comparative merits of State and company management is the result of the agitation against the companies. The public opposition to companies can be easily countered by associating Indians with them. That will be a wise move.

Part II.

Question No. 10.—Yes. The Government of India must exercise adequate control over the railways whether State-owned or company-owned, and it is far better that that control should be exercised through a special Board than through the general department in charge of public works. In India no controlling agency like the British Board of Trade exists. The Railway Board is expected to discharge the functions of the Board of Trade in relation to railways.

Question No. 11.—I would liberalise the Railway Board. As already indicated, the President alone need have expert knowledge. The other members may be wholly unconnected with railways. To watch the financial interests of Government an officer of the Finance Department should have a seat on the Board. The Indian Industrial Commission recommended the addition of a commercial member to the Railway Board and the representation at the Railway Conference of recognised commercial bodies. The suggestion is supported by Indian public opinion. In my opinion a seat should also be thrown open to the lay public. It is eminently desirable that some one should be present to protect the interests of the general taxpayers and the travelling public. There is no machinery now to place before the Board in time the views of the persons most affected by their decisions, especially as regards rates, etc. The same principle which underlies the Industrial Commission's recommendation about a commercial member justifies the admission into the Board of an accredited representative of the general public.

Question No. 13.—The Railway Board was invested with powers of control by special legislation (Act IV. of 1905). The powers of the Governor-General in Council under the Indian Railways Act of 1890 devolved upon the Board with certain exceptions. The final authority is still in the hands of the Government of India. As the law stands the powers reserved are ample. It would seem, however, that the present freedom of the companies as regards choice of staff is viewed with some degree of distrust by the Indian public. The restricted employment of Indians on company-managed railways is a source of irritation to the people, and is one of the two powerful reasons for the public predilection for State management. It is better that Government should have control in respect of staff too, and should facilitate the employment of Indians to the fullest extent. I accordingly think an extension of the Board's powers necessary to enable it to secure the admission of Indians in responsible positions on company-managed lines With wider powers Government and the Board can do much in this respect. At least one Indian trained at Home (Mr. N. K. Basu) has been appointed Assistant Loco Superintendent on the East Indian Railway on the recommendation, it is believed, of the India Office. Larger powers of control should enable Government to protect the rights of Indians more adequately and effectively.

Question No. 14.—The Indian public somehow does not appear to be satisfied on the point. The complaint is general that the decisions of the Railway Board are influenced too much by the railway companies. It is, however, difficult to collect the details.

Question No. 16.—Yes; I do not think any important change is necessary.

Part III.

Question No. 17.—I have consistently advocated a policy of conservation and improvement, and have deprecated further construction of main lines. I think maintenance and improvement on the existing lines are far more important than extension. India is now fairly well equipped with main systems of railway, and having regard to financial conditions and the financial results of the railways, the time has come for a halt in new construction. Extension at the expense of improvement is indefensible. The annual allotments for new construction, far from being inadequate, have erred on the other side. I know this view is opposed to the conclusions of the Mackay Committee. Whether this view is justified or not, there can be no question that the financing of new schemes while improvements are not adequately provided for, is unsound in principle, and involves the Government in ever-increasing financial commitments. The larger the total mileage the heavier is the recurring financial responsibility for maintenance and improvements. This is anything but conducive to public interest And not only that: Government will have the greatest difficulty for supply of funds. Railway development by starving other departments is certainly not good for the country. The greatest difficulty about movement of goods is not lack of railway communication, but shortage in wagons and locomotives and absence of double line. The removal of the deficiency is a question of improvement and not of extension.

Question No. 18.—Yes, generally speaking, with only this reservation that improvements as a rule should be a first charge upon the railway revenue. The application of borrowed capital to this object is not quite right. A commercial concern which fails to provide against depreciation and for improvements would not be regarded as sound. Why a different principle should be adopted in the case of railways, it is difficult to see. The United States of America, which is far ahead of other countries in the matter of mileage, provides for improvements out of the income more liberally than Great Britain. It is wrong to appropriate the net profits, by which is meant the surplus income after payment of interest upon the capital borrowed and of working expenses while improvements are not provided for. The true financial results of the railways are thus obscured.

Question No. 20.—In India, certainly. The strength of the Indian money market justified larger exploitation before the War. This point was pressed with some insistence upon the attention of Government by me in Council. The necessities arising out of the War forced the hands of Government. The possibilities of the Indian market now stand revealed. Besides, the conditions of the London market is anything but encouraging. Reliance must accordingly be placed more and more upon Indian capital for the necessary loans.

Question No. 21.—Yes, only in view of the worldwise increase in rates of interest the rate of guaranteed return under Branch Line Terms should be increased. 3½ per cent. was all right before the War, now 6 per cent. would be required.

Question No. 22.—Upon the premises laid down I prefer the method indicated in (b) (ii). Government of India railway debentures would be readily taken up by the investing public. But not so the other issues suggested.

Question No. 23.—I am opposed to extension. I would for the present not encourage the idea of making ampler provision for construction. On the question of additional resources in the, abstract, the only suggestion that can be made is that of a special railway cess collected along with the land revenue. But such a cess would be so unpopular and so inequitable in its incidence that no responsible statesman would think of imposing it upon an already overtaxed people. The idea must be abandoned.

Question No. 25.—The Government of India's annual borrowings are mostly for capital expenditure upon railways and irrigation works. The revenues are generally sufficient for their ordinary expenditure. If, therefore, borrowing on railway account is eliminated, the necessity for loans is negligible. Railway loans cannot accordingly interfere to any large extent with the ordinary loans of the Government of India.

Question No. 26 (*a*) and (*b*).—The budget allotments for railway expenditure on capital account have been ample. They have failed, it is true, to satisfy the needs of the large schemes for extension which its protagonists have in view. The question of strengthening the Government resources for railway purposes should not be debated now, especially in view of the fact that under the Reform Scheme money is urgently wanted for a number of wholesale purposes to which the people attach the greatest importance. The attempt to increase the supply of funds for railway purposes, be it by additional taxation in the shape of increased railway rates or by increased budget allotments, will be viewed with suspicion by the Indian public and will lead to agitation of a disagreeable character.

Question No. 26.—The financial results are not at all satisfactory either to the State or to the public. Coming as they do after years of actual loss to the State, they do not justify further immediate extensions either by the State or through subsidised companies.

Part V.

Question No. 34.—No. Shortage in rolling-stock lies at the root of the failure. There have been large additions to the number of wagons during the past couple of decades, but still the total is not adequate. The maintenance of the system of control of traffic even after the disappearance of War conditions proves that, if any proof be necessary. The only thing to remedy the defect is to bring up the rolling-stock to the requisite level and to duplicate the important lines, both matters of improvement. The employment of all available funds in this direction is absolutely necessary.

Question 35.—Safety on railways is one of the clamant needs in India. Collisions and accidents are evidently on the increase which is not explained by increase in mileage. These

have become frequent even on old lines like the East Indian Railway. This frequency of collisions and accidents on old lines cannot be explained by additions to the mileage. The machinery for investigation is not satisfactory. The method followed by the British Board of Trade has resulted in a sensible diminution. The detailed causes of every collision or accident are promptly and thoroughly investigated and published. The publicity given proves by itself a check. Here in India the reports are neither so full nor such as to inspire confidence among the public. And the arrangements for publication are anything but satisfactory. Exaggerated reports naturally find currency. The offending staff is not adequately dealt with. The punishments so far have not proved deterrent. In the United States of America automatic couplers have come to be introduced in freight cars. I would suggest the association of the general public in the work of investigation. A representative or representatives might with advantage be admitted into the committee of inquiry. And the reports about the causes of the collision or accident must be published promptly. Train thefts have assumed scandalous proportions in India, and something must be done to check them.

STATEMENT No. 82.

PUNJAB CHAMBER OF COMMERCE, DELHI.—LETTER DATED 22ND NOVEMBER, 1920.

See oral evidence, paragraphs 6518/6544.

I am directed to acknowledge the receipt of Resolution No. 405-F.-19, dated the 9th October, 1920, of the Government of India, Railway Board, on the subject of the terms of reference to the Railway Committee and to observe thereon as follows:—

My Committee, *primâ facie*, accept the principle that the railways owned by the State should be managed by the State itself either directly or through a company domiciled in India with a board sitting in India and having representatives of Government serving on the board. They consider that it is undesirable to entrust the management to a company domiciled in England and with a board sitting in London inasmuch as such a course is inconsistent with Government's accepted policy of developing responsible institutions locally in India. Moreover, in actual practice it is becoming increasingly difficult in these days of labour and economic trouble for a company to sit in London and directly manage railways at a distance of several thousand miles.

2. My Committee think that the question of administration is entirely a matter for experts to decide. But they urge the necessity for the association of experienced commercial men in the Board of Management in India and in this connection wish to draw the attention of the Committee to the following resolution adopted at the last Conference of Chambers held in Calcutta in February, 1920, on the motion of this Chamber. "That this Conference recommends to the Government of India that the recommendation of the Indian Industrial Commission about the desirability of appointing a non-official commercial member on the Railway Board be given effect to at the earliest possible date."

3. As regards the financing of railways my Committee are of opinion that the responsibility should be with the Government. They think that the maximum recommended by the Inchcape Commission is out of date and that a capital programme of 25 to 30 crores a year should be made so as to make up for the inactivity during the war. My Committee fully appreciate the difficulty of raising such a large Imperial loan in India and would suggest that loans should be raised in London, if necessary, at a fair and reasonable rate of interest. If in any particular year the full amount allotted for expenditure on railways be not spent for any reasons the balance remaining unspent should be carried forward for the next year.

4. My Committee strongly urge that the system of control by Government of rates and fares should be remodelled and that a fair ratio in rates and fares must be established for the development of industries as well as for the expansion of import trade. In this connection my Committee would draw attention to the following recommendation of the Industrial Commission on the subject, "The governing principle we think should be followed in railway rating so far as it affects industries is that internal traffic should be rated as nearly as possible on an equality with traffic of the same class and over similar distances to and from the ports."

5. For the settlement of disputes between traders and railways my Committee think that arbitration boards should be established as the provision in the Railways Act for the appointment of Railway Commissions for such purposes is unworkable.

STATEMENT No. 82 (A).

PUNJAB CHAMBER OF COMMERCE, DELHI.—MEMORANDUM DATED MARCH, 1921.

See oral evidence, paragraphs 6584/6607.

Questions Nos. 1 *to* 9.—The Chamber are of opinion that railways owned by the State should be managed by the State itself either directly or through companies domiciled in India, with boards sitting in India and having Government representation on the boards.

They consider that it is undesirable to entrust the management to a company domiciled in England and with a board sitting in London, as such a course is inconsistent with Government's accepted policy of developing responsible institution locally in India.

In actual working it is becoming increasingly difficult in these days of labour and economic trouble for a company sitting in London to directly manage railways at a distance of 6,000 miles.

Questions 10 *to* 16.—The Chamber urge the necessity for the association of experienced Commercial men in the Railway Board, and in this connection would draw the attention of the Railway Committee to the following resolution adopted by the Associated Chambers of Commerce of India and Ceylon at their conference held in February, 1920:—

> "That this conference recommends to the Government of India that the recommendation of the Indian Industrial Commission about the desirability of appointing a non-official commercial member on the Railway Board be given effect to at the earliest possible date."

The existing Railway Board should be constituted as a Department of the Government of India with a Minister having a seat in the Council, and secretaries to deal with the various branches of railway construction and working.

Question No. 17.—The Chamber are of opinion that the supply of funds for new construction and improvement of existing railways has not been adequate in the past. They are also of opinion that the maximum recommended by the Inchcape Commission is out of date, and that a capital programme of 25 to 30 crores a year for a few years should be drawn up to remedy the inactivity during the war. They would also urge that if in any particular year the full amount allotted for capital expenditure on railways is not spent the lapse should be carried forward and made available for expenditure in the following years.

Question No. 18.—The Chamber support the principle that the available capital funds should for the present be devoted to the improvement of existing railways and to the provision of an adequate supply of rolling stock.

Question No. 19.—Please see reply to Question No. 17.

Question No. 20.—Capital funds should be raised entirely by Government at the best rate obtainable either in England or in India. These funds should not be merged into the Indian Budget, nor should they be utilised for any purpose other than railways.

Question No. 21.—The Chamber do not favour the policy of raising capital by means of the "Branch line terms." The formation of private companies for the purpose of financing the construction of new lines should be discontinued. The promoters of these companies receive a handsome commission which would be saved if Government raised the necessary capital. The directors and managing agents take a good slice out of the net earnings, and the poor shareholders have to be content with a modest 4 per cent. dividend and depreciated scraps of paper.

It is the duty of Government to provide communications to help in the development of the country. Private enterprise and capital should be devoted to industries. The existing branch lines should be purchased by Government and merged into their parent lines. The capital thus set free would find its way into industries and thus benefit the country.

Question No. 22.—The Chamber are in favour of all the funds required for capital expenditure on railways being raised direct by the Government of India or by the Secretary of State for India on the best possible terms.

Questions Nos. 23, 24 *and* 25.—No remarks.

Question No. 26.—The Chamber are distinctly of opinion that making the railway capital programme dependent on the general revenue position of the Government of India has been detrimental to railway improvement and development, because in the case of war or famine the railway budget is curtailed, work is dislocated and the completion of projects delayed considerably, thus involving a loss in the shape of interest on unremunerative capital.

In view of the increased rate of interest at which capital can now be raised, coupled with the increased cost of working, it appears to the Chamber that rates and fares on railways must be enhanced to prevent railways being a burden on the general taxpayer.

Question No. 27.—The statements indicate that company's working is more beneficial to Government than State management.

The Chamber would venture to point out that the comparison is not a fair one, inasmuch as the State managed railways presumably include expensive military railways on the N.W. Frontier which give little or no return on the capital invested in them.

Question No. 28.—The Chamber are of opinion that the Railway Budget should be entirely distinct from and independent of the Indian Budget and that lapses should be carried forward.

Question No. 29.—The Chamber agree that no alteration can be made in the existing system of reserving funds to meet English liabilities for stores to be supplied, but would suggest that early intimation be given to India of anticipated lapses in England so that arrangements may, if possible, be made to utilise the funds in India.

Question No. 30.—The Chamber strongly urge that the system of control by Government of rates and fares should be remodelled, and that a fair ratio in rates and fares should be established for the development of industries as well as for the expansion of import trade. In this connection the Chamber would draw attention to the following recommendation of the Industrial Commission (page 272) on the subject:—

> "The governing principle we think should be followed in railway rating so far as it affects industries is that internal traffic should be rated as nearly as possible on an equality with traffic of the same class, and over similar distances to and from the port."

Question No. 31.—No remarks.

Question No. 32.—For the settlement of disputes between traders and railways the Chamber think that arbitration boards should be established, as the provision in the Railway Act for the appointment of Railway Commissions for such purposes is unworkable.

Question No. 33.—No remarks.

Question No. 34.—To enable railways to meet the requirements of industries it is essential that an adequate supply of rolling stock be arranged for as early as possible, particularly for the transport of coal, which is of vital interest to all industries.

STATEMENT No. 83.

HARCHANDRAI VISHINDAS, Esq., M.L.A., President, Karachi Municipality.—MEMORANDUM DATED 11TH MARCH, 1921.

See oral evidence, paragraphs 6584/6607.

1. I am in favour of State management for the following reasons:—

Railways should not be regarded as a merely commercial concern, but as one of the greatest products of science which has brought incalculable facilities and comforts to mankind. Incidentally it turns out to be a profit-making machine also. But the benefit to the people must be kept in view as the predominant object. And whatever tends to the attainment of that object should be given preference. A company consisting of shareholders will have money making as its chief purpose. And naturally so. Their conduct in so managing their business as to bring out the

largest return on their shareholders' investments would not be reasonably open to censure. And, therefore, where the convenience of the people who make use of railways militates against the pecuniary interest of the shareholders, that pecuniary interest is more likely to be looked after by company management than the good of the public. Not so in the case of the State, the constituent governing members of which collect funds from the public and administer them for the advantage of the public, merely as trustees without any motive of bringing any gain into their private purses. They in managing railways will be more guided by considerations of happiness of the people than large dividends.

As time goes on, the public gets growing influence over Government. The pressure of public opinion as expressed in the press, from the platform and other sources oftentimes has the effect of forcing the hands of Government even against their will. Therefore, whenever there is a public outcry against any hardship in railway management, that hardship stands a by far better chance of redress at the hands of Government than at those of a company, who will give greater weight to what brings more earning to their constitutents, the shareholders.

Further, it was pointed out in the debate in the Legislative Assembly yesterday on the demand for railway grant, by Mr. Kamat, that the G.I.P. Railway mostly entertain European and Anglo-Indian employees in their several departments and do not employ Indians—companies which are all more or less of foreign composition will have a tendency to exclude Indians from their services. This has to be deprecated on the ground of costliness as also on the public ground that the children of the soil would have a legitimate grievance on account of this unfair treatment to them in their own country. Whereas in case the management were in the hands of Government, the latter would be subjected to criticism if any such unfairness on their part became rampant, which they could not disregard.

In this view I am supported by so eminent an authority as the Bengal Chamber of Commerce. See their Report for 1907, Vol. I, p. 12, paragraph 4: "There is in State management also room for providing for the more extended employment of Indians of education in other than clerical work. Many of the higher appointments on Indian railways might be filled by Indians after a course of suitable training; and though a career is, I understand, theoretically open on company-managed lines to Indians with the requisite talents, I believe that in practice the higher grades are almost entirely recruited from England."

I have had no direct connection with any railway, and, therefore, speak only from my experience as a travelling man, a consignor and consignee of goods, and as one who has been in public life for long. But I have been in touch with this question of State *versus* company management and interested myself with debates on the subject in the Viceroy's Council.

The only objections that can conceivably be raised against State management are that Government wheels grind slow, that their methods are vitiated by red tape and circumlocution. The reply to that is that Government have been working railways for a long time and must have acquired enough experience to rid themselves of these shortcomings. Besides they have had before them the example of the working of the company railways for a sufficiently long time to be able to copy them.

But even if these objections are well founded, they ought to give way to the larger considerations above referred to.

This disposes of the whole Part I of the questionnaire.

Part II.

Question No. 10.— The Railway Board have not proved the success it was intended to be, and has disappointed expectations. At yesterday's debate in the Legislative Assembly, Sir C. P. Sivaswamy Iyer launched a severe and grave indictment against it, calling it a useless and obsolete body, instancing cases where it had failed in its duty or to be of any use to the public. The speaker went so far in this condemnation as to move for the refusal of the whole grant for its maintenance charges for the ensuing year; in fact, he wanted it to be cut out root and branch at that very moment. Although the Assembly did not vote for this extreme proposition, nor did the mover seriously press it to be carried to a division, the sense of the Assembly seemed to be in favour of the motion. Indeed, Government defence itself was feeble. I think both European and Indian mercantile opinion is against the continuance of the Railway Board, as it seems to have failed to remove legitimate grievances. One European Member in yesterday's debate, although not favouring the immediate aboltion of the Board, did bear testimony to its unsatisfactory conduct of business.

My answers to Questions 14 and 16 are in the negative. And my opinion is that while nationalising the railways Government themselves should take charge of the department and the Board be done away with.

Part III.

Question No. 17.—Considering that many demands for railways in the country have remained unsatisfied, and, speaking of nearer home, our demand for the Karachi Delhi direct broad-gauge route, which will open up the traversed country and be of great benefit to the mercantile, agricultural, and general public, in so far as it will materially quicken all sorts of traffic between the territory covered and foreign countries in the West, *viz.*, Europe and America, through the port of Karachi, and that that demand will go on waiting for long before it is satisfied; the reply to this question must be an undoubted negative. In fact, the point has been hitherto admitted on all hands and the question must have been framed only for form's sake without there being any doubt as to what the answer would be. The inadequacy exists in all the branches mentioned.

Question No. 18.—The soundness of the policy is self-evident. On every business principle you must try to preserve, keep fit and going what you already have before you run after new acquisitions.

Question No. 20.—Wherever they can be had on the cheapest terms.

Question No. 22.—In favour of (*b*) (ii). Naturally, this ought to be the only method in case of State management, which I advocate.

Question No. 26.—Railways and irrigation being the two purposes for which Government under ordinary conditions borrow, I don't think borrowing for railways will cause a strain on its borrowing powers.

(*a*) Yes. When another purpose like famine has turned up, railways have to be partially starved.

(*b*) No. The tax-payers' burden will be inappreciable whilst the encouragement to trade by low freights and benefit to the poor by low fares will more than repay him for the burden

Question No. 27.—The larger earnings of company-managed railways are, in my opinion, due to the richer tracts served by them. It is possible that if these same were State-managed the earnings would be still better.

Question No. 28.—The system of "lapses" leads to waste and extravagance, as unfinished works on the expiry of the Budget term have to hang up, and should be remedied. The remedy mentioned in the N. B. to this question has been, I am informed, discontinued.

Part IV

Question No. 30.—No. The range between the maximum and minimum rates sanctioned by Government is so wide as to afford enough scope to the railway companies to exercise their vagaries and injustice as witness what are called the block rates which are charged with the object of and have the effect of diverting trade from its proper currents. This would not be possible under the management of Government who, having the management of all the railways in their own hands, would have no motive to unduly favour one tract of the country at the expense of the other.

Question No. 31.—No. See Industrial Commission's Report and the evidence given there.

Question No. 32.—No. The machinery is too complicated to be brought into effective operation. There is on record the case of the Ambala merchant who approached the Government for the appointment of a Commission, but without result. It needs simplification.

Question No. 34.—No.

Question No. 35 (a).—I would strongly recommend greater facilities for third-class passengers, who contribute the bulk of earnings from passenger traffic, in the shape of more accommodation, sanitary convenience in carriages, food facilities, guidance by railway servants, etc. At present, the railway employees do not accord them courteous treatment.

(*b*) Another thing that requires looking into is the heavy bribes Indian merchants are obliged to pay to secure wagons. Of course, the uppermost question that will present itself will be how to stop it. This stands on the footing as other forms of bribery. My reply is that whilst it is impossible altogether to stop bribery, there are not wanting means of checking and minimising it. The principal thing is vigilance on the part of higher officers, stricter supervision and control, and inviting and listening to complaints, and making genuine efforts to redress grievances, and have it impressed on the lower staff that oppression will not go unpunished.

(*c*) The third thing I would suggest is the more extensive employment of Indians on the railways in all the higher and lower branches. I have quoted above the unbiassed testimony of a body like the Bengal Chamber of Commerce as to how companies disregard the claims of the children of the soil. In these days it cannot be honestly denied that there are Indians of sufficient capacity to render a satisfactory account of themselves in service.

Moreover, they should be given training in all branches of railway services and for higher-grade services be sent to England for that purpose.

STATEMENT No. 84.

WALIMAHOMED HUSSANALLY, Esq., M.L.A., Karachi.—NOTE DATED 10TH MARCH, 1921.

Question No. 1.—I am of opinion that railways owned by the State should be directly managed by the State. The only connection I have had with railways is that of a traveller, and as such I have travelled over several railways in India and Europe.

See oral evidence, paragraphs 6584/6607.

My reasons for the above opinion are that such an arrangement will—

(*a*) Save the State the share of profits now paid to the managing companies.

(*b*) Trade and commerce will be developed equally all over India without any partiality to any particular locality by artificial means, such as block rates.

(*c*) Foster and develop industries of India.

(*d*) State management would be more amenable to public opinion than companies or their directors.

(*e*) While the State would look more to the development of the country, a company has more an eye on percentages they earn.

Question No. 10.—The general opinion, so far as I am able to gather, is that the railways should be managed as a department of Government of India under a Minister who should be a railway expert, but I confess I have no experience in the matter.

Question No. 20.—In my opinion, as much capital as can be got in India should be secured, and the rest raised in England.

Question No. 27.—The statements show that company-managed railways pay better. This is probably due to the fact that companies are more economical. But if the profits that now go to the companies revert to the State there will probably be no more loss to the State than at present. But even if the return to the State be smaller, other advantages outweigh a larger return.

Question No. 28.—If the sums that lapse are rebudgetted the difficulty will vanish.

General.

1. In my opinion, all block and preferential rates should be abolished. This will, I hope, stimulate local industries.

2. As far as passenger trains are concerned—

(*a*) The number of trains now run on several railways are inadequate, and should be increased.

(*b*) Time-tables do not look to local convenience, and local trains between neighbouring large towns should be run according to a time-table made after consulting local convenience.

(*c*) Rolling stock upon almost all railways is lamentably short, and should largely be increased.

(*d*) Overcrowding in all classes, especially in the third, is most lamentable. All seats in all carriages should be numbered, and at all large stations there ought to be an officer whose duty should be to assist passengers to find accommodation and to prevent overcrowding. This matter has for years remained unremedied.

(*e*) Conveniences for third classes should be provided in all carriages.

(*f*) All reserved accommodation for Europeans and Anglo-Indians should be done away with.

(*g*) In my opinion, corridor trains are the best remedy against attacks on unprotected ladies travelling by train, and should be had recourse to on all trains.

(*h*) Restaurant cars run at present are only intended for Europeans. In my opinion, such separate cars should also be run for the benefit of Indian gentlemen; those who have scruples to take food in those now run.

(*i*) Food ordinarily supplied to third-class passengers at wayside stations is often unwholesome, and there is very little supervision over vendors. This should be remedied.

(*j*) At many large stations, like Karachi and several others, the number of coolies at the station is very limited, to the great inconvenience of passengers. These, again, demand extortionate rates, though I am aware the railway has fixed their charges. Nothing that you pay them satisfies them, not even double the fixed rates. It seems it is nobody's duty to see to this grievance of the travelling public.

(*k*) There are no through carriages provided to carry inter and third-class passengers from one line to another at junction stations, with the result that they are put to a great trouble, especially women and children, and frequently they lose their things. Moreover, a considerable time is lost in transhipment, to the great annoyance of passengers. For instance, there is hardly any reason why a few through carriages of all classes could not be run from Hyderabad Sind to Ahmedabad. Why not, again, from Karachi to Hyderabad by the Quetta mail?

STATEMENT No. 85.

Sir C. C. McLEOD.—LETTER DATED 3RD NOVEMBER, 1920.

See oral evidence, Vol. II. paragraphs 7368–7609.

I am in receipt of your favour of 30th ultimo, asking if I would give evidence on the subject of the Reference to your Committee on Indian railways, which I very much regret I am unable to do as I am likely to be out of town and the time is very short, but I would like to make the following remarks on the points in the Reference that might be of some use to the Committee:—

(*a*) I am not in favour of direct State management beyond any lines that are situated where a strategic purpose is involved and, perhaps, one or two lines to enable the Government to see how the comparison with company-worked lines works out.

(*b*) I should strongly advocate management through a company domiciled in England and with a board sitting in London as against

(*c*) Management through a company domiciled in India and with a board sitting in India.

Shortly, my reasons are that no company domiciled in India could obtain members for a board in the usual way, as merchants and others who go to India obviously go to attend to their own business, and would have no time to attend so closely to the business of a railway as to be of any adequate value. For the same reason I would not advocate a combination of B and C, because the capital for these railways is usually obtained in England, and it requires capable and experienced men to guide the affairs of these companies financially as well as otherwise. I would also recommend that members of the board should not be confined entirely to officials who have served on Indian railways, but to have amongst them experienced business men who are conversant with the financial side of the question in London.

It may be of some little interest to the Committee if I hand them a copy of a note attached to the evidence I gave before the Royal Commission on Currency in 1913, and although some of the matters contained therein are rather out of date, the statement which I made and which was then correct has some points in it which bear upon this question.

ENCLOSURE.

Note by Sir C. C. McLeod (originally prepared for the Currency Commission of 1913).

INDIAN RAILWAY FINANCE.

The question of Indian railway finance is one that deserves the closest attention at the hands of the Royal Commissioners, seeing that Indian railways have become, perhaps, the most valuable and remunerative asset the State possesses. It is an asset which would become still more valuable if satisfactory arrangements were made for providing the capital necessary for its development. It is a factor which is not only in itself remunerative, but renders possible the development of other businesses in India. In this connection it may be convenient to refer back to March, 1907, when Lord Morley received two deputations from the Indian railway companies and from East India

merchants respectively on the subject of the alleged inadequacy of the existing arrangements for railway traffic and railway finance in India. I had the honour to appear as one of the deputation of East India merchants. Lord Morley was so impressed with the representations made to him that he appointed a committee, with Sir James Mackay (now Lord Inchcape) as chairman, before which committee I gave evidence.

The committee's report, dated 5th March, 1908, was an exhaustive one, and dealt with every phase of Indian railway administration and finance.

Several witnesses before that committee gave their opinion that the 30,000 miles then open would be in the near future, increased to 100,000 miles, and the committee, from the evidence before them, stated:—

> "We believe that even their estimate of mileage is short of what will ultimately be found to be necessary in India, and we are convinced that there will be fruitful fields for large reproductive expenditure on railways in the country for years to come."

The mileage open at present is 33,484 miles.

The average annual expenditure that could then be advantageously and profitably incurred was estimated by several expert witnesses to be from £10,000,000 to £21,000,000 annually, and the committee finally recommended an expenditure of £12,500,000 annually for eight years. If the recommendation had been acted upon, Indian railways would have been in a very different condition to that in which they are now, as I pointed out to the Secretary of State on 10th June, 1912, and 3rd June, 1913, when he received a deputation from the East Indian Section of the London Chamber of Commerce on the subject of the congestion on Indian railways, due to want of adequate financial arrangements. I annex copies of what I said on both of these occasions.

The amounts actually expended for the last five years have been as follows:—

	£	
1908-1909	10,045,071	Including lines under construction and rolling stock.
1909-1910	8,384,694	
1910-1911	7,445,928	
1911-1912	7,865,206	
1912-1913 (revised)	10,214,100	

The average annual expenditure has been £8,790,999.

During some years the expenditure has been less than the grant given by Government. The reason of such "lapses" is that the amount of the grant has not been known soon enough to enable the railway authorities to make satisfactory arrangements for the economical expenditure of the sums granted.

The whole Indian railway system is so dependent on well-considered financial arrangements that it is, in my opinion, necessary to recommend that a very much more liberal and comprehensive policy should be adopted. As a financial asset showing a rapidly increasing enhancement, that there is no other enterprise connected with the Government of India which can compare with railways. The returns for 1912 show that after meeting all interest charges on capital outlay, annuity payments, etc., there was a net surplus of 5½ millions sterling. Omitting the item of annuity payments in redemption of capital which is not properly a revenue charge, the true result for the year is a net gain of 6½ millions, with a net addition of 645 miles to the open lines. The significance of such a rapid and substantial increase is surely sufficient to call for a more liberal and far-seeing policy.

The attached diagram, extracted from the Administration Report of Railways in India for 1912, clearly shows how the gross earnings of Indian railways are rising much more rapidly than the capital expenditure, and how remunerative increased capital expenditure has proved. The percentage of net earnings to capital expenditure has been most satisfactory over a long period of years.

Sir Guy Fleetwood Wilson, the late Financial Minister to the Government of India, in his last budget speech acknowledged the "immense signficance" of our railways "as an instrument of general progress, their necessity for development of trade, their growing and, indeed, their momentous importance to the finance of India." He also adds, "our responsibility is all the greater now that they have attained a position of supreme importance in our financial system."

It is a matter of regret that he deprecated on the same occasion "any departure from a policy of the utmost caution in railway finance," while at the same time he was dealing with a record surplus return from these railways.

I have no hesitation in stating that if the recommendation of the committee appointed by Lord Morley in 1907 had been carried out the figures would have by this time shown a very much larger return, and the benefit to the trade of India as a whole would have been immense.

The railway finance policy has for many years past been very far behind the times. Traffic has overtaken the railways and left them behind it. The demands of Indian railways have quite outgrown the provision made for their betterment and extension, and it appears to me that if a very drastic change is not made in the arrangement for the regular provision of funds for railway expenditure India will suffer and her rapidly increasing industries be throttled.

The latest reports of Indian railways show a remarkable series of increases in traffic. During the period (nine months) which the several reports cover the Bombay Baroda traffic increased 200,000 tons, the Great Indian Peninsula 482,100 tons, and the East Indian 1,128,500 tons.

In the report issued by the Great Indian Peninsula the following statement appears:—

> "In the nine months under review Rs. 59,99,377 have been spent in quadrupling the line at the Bombay end, in doubling the remaining sections of the Nagpur branch, and in adding to the capacity of station yards, and the same activity must continue until the line is in a position to carry what is offered to it."

If the Government finds itself unable to supply the financial wants of the railway system it is open to them to transfer a part of their interest in Indian railways to companies working the railways, who could supply their own capital in such a way that their action would not interfere or compete with Government issues.

Mr. Robertson, after full enquiry into the system of management of railways in India, came to the conclusion that it would be to the benefit of India that Government should lease all the State railways to companies for them to work, and a similar conclusion was arrived at by the Committee

on Indian Railway Finance and Administration which sat in 1908 under the presidency of Sir James Mackay (now Lord Inchcape); and the adoption of this policy would, by freeing them from the cares of management of the State railways, probably enable the Railway Board more efficiently to develop the Indian railway system as a whole to meet the rapidly growing needs of India.

The "annual programme," carrying with it an annual allotment, has many objections. It does not allow for a sufficiently broad view to be taken of what is required by the railways. To enable the railways to arrange a comprehensive and economical programme of development it is necessary that they should have an annual allotment fixed over three or five years of the minimum amount they would have, with such additional amounts given each year as Government may find possible. This would enable each railway to work economically in carrying out the more important works. The leading companies are most anxious to improve the efficiency of their railways, and only lack the necessary funds for doing so.

In this connection, I am strongly of opinion that a connecting link between the Railway Board in India and the Financial Department would be of material advantage.

It is argued that the difficulties of arranging finance for a period of three or five years is inconvenient, but I would point out that it has never been attempted, nor can I see where any serious difficulty presents itself with such a valuable asset to work upon, and a security that can be pledged, if necessary, outside of the ordinary circle of Indian loans.

With the expansion of irrigation schemes and the natural progress of the trade of India the call for transport will become more urgent and insistent, and if a policy of foresight is now pursued it will be possible for railways to keep pace with the increase, while, on the other hand, an overcautious policy of railway finance will only lead to an aggravation of the difficulties now experienced, and the ultimate cost of setting matters right will be enormously increased.

In dealing with railway finance, it should be borne in mind that it is equally necessary to help the financial position of the principal ports, which have lately been quite unable to cope with the increased traffic.

STATEMENT No. 85 (*a*).

Sir C. C. McLEOD.—MEMORANDUM DATED 18TH MAY, 1921.

State versus *Company Management*.

1. I am not in favour of direct State management for the following reasons:—

(*a*) State management removes the useful element of competition and is apt to get into a system of red-tape grooves which is not conducive to efficiency as it loses the vital force which raises company managed lines from the dead level of State management. It is also much more likely to be influenced by political considerations which are not always favourable to great and important undertakings like Indian railways. There is also the most important factor of administration. In State railway management there is no continuity of officers which is so essential to the success of a railway. This phase was a constant source of complaint in regard to the Eastern Bengal State Railway in my time—no sooner had an inexperienced officer made himself conversant with the most efficient way of working the line and studied the interest of the trade than he was removed to some other appointment to the detriment of the efficiency of the system and the interests of the State and the commercial and trading community. The State cannot be a business concern and in placing the management in the hands of companies it commands the services of keen and capable business men who have been trained on commercial principles.

(*b*) Management through companies domiciled in England is calculated to meet all that is essential for the best and most important considerations railway undertakings have to face. Their directors are responsible business men who having acquired ripe experience in India are in a position to grasp the many difficulties that occur from day to day and deal with them promptly. They are in touch with the financial world and can command the use of capital from shareholders who have faith in their conduct of management. The State is fully protected by its contract with such companies against mismanagement whilst the Railway Board, the Railway Act and Government Inspectors protect the interests of the public.

(*c*) Management through a company domiciled in India with a board sitting in India is not a feasible or desirable departure. There are few Europeans who can devote sufficient time outside of their own work to what would be required by a large railway company, and it might be difficult at present to find a board of Indian gentlemen who have the experience of such work. Moreover, and this is important, capital in India could not be raised under such conditions to any very large amount. It may come in time, but beyond some light railways and feeder lines nothing of the kind has been accomplished.

(*d*) I cannot see how a combination (*b*) and (*c*) could possibly work. The control would require to be vested at one end or the other resulting in one board becoming advisory or a constant state of friction being established.

Railway Board.

2. Although there have been complaints from time to time of the working of the Railway Board I cannot offer any alternative suggestions—a board of three to five of experienced men versed in all the different phases of railway work such as traffic engineering rates and finance should be the best way of controlling Indian railways but they should have power to decide important questions without having to wait for the time that is lost in obtaining the final sanction of the Secretary of State.

Finance.

3. This question is so large and comprehensive that it deserves the closest consideration. All the other points are minor in comparison. The whole system is more or less dependent on its finance. The Government Budget cannot provide it and it must be dealt with by the companies concerned. I cannot do better than repeat some of the points I put before the Currency Commission in 1913 which carry even more weight to-day:—

"The whole Indian railway system is so dependent on well-considered financial arrangements that it is, in my opinion, necessary to recommend that a very much more liberal and comprehensive policy should be adopted. As a financial asset showing a rapidly increasing enhancement, that there is no other enterprise connected with the Government of India which can compare with railways. The returns for 1912 show that after meeting all interest charges on capital outlay, annuity payment, etc., there was a net surplus of 5½ millions sterling. Omitting the item of annuity payments in redemption of capital which is not properly a revenue charge, the true result for the year is a net gain of 6½ millions, with a net addition of 645 miles to the open lines. The significance of such a rapid and substantial increase is surely sufficient to call for a more liberal and far-seeing policy.

"The railway finance policy has for many years past been very far behind the times. Traffic has overtaken the railways, and left them behind it. The demands of Indian railways have quite outgrown the provision made for their betterment and extension, and, it appears to me that if a very drastic change is not made in the arrangement for the regular provision of funds for railway expenditure, India will suffer and her rapidly increasing industries be throttled.

"If the Government finds itself unable to supply the financial wants of the railway system, it is open to them to transfer a part of their interest in Indian railways to companies working the railways, who could supply their own capital in such a way that their action would not interfere or compete with Government issues.

"The 'Annual Programme' carrying with it an annual allotment, has many objections. It does not allow for a sufficiently broad view to be taken of what is required by the railways. To enable the railways to arrange a comprehensive and economical programme of development, it is necessary that they should have an annual allotment fixed over three or five years of the minimum amount they would have, with such additional amounts given each year, as Government may find possible. This would enable each railway to work economically in carrying out the more important works. The leading companies are most anxious to improve the efficiency of their railways, and only lack the necessary funds for doing so."

With the increased cost of material and labour it will be seen by comparison that anything less than a grant of £20/25,000,000 per annum would not meet the present needs.

4. I understand the present system of control by Government of rates and fares and the machinery for deciding disputes between railways and traders work satisfactorily.

5. If Feeder lines are to be encouraged it will be necessary for the guarantee to be raised to 5 per cent. under existing conditions. I think encouragement should be given to Indian Companies producing wagons and other railway accessories.

STATEMENT No. 86.

Sir G. H. RYAN, Bart., Chairman, Phœnix Assurance Company.—MEMORANDUM[1] DATED 26TH MAY, 1921.

I am happy to attend as a witness before the committee, but cannot lay claim to any specialised knowledge of the subject with which the committee has to deal. As an official concerned in the investments of one of the larger insurance companies for many years I have had to study the peculiarities of Indian Government and Indian railway investments, but it is only with this measure of knowledge and experience that I can profess to deal with the subject.

See oral evidence, Vol. II. paragraphs 7610–7707.

Insurance Companies' Holdings.

2. I have endeavoured to ascertain to what extent the leading Insurance Companies are, or have been, interested in the investments under consideration, but I have not been able to obtain accurate figures as the Parliamentary returns include in the same heading Indian and Colonial railways.

In the case of my own company we held 8 per cent. of our total funds in these securities 10 years ago against 4½ per cent. at the present moment. I am, however, unable to say whether the figures relating to other companies would be similar to ours.

Alleged Unpopularity of Indian Railway Securities.

3. Dealing in the first place with the railway as distinguished from the purely Government securities, I think there can be little doubt that as a class Indian railway securities have been falling into disfavour with insurance companies and investors generally throughout the last 20 years. Many reasons contribute to this fact among which I should place the following:—

(*a*) Ignorance as to the effect of the true nature and value of the guarantee of the Government of India. Some imagine this to be equivalent to the guarantee of the British Government, and when it is pointed out that this is not the case, fail to understand why it is not so or to attach full value to the guarantee.

(*b*) The manifold and complicated nature of the various railway securities: terminable annuities, with and without sinking fund; guaranteed stocks, with and without participation in surplus earnings; and so on. No identical policy is followed in the case of the several leading companies.

(*c*) The large number and often small subscribed capital of Indian railways. In many cases the capital is insufficient when sub-divided into its various issues to make a free market.

(*d*) Political and social conditions, such as military disturbances, civil disaffection, the reduced status of the Indian Civil Service.

The State as a Borrower.

4 In addition to the above inherent sources of objection, the loans have been issued by a Government Department, lacking all personal authority and support from leading financiers in touch with the Home market, and have not been adequately explained by public advertisement. A glance at the press during the past five years at times when British Government War Loans were being issued will show how important the art of advertising is now held to be in presenting new loans to the public.

Future Needs and Methods of Raising Capital.

5. It is apparent that large sums of money will be needed to carry on effectively the Indian railway system in future. I understand that the committee invite suggestions as to the methods in which the necessary sums can be obtained from investors. I may be pardoned, therefore, for making a few purely personal remarks on this head.

I am disposed to think that if it were feasible a scheme should be adopted by which future capital should be raised by a consolidated railway loan, following somewhat the lines of our local loans stock by which funds are collected to be applied under the authority of the Government for various reasons Indian railway securities stand on a less favourable basis of value than the similar this course would be that, so far as the future raising of money was concerned, all complicated and cumbrous methods of past Indian railway finance would be abandoned, and in ccurse of time a large comprehensive loan would be created which might rank in popularity with the various issues of great-trunk railway systems like the Canadian Pacific and the Central Argentine. For various reasons Indian railway securities stand on a less favourable basis of value than the similar securities of the two systems I have mentioned, and I see no reason why this difference should not disappear under the condition named.

Another suggestion I would throw out is that Indian Government and Indian railway loans should in future be placed upon our market through Advisory Council of the Secretary of State for India. The appearance on every prospectus of the names of this Council, including financiers of high status in London, would ensure in my judgment a better reception for the loans than if they were issued direct from the Government department, as is now the case.

STATEMENT No. 87.

BOARD OF DIRECTORS, BURMA RAILWAYS COMPANY.—LETTER DATED 9TH NOVEMBER, 1920.

See oral evidence, Vol. II. paragraphs 7708–7973.

In reply to Mr. Gauld's letter No. P. W. 5265 of 30th October, 1920, I am directed to say that the Board of Directors of the Burma Railways propose to put evidence before the Commission as regards paragraph 1:—

(*a*) Against State Management.

(*b*) In favour of Management through a Company domiciled in England with a board sitting in London.

(*c*) Against Management through a Company domiciled in India with a board sitting in India.

(*d*) Against Management through a combination of (*b*) and (*c*).

As regards paragraphs 2 and 4, the board have no evidence to offer.

In regards to paragraph 3 they propose to draw attention to the inadequacy of capital allotments, under the present financial system, especially in case of new construction, and to point out that existing branch line terms are not likely to attract Indian capital to undertake such branch lines as are necessary for development of Burma.

The board propose to offer their evidence to the commission in India through the Managing Director.

STATEMENT No. 87 (*a*).

BOARD OF DIRECTORS, BURMA RAILWAYS COMPANY.—MEMORANDUM DATED MAY, 1921.

State versus *Company Management.*

The guaranteed railways are now a source of considerable profit to the State. Is it likely that they would be as remunerative under State management? Each company has a direct interest in fostering its system as a profit-earning concern, by means of developing traffic and introducing the most efficient types of rolling stock, permanent way, etc. Would a large central department give the same individual attention to railways and be likely to produce as satisfactory results?

State management is liable to political pressure, which is not always in the interests of successful railway working. Company management is not so susceptible to such influence.

The staff of a company-worked railway belong to that railway; the senior officers have spent all their service on it, know it thoroughly, and their interests are wholly identified with it. The

officers of a State railway are liable to be transferred from time to time from one system to another, and cannot have the same personal knowledge of, or interest in, the particular railway they may find themselves attached to .

Management by a Board in India versus *a London Board.*

The question of management by an Indian *versus* an English board seems to resolve itself into:—

(1) Whether as competent boards could be obtained in India as in England.
(2) Whether Indian boards could as efficiently carry out the duties required of them as English boards.

As to (1), the board of a railway is composed, first of men with expert railway experience, then of financial and business experts. To obtain men of this type in case of a board sitting in London is an easy matter. Railway experts retired from service in India, who can devote their whole energies to the work and are willing to accept the small salaries paid are readily available. the same may be said of financial and business experts.

In case of a board located in India, it would be difficult to obtain the same class of railway expert and impossible on anything like the scale of pay now ruling. Men of the requisite type would necessarily have retired or be near their retirement, and would demand high salaries to induce them to throw up their appointments, or stay in India if retired. Moreover, few men after the age of retirement can remain long in India with advantage to themselves or their business. The same may be said of financial experts of anything but purely local experience. Financial and business experts with local experience could be obtained, but they would be men whose time was taken up with their own business, and would have little leisure to spare for railway work.

As to (2), in addition to directing railway policy generally, scrutinising revenue estimates, watching over and controlling revenue expenditure and dealing with such matters as pay and allowances of staff, leave rules, additional traffic facilities, distribution of dividends, and registration of transfers, etc., the London boards are in touch with the Secretary of State on the matter of their contracts, the raising of capital and other questions; they place contracts for materials and rolling stock in consultation with their consulting engineers, and arrange for shipping and insurance of stores sent to India. They must keep up to date in all matters connected with improvements in railway working, increase in the power of locomotives, use of high capacity rolling stock, strengthening of permanent way and girder bridges, and of late in case of the Burma Railways, the possibility of using inferior qualities of coal in pulverised or other forms. All such questions they discuss with their consulting engineers, who are necessarily in London. To efficiently study such questions and perform such duties, a board located in India should include one or more railway experts on high salaries. Boards composed of local business men, would not possess the necessary qualifications, and it is submitted that such duties could not be carried out as efficiently in India as in London; some of them, the placing of contracts and arranging for shipping and insurance, could not be done at all without the establishment of an office or agency in London.

There seem to be no directions in which boards in India would be more efficient than those in London. They would be under the same financial control and disabilities connected therewith as boards in London. The London boards exchange weekly confidential letters with their agent, who keeps them in touch with Indian requirements and conditions, and frequent visits to India are made by the managing director.

The London boards are thus not out of touch with conditions in India.

Management by London Board with a Board sitting in India.

The establishment of boards both in London and India does not seem to have anything to recommend it. It would probably result in overlapping and disputes, while the Agent having two masters would be in an unenviable position. The Indian Board would consist of local business men, who might have local axes to grind and whose influence in regard to the purchase of stores locally might not be desirable. Such a board with merely advisory powers, would not be so objectionable a proposition, but it might prove an embarrassment to the agent in many ways.

Most of the Chambers of Commerce already possess railway sub-committees, who, it is contended, do all that is necessary in bringing before agents questions in which local interests are concerned.

Finance.

In common with other Indian guaranteed railways, the Burma railways are dependent on the Government of India for funds for financing new lines. For some years before the War money was not forthcoming for the construction of certain branches the company wished to undertake.

Of late the local Government have decided to devote part of the profits, made from the rice control, to the construction of branches that would benefit the culivator; this has relieved the position, and some branches financed in this way are being commenced.

To develop the traffic of the railway, however, further capital is required for the provision of more rolling stock, extension of workshops, relaying with heavier rails, renewal of weak girders and remodelling of station yards. Funds for such purposes should, the directors consider, continue to be provided by the Secretary of State, or by debenture loans raised by the company. Indian capital raised by branch line companies could provide for further branches or extensions, but branch line terms will require improvement, as those now in force cannot attract capital.

The system under which capital, whether raised by the Secretary of State or the company, is doled out for expenditure in accordance with the exigencies of the Government of India Finance, rather than with the requirements of the railway is, of course, detrimental to the interests of the railway.

STATEMENT No. 88.

Sir JOHN PRESCOTT HEWETT, G.C.S.I., K.B.E., C.S.I.—LETTER DATED 1ST NOVEMBER, 1920.

See oral evidence, Vol. II. paragraphs 8415—8495.

I much appreciate the invitation given to me in your P.W. 5265, dated 30th October, which reached me to-day, to give evidence before the Committee on the administration of Indian railways. I feel very doubtful, however, whether, for the following reasons, I should be able to give evidence of any value:—

(1) No. 1 of the order of reference. I have never been a director of a railway company working in India but with a board in London, and I feel that lack of experience of the working of such a board disqualifies me from giving an opinion of any value on this point. I am opposed to direct State management except as an example.

(2) My official connection with the Railway Board ceased on 31st December, 1906. I believe that considerable changes in the system of control exercised over the railway administration have taken place since then, but I am quite ignorant of the direction which they have taken. Consequently I could not give an opinion of any value regarding item 2 of the terms of reference.

(3) I have a general opinion that private enterprise and capital should be much more freely used for the construction of new lines than has been permitted in the past, and that it has been a misfortune that the extension of the railway system has been checked by the inadequacy of the railway programme for many years, but I have not recently given any study to the figures of the past years.

(4) Item 4 of the terms of reference. I have no knowledge of the present system of control by Government of rates and fares or of the machinery for deciding disputes between railways and traders.

I am very much occupied at present in making my own arrangements for a visit to India, and feel that I should not have leisure in which to refresh my knowledge on the matters under reference to the Committee in time to give evidence before they leave for India. If, in spite of what I have written, the Committee should still desire to ask me any questions, would it be possible for them to put them to me while they are in India?

PART II.—STATEMENTS IN CONNECTION WITH WHICH WITNESSES WERE NOT ORALLY EXAMINED.

STATEMENT No. 89.

SOUTHERN PUNJAB RAILWAY COMPANY.—LETTER DATED 11TH NOVEMBER, 1920, TO THE INDIA OFFICE.

I have the honour to acknowledge receipt of your letter P.W. 5265 of 30th October, 1920, enclosing a copy of the terms of reference to the Committee which the Secretary of State has appointed to consider various questions in connection with the administration of Indian railways.

In reply, I am instructed to enclose a note by Sir Bradford Leslie,* the chairman of this company, and to add that he does not desire to give evidence, but has ventured to put forward for such consideration as the Committee may think desirable his views on the several methods of management, (*a*), (*b*), (*c*), (*d*), mentioned.

I am also instructed to enclose a note by Sir Stephen Finney, the deputy-chairman of the company, and to add that he is prepared to give evidence thereon if the Committee desire to hear him.

* Note by Sir Bradford Leslie, not reproduced.

NOTE BY SIR STEPHEN FINNEY.

Terms of Reference.

1. *Paragraph* 1 (*a*)—*Direct State Management.*—The following considerations have led me to deem this arrangement unsuitable:—

(1) Undesirable for Government to be concerned directly in trade in India and to be liable to be put into court by aggrieved traders.
(2) The business of the direct control of all the railways is too big a one for the Government of India as constituted at present; it would be difficult, if not impossible, for adequate supervision to be given if the State owned and worked all the lines of the country.
(3) The great evil of over-centralisation.
(4) The difficulties of dealing with staff. I do not in any way imply that the State railway staff is less efficient than that on a company line, but any State railway manager will know what these difficulties are.
(5) The pliability of Government in regard to the grant of concessions for the benefit of a particular person or class, which are provided and paid for by the taxpayers generally.
(6) The danger of the introduction of rates or concessions in deference to the views of someone high in authority, which result in no advantage to the railways or the public.
(7) Political considerations. These did not exist in India 20 years ago, but they are increasing in force year by year.

2. But I should not advise any alteration in the status of the existing State railways, and in respect to this aspect of the case desire to make the following remarks:—

Two questions seem to arise: first, State ownership, and secondly, State management, and the points should be considered separately. As regards ownership, I think experience shows that the State should have the option of owning or of purchasing every line at certain stated intervals, but it does not follow that the State should manage and work the line, or even that it should construct it. No doubt when railways were first made in India there was considerable extravagance, but the work was novel, and experience had to be bought and paid for; it is true that the early contracts gave Government the option of taking over the lines at certain intervals, but the terms were too favourable, as a rule, for the companies.

At the present time the tendency is to alter the terms considerably in favour of Government: the latter in modern times supply a large portion of the capital—19-20ths or 39-40ths, or any portion which may be decided on—and the shareholders the remaining portion, so the Government money in the railway work is very large, and the bulk of the profits go for the benefit of the taxpayer.

But with this enormous interest in the results of the working of the railways, it is necessary for Government to have officers with special local knowledge and experience of railway working to supervise the operations of the company-worked lines, and for this reason alone, in my opinion, it is necessary to have a certain number of railways worked directly by the State; at present there are three—the North-Western, Oudh and Rohilkhand, and the Eastern Bengal—and I think they are sufficient for the purpose indicated.

3. *Paragraph* 1 (*c*)—*Company domiciled in India.*—Difficulty of obtaining directors with the necessary technical qualifications, and want of continuity on account of retirement or absence from India of the English directors. Objections of English stockholders.

4. *Paragraph* 2—*Railway Board.*—Insufficient authority of the President, who should be an Ordinary Member of Council. The Railway Department is one of the most important in the country, and is not adequately represented in the Supreme Council.

5. *Paragraph* 3.—The terms offered by the Bombay Government for the Development Loan are not encouraging to anyone proposing to obtain money in India for new lines, and I doubt if funds could be raised in this manner except at exorbitant interest. Money to construct branch lines on rebate terms may possibly be subscribed, but adequate inducement would, I think, be required to get them. I am not, however, an expert on finance.

6. *Paragraph* 4—*Rates and Fares.*—Present system of control by Government of rates and fares is workable, but the machinery for deciding disputes between railways and traders under Section 26 of Act IX of 1890 is cumbersome. The companies would, I think, accept Government arbitration in regard to concessions, and in most cases the views of the Government regarding rates and fares would not be disputed by them.

STATEMENT No. 90.

THE GOVERNMENT OF BENGAL.—LETTER DATED THE 15TH FEBRUARY, 1921.

I am directed to say that his Excellency the Governor, acting with the honourable Minister, has considered the questionnaire framed by the Indian Railway Committee, 1920, and to furnish the Committee with the following replies to some of the questions:—

Question No. 1.—The Government of Bengal are in favour of State management, provided such management is conducted on up-to-date business principles. At the same time the advantages which accrue from company management are fully recognised, specially when accompanied by effective State control.

Question No. 2.—On the whole, the Government of Bengal are satisfied with the existing conditions in the Province, *viz.*, that some lines of railway should remain under State management and others under Company management. The co-existence of the two systems is beneficial both to the public and to the railway administrations.

Question Nos. 3 *and* 5.—While not advocating management by companies of every railway system, the Government of Bengal are of opinion that the existence of Home boards of the more important company-managed lines constitutes a serious difficulty in railway administration in India inasmuch as these boards are conservative, slow, and inaccessible. They would have no objection to the constitution of boards domiciled in India, provided that such boards really take the place of Home boards, and are not simply the delegates of the latter.

They are not blind, however, to the probability that this arrangement may be resented by the large number of sterling shareholders of leading trunk lines who are usually resident in the United Kingdom.

Question No. 6.—The shareholders might be represented on the boards by the election of directors from the general body.

Officials of the companies acquainted with the management and financing of railways might be *ex-officio* directors. Some of the directors should be men with commercial experience.

Government should be represented by an *ex-officio* officer of Government.

Question No. 7.—It is believed that, notwithstanding the fluctuations in the personnel of the commercial community in India, it would be possible to form local boards domiciled in this country.

The Government of Bengal offer no opinion on the second part of the question.

In reply to the third part of the question, some of, not necessarily all, the directors should be conversant with construction and finance of railways.

Question No. 8.—Yes. The possibility should receive consideration. It could be arranged that the number of directors having such interests should not form a majority.

Question No. 9.—The combination which has been suggested does not appeal to the Government of Bengal as either practicable or desirable.

Question No. 10.—While it is not considered entirely satisfactory, the Government of Bengal have no definite alternative to propose.

A means of bringing the Local Government, commercial interests, and the public more closely and quickly into touch with the management is required.

Question No. 13.—To the Government of Bengal it appears that the Railway Board exercise too meticulous a power of control in these matters and that railway administration should be given greater powers of final control. The management should be in more direct touch with the Local Government, which would then be in a position effectively to impress their views in these matters

Question No. 17.—Judging from results in Bengal, the supply of funds appears hitherto to have been inadequate under (*a*) new construction and (*c*) improvement of existing railways in so far as the provision of adequate rolling stock for both passenger and goods traffic is concerned.

As regards (*b*), the Government of Bengal are satisfied that, except in the circumstances created by the late war, maintenance has generally been satisfactory.

Question No. 18.—The results indicate that the policy is unsatisfactory and unsound as it has resulted in tardy development of the resources of the country owing to insufficiency of railway extension.

Question No. 20.—Yes.

Question No. 21.—Results appear to indicate that the arrangements are inadequate.

Question No. 26 (*a*).—The results appear to indicate that it has.

(*b*) Yes. Railways should be run on sound commercial lines and should not be a burden on the general tax-payer.

Question No. 27.—No.

Question No. 30.—Yes.

Question No. 31.—Generally speaking, the powers have been wisely used in the interests of the public. Cases of dissatisfaction expressed by representations from comparatively small sections of the public are generally met by the railway administration by the plea of inadequate funds.

Question No. 34.—No; the most urgent and vital reform called for is the adequate supply of wagons. If a really serious effort were made to remove this crying defect which has been allowed to exist for ten years or so, the restoration of the balance of trade, and with it of exchange, would be accelerated and the revenues of the Government of India much improved.

Question No. 35.—Assuming railway companies' boards of directors to remain in England, it has been suggested that there should be local boards in Calcutta, either with certain limited powers transferred to them or, possibly, only advisory. Local boards of this nature would be useful not only for Company-managed, but also for State-managed railways. They would enable both the Local Government and the public to be in closer touch with the management of the railways than is the case at present. At present the public do not appear to realise that railways are under the control of the Railway Board, and they do not, as a rule, make representations direct to the Board They are not in direct touch with the management . As a result, a considerable number of representations and memorials from the public are submitted to the Local Government, who, having no power of administration, have no option but to forward the representations to the Railway

Board for disposal. No reply can, as a rule, be given until the Railway Board have consulted the management and ascertained their policy and views. There is no doubt that if the Local Government had a representative on local Advisory Boards of Railways, it would bring the Local Government and the public into more direct touch with the management than at present. Replies to representations and memorials would be expedited in matters relating to the internal economy and management of railways to the extent to which the management is vested with powers. Moreover, in cases in which a decision rests with the Railway Board, the management would be able to place their own views as well as those of the public before the Board in a comprehensive form instead of waiting for the Board to address them. The public would thus obtain quicker replies to their representations and would feel that the Local Government had their interests at heart. The Local Director of Industries would be a suitable representative of the Local Government on Advisary Boards in all matters connected with industrial development. There is no reason why he should not also be "liaison" officer between the Local Government and the management in matters connected with the comfort and welfare of the public, which the Local Government may direct him to take up, as a member of the Local Board, with the management. Matters of this nature would be referred to him by the Secretary to the Local Government in the Railway Department.

STATEMENT No. 91.

THE GOVERNMENT OF BURMA.—LETTER DATED 18TH JANUARY, 1921.

With reference to Mr. Tomkins' letter No. 405—F.-19 of the 3rd December, 1920, I am directed to submit herewith a Note which has been personally written by Sir R. Craddock, Lieutenant-Governor of Burma, on the points raised in the Questionnaire forwarded with the letter cited above. This Note incorporates the views of the Local Government on the matters included within the scope of the Committee's reference and the Local Government does not desire to add anything to the Note recorded by His Honour.

2. It is understood that the Burma Chamber of Commerce and Messrs. J. P. Hardiman and W. J. Keith, C.I.E., both of whom are Divisional Commissioners and who are the local officers best qualified to speak on railway matters, have already forwarded to you direct their replies* to certain questions in the Committee's Questionnaire.

ENCLOSURE.

Note of the 27th December, 1920, by the Honourable Sir Reginald Craddock, K.C.S.I., I.C.S., Lieutenant-Governor of Burma.

I cannot claim to be an expert on any of the matters dealt with in the Questionnaire of the Indian Railway Committee, but in the course of my service I have had some contact with railway problems, and, in so far as I have formed any views on the subject under enquiry, I put them down for such consideration as they may be worth.

2. The railways of India have conferred an immense benefit upon the people and have proved a very valuable asset to the State. The actual returns which they have given in direct earnings upon the capital invested has been a very small part of the benefits enjoyed by the country as reflected in the revenue returns.

One has only to look at the expansion of the revenues of the country since railways were constructed, and to imagine what would have happened if they had not been constructed, to realise this. Naturally the private investor is not anxious to wait for several years for a return on his capital. But the State, even though the direct return in the shape of net earnings does not cover the interest it has to pay for the loans, is either receiving or paying the way for receiving an indirect return for its outlay and can feel assured that the railway, sometimes rapidly, sometimes more slowly, but always certainly, is adding to the wealth of the tract and the people which the line serves.

3. In deciding the question whether the State should or should not undertake the construction of a particular line the Government is apt to examine the issue only from the point of view of the prospects of the line to the private investor, forgetful of the fact that if the private investor were going to participate as the State is, in the general revenue returns, he would put money into many enterprises which he does not now favour, simply because he has only the actual net earnings to which to look for his profit. Moreover, there are few new railways now that could be constructed which would not bring traffic to lines already in existence in which the State is largely interested, either as sole owner or a large sharer. These profits again are not open to the private investor. Hence it is clear that the mere fact that a particular project will not attract the necessary private capital required for its construction is no reason at all for the State to refuse to undertake it from public funds or from loans raised from the public. In earlier days Government was somewhat bolder than it is now in these matters, and there are many important lines in India which migh never have been constructed if the test had been the immediate net earnings of the project undertaken. The Bengal Nagpur Railway offers a good example.

4. The question whether the State should or should not undertake the construction of additional railways must depend upon the ultimate prospects of a return indirect as well as direct. A few railways can safely be undertaken on the direct return basis when these will be constructed through tracts already well developed but in the great majority of cases direct returns on the railway are a matter of gradual realisation. A former Agent of the Bengal-Nagpur Railway, the late Mr. Manson, used to reproach me because I had induced the Company and the Government to make certain 2 ft. 6 in. gauge extensions in the Chanda District of the Central Provinces which after construction were slow in attracting traffic. He used to say to me "You made us make those lines just about 15 years too soon." It is quite true that, in the case of those particular lines that I recommended, there were strong reasons for anticipating that they

* *See* Statement Nos. 102, 127 and 128 following.

would open up an iron field which at that time was likely to be worked at a very early date. That expectation was not realised for reasons connected with the discovery of equally good iron fields much nearer situated to Bengal coal. But putting that matter aside, my reply to Mr. Manson was that whenever those lines had been constructed they would always, from his point of view, have been constructed 15 years too soon. The fact was that though those tracts presented great possibilities of development they had reached a stage at which further development could not take place without the assistance of a railway. Road construction had produced as much progress in a thinly populated country which it was likely to produce and it needed the stimulus of a railway to start it on a further course of progress. Those particular lines may not have carried enough traffic on their own particular lengths to have justified their construction from a narrow point of view, but no one has ever examined what traffic they have brought to the main lines, and no one so far as I know has fully examined what development in cultivation and in other various forms of revenue has taken place in the tracts which those lines serve. These lines may possibly only pay a 2 per cent. on their capital cost, but taking all other factors into consideration they were certainly worth the cost of their construction.

5. In examining a project, therefore, as a likely project to be constructed by the State, it is necessary to estimate first the immediate direct returns likely to be obtained, and secondly the amount of development which is likely to follow the construction of the line. If the State lays too much stress on the first consideration, and neglects the second, it will hardly construct any railways at all. Or if it takes the line that the potentialities of these tracts must be further developed independently of railways before the construction of the railway would be justified in nine cases out of ten it would be postponing the project indefinitely, because the country will have advanced to the farthest stage that its lack of communications will permit of, and if you wait until it reaches a stage in which it will return immediate profits to a new railway enterprise you will have to wait for ever. That is to say, whenever it is constructed it will, from this narrow point of view, be 15 years too early.

During the decade preceding the War the various Finance Ministers of the Government of India found themselves with large surpluses from which, after making very liberal grants for education and sanitation, they still had large balances left which they disposed of by the remission of taxation. To my mind they would have done very much better for the country if they had devoted those surpluses to railways and irrigation. Windfalls of this kind could best be utilised on works of capital construction which will add to the resources of the country, from which resources again improvements in education or sanitation of a recurring nature can best be carried out. If you have a tract of country which is thinly populated and poor but which admits of great improvement by means of railways and irrigation you will have far greater success with your education and sanitation if you first devote your resources to the material improvement of the backward tract. To put it somewhat crudely you must first fill the stomachs of the people and then you will have much greater success in filling their minds.

7. Of late years, for reasons which are too widely known to require statement, progress in railway construction has almost come to a standstill, and simultaneously, again owing to those circumstances, the demand made upon existing railways for the carriage of additional traffic has been so great, and the expenditure, maintenance and betterment so small, that the country is confronted with a most difficult problem. It has to bring up the railway systems not only to the pre-war standard from which they have deteriorated, but to a much higher standard of efficiency in order to cope with the increased traffic, and it has also to finance a programme of new works which are crying out vainly for construction. At the present moment it would seem that new works will have to wait indefinitely and that the funds available will not even suffice for the restoration, improvement and betterment of existing railways. Simultaneously with the solution of this problem there have arisen other questions which would have arisen independently of the method of management now in force over the various systems of India. These latter questions are to some extent questions of ordinary efficiency and of methods as now in force, but to a large extent also they have a marked political origin.

8. It is contended that the railway systems managed by companies are not managed in the interests of the people of the land: that the boards of these companies sitting in London are completely out of touch with local conditions, and that the remedy lies either in converting these enterprises into pure State railways or else in changing the location and personnel of the boards from England to India.

Under Question 27 of the Committee's Questionnaire certain figures are furnished comparing the earnings of State-owned and managed railways with State-owned but Company-managed lines and the figures therein give the advantage to company-managed lines. These figures are by no means decisive, for the net earnings of a line of railway depends only partly upon relative efficiency of management and mainly on the relative productive power of the country which the railway serves. It is difficult for a layman to pronounce a competent opinion regarding the relative merits of the two systems. My own impression is that they should co-exist and that their co-existence is of mutual advanage. Experience gained on State railways which are under the direct control of the Government may enable the Government to lay down instructions for company-managed railways which without that experience they would not venture to enforce and the greater individual enterprise which particular company-managed lines may display may prove the requisite stimulus against conservatism on the part of the State railway. It is pointed out that as a matter of fact the share of the capital and profits which the State has in company-managed lines is very large, sometimes overwhelmingly large. This, in my opinion, is a great mistake. It deprives the company-managed lines of a great part of the distinctive benefits which attach to private as apart from public enterprise. Or, on the other hand, it may give to the private management a voice in settling the affairs and conduct of the enterprise which is far greater than its participation in the capital cost of the railway can possibly justify. It seems to me expedient that where company-management is permitted to continue it should be accompanied by an equal share with the State, both in the capital outlay and in the returns enjoyed.

9. The question whether the controlling board on behalf of a railway enterprise should be located in London or in India seems to me to turn very largely upon the extent to which the capital invested in the lines has been provided by English or Indian investors, and where the majority of the shareholders have their domicile. I would point to the case of the Argentine rail-

ways. Here you have a large country belonging to a sovereign State outside the Empire, but notwithstanding this fact the headquarters of the great Argentine railway companies is situated in London as that is the best centre from which new capital can be attracted. In the case of India, if in the course of years when these companies are permitted to raise further capital so as to bring up their share in the enterprise to the one-half which I have recommended it is found that the greater part of the requisite capital has been forthcoming in India and not in London, then the case for shifting the location of the Board of Control from London to India would be a strong one. There is no reason, however, why even if the Board remains in London and the number of shareholders domiciled in India is substantial or increasing that a sub-board in India should not be constituted. At present, so far as I am aware, the agent of a great line of railways stands alone. He has to conduct a battle with the Railway Board in Simla as representing the State and another battle with the board in London as representing the shareholders. The board in London and the Secretary of State in London have their additional battles *vis-à-vis* their respective interests, and the provision of new capital but for improvements which an Agent wishes to carry out, or changes in policy which local circumstances convince him are necessary, he stands practically alone when he conducts his battle with the Home Board It inevitably happens that the directors of a company at home while sitting on a board in London whatever may have been their qualifications when they were first appointed, must be growing out of touch with modern developments and modern requirements out in India, and it seems to me that a great advantage might be obtained if the agent of the company could support his recommendations by the resolutions of a sub-board of shareholders domiciled in India to whom he could personally explain the circumstances and problems with which he is dealing and who could better appreciate the strength of his arguments and the suitability of his proposals. I am firmly of the opinion that greater and more rapid progress would be attained if our large railway companies were in a position to obtain additional capital for the betterment of their railways guaranteed by the earnings of these systems and if the half and half arrangement to which I have referred were in force the demands upon the State to finance these betterments would be reduced to one-half of their present figure which would leave them greater resources wherewith to construct additional State lines where these are required and private enterprise is not forthcoming to assist.

10. Leaving aside these major considerations of larger policy I can confidently state that my experience as a Government officer in India leads me to the conclusion that the staff and personnel of the company-managed line identify themselves to a far greater extent with the progress and success of the company which they serve than do the ordinary employees of a State line. By this I do not mean to imply that Government servants employed on State railways are slack or indifferent to the efficiency of their work. But they are merely one of an enormous body of Government servants serving in one department of Government. They are not permanently attached to any one railway system and are from time to time likely to be transferred. It is possible for a Government servant to be somewhat indifferent, where purely business interests are at stake, whether that particular State railway on which he serves makes a profit or does not make a profit. Whether it is progressive or not progressive is to him no particular concern of pride or disappointment. Narrowness has its advantages when you are dealing with a semi-private enterprise. I am convinced that the advantages in these respects lie with a company-managed line. A company's servant has not the security of a Government servant whose failure or slackness is probably not visited with the same rigour, and his success and keenness not rewarded with the same personal advantage. Moreover, a company's servant may often be a shareholder in the railway.

11. Subject, therefore, to the various qualifications and suggestions that I have made, which may or may not be of any practical value, I am decidedly of opinion,

(1) that State railways and company-managed railways should co-exist,

(2) that company-managed railways should more and more tend to become company-owned railways to the extent of half the capital and assets.

(3) that so long as a substantial proportion of the capital required for the improvement and betterment of railways is forthcoming from England the Boards of Control should have their habitat in London, but that where Indian capital or capital provided by persons domiciled in India is not a negligible factor a sub-board of India-domiciled shareholders is expedient, whose views and recommendations would be of value either as supporting proposals of the agent on the spot, or of giving another point of view to be laid before the board in London as a counterpoise to the agent's recommendations,

(4) that apart from these larger questions of finance, company-management is more conducive to individual efficiency than State-management,

(5) that it is a general proposition that the railway policy of the Government in regard to future expansion should be on much bolder lines than they are at present on the ground that the Government as the shareholders of a State enterprise are also shareholders in all indirect additions to revenue which the development effected by a railway will bring about and that these indirect returns are as important, sometimes more important, than the direct dividends which a railway pays out of its traffic earnings.

12. There is one other question raised in the Questionnaire upon which I offer an opinion for what it is worth, namely the question whether the Railway Board at the Headquarters of Government should be maintained, mended or ended. As long as the Government of India administer State railways managed by the State and have such a great financial interest in railways managed by companies they must clearly have some agency at their headquarters through which they can supervise the working of the State railways and safeguard their financial interests, as well as the general safety and convenience of the public, over railways as a whole. Formerly railways were under a Member of the Government of India charged with the supervision over all public works. The reasons why this system was replaced by the Railway Board, largely at the instance of Lord Curzon, are fully accessible to the Committee on Indian railways. There has, I believe, been a general impression in railway circles that the Railway Board has not fulfilled the expectations formed when it was brought into existence. On the one side it had no independent power in respect to more important questions affecting the member

for Commerce and Industry or the Finance Member of the Government of India. On the other side it had no effective power of control over railway administrations. No one who is not working inside the office of the Railway Board is in a position to know how far these general impressions were really justified, but as far as I was able to gather while at Simla no special merit transpired from the board system. For most of my time all three members of the Board were railway experts, who while they differed *inter se* upon somewhat fundamental questions surrendered their functions to the judgment of the President. Part of the time that I was at Simla the President of the Railway Board was a non-railway man. The experiment of having a non-railway man as President could not be said to have had a fair trial on the experience of a single incumbent only. I have no doubt, notwithstanding these impressions, the Railway Board did a great deal of very useful work which had to be done by somebody. It was a kind of body with which some dissatisfaction was inevitable and similar dissatisfaction is bound to occur whatever the agency employed. But I am not at all sure that the necessary functions could not equally well or better be exercised by a Member of the Government of India for railways, with a secretary in the same department, plus technical advisers exercising inspecting and advisory functions similar to those exercised in the Forest Department by the Inspector-General of Forests, or in the Public Works Department by the Inspector-General of Irrigation. A buffer between the Government of India and the heads of railway administration is more apt to delay than to expedite, and I cannot help feeling that a member of the Government of India with his proper staff of technical advisers would be a more effective agency than a board composed of professional railway men without the full power of a Member of the Government of India to make decisions, and at the same time themselves requiring technical experts to advise them. My experience, however, is now not quite recent and later changes in the composition of the board or in the methods of its working may have altered the views held regarding it since I was up in Simla.

13. From the point of view of a Head of Government I may say that I found the board of very little use indeed in dealing with complaints that I may have had to make against the policy followed by railway administrations. But it is only fair to say that these usually related to the administration of company-managed railways with which the board expressed their inability to interfere. It is possible, had the railways in question been State railways, the board would have been able to exercise their authority more effectively.

But my general impression is that while the Railway Board exercises an almost meticulous control over expenditure of money its control over the action of railways in their relations to the public is hazy and ineffective. This is probably due to the absence of power under the existing contracts. For example, the controversy in regard to the apportionment of charges for railway police has been going on for the last fifteen or twenty years. Yet that is a matter in which the State should have been able to exercise a plenary power in the interests of the travelling and trading public. The railway administration would have a voice as to the strength of the force required—a point on which negotiations are generally conducted to agreement; but, that being settled, the apportionment of charges should follow a rule of thumb having statutory force.

STATEMENT No. 92.

THE GOVERNMENT OF ASSAM.—LETTER DATED THE 6TH JANUARY, 1921.

(1) A. L. Playfair, Esq., M.L.C., Chairman, Assam Branch, Indian Tea Association, Dibrugarh.
(2) Rai Bahadur Promode Chandra Dutta, B.L., M.L.C., Government Pleader, Sylhet.
(3) J. N. Taylor, Esq., C.I.E., Offg. Chief Engineer and Secretary to the Government of Assam, Public Works Department.

With reference to your telegram dated the 16th December, 1920, I am directed by the Government of Assam to forward copies of answers to the Indian Railway Committee Questionnaire by the above-noted gentlemen, and to say that as the new Government has just been formed it has not been possible for his Excellency the Governor to consider this case in Council or along with his Ministers. Speaking personally, however, his Excellency is in favour of the direct State management of all main line railways, with a substantial business element and Indian element on the Railway Board.

2. I am to add that Sir Nicholas Beatson Bell is also in favour of raising the guarantee in the case of " branch line companies " so that the total guaranteed interest should be at least equal to the interest obtainable for the time being by the purchase of Government paper; the Imperial Government might guarantee 4½ per cent. and the Local Government the balance. His Excellency considers that branch lines to steamer routes should be on the same footing as branch lines to railways.

ENCLOSURE 1.

Answers to Indian Railway Committee Questionnaire by A. L. Playfair, Esq., M.L.C., Chairman, Assam Branch, Indian Tea Association, Dibrugarh.

ANSWERS.

Question No. 1.—This must depend on the locality of the railways and the powers allotted to the companies. Generally speaking, when competition exists, I believe that, both as regards administration and finance, companies are preferable. As regards administration, I think employees of companies have more incentive to work and gain promotion through efficiency than Government servants have; and as regards finance, I believe that directors of companies who are responsible to shareholders are in a better position to control staffs, supervise expenditure, and raise capital when necessary than a Government department; in fact, I believe that in railways, as in all other industrial enterprises, as a general rule, Government control cannot compete with private enterprise.

There are, however, local exceptions to the above, and we have a very prominent one in Assam in the shape of the Dibru-Sadiya Railway Company. This company, which is not State-owned, but

which the State has the option of acquiring on certain terms, which, I believe, is 150 per cent. of its capital, after ten years from the date of the last renewal of the agreement between the company and Government, has a monopoly which I consider harmful to the tea industry, and more especially to the inhabitants of the district through which it runs.

I have already brought the matter to the notice of the Railway Board, and I have asked them to either take over the railway as a State one or transfer the control of it to the Assam-Bengal Railway, so that figures and correspondence on the matter can be obtained from the Railway Board, but I may, perhaps, be allowed to briefly sketch the position in order to illustrate my contention.

The two main arteries of communication in Assam are the Assam-Bengal Railway from Chittagong to Tinsukia and the river steamers from Calcutta to Dibrugarh. The Dibru-Sadiya Railway runs at right angles to these and is the connecting link with both, and therefore controls the booking of outward and inward goods for stations on its system, and is in a position to charge freights out of all proportion to the mileage that it conveys them, with the result that food prices are unduly inflated and all commodities cost more than they should. The answer to all protests that have been made is that, owing to the short lead, high freights have to be charged to cover the cost of working, and no doubt this is so, but it only demonstrates the fact that the railway is being uneconomically worked, and that if the short line was worked as an extension of the Assam-Bengal Railway the disadvantage would not exist.

I think, therefore, in the interests of the public, the line should be acquired and made over to the Assam-Bengal Railway. I understand that the lease has been renewed lately and that no change can now be made for nine or ten years, but it is a typical case of Government control being necessary over a private company when no competition exists.

Question No. 2 is answered by No. 1. That is, that as a general rule company management is preferable, but when company management is a burden to the public, and where economies can be effected by amalgamation, the State should interfere if by doing so a railway can be worked in a more businesslike way.

Question No. 3.—I think that a company domiciled in the United Kingdom would have more continuity of policy than one domiciled in India, especially as the superior officers in railways are mostly Europeans who ultimately leave India.

Question No. 4.—I think working companies must have an interest in the undertakings and a share in the profits of the company, otherwise the company would not exist. It might be advisable to amplify their interest, but I am not in a position to make a useful suggestion on this point.

Question No. 5.—With a strong and experienced agent there should be no delays.

Question No. 6.—I do not think companies should be domiciled in India.

Question No. 7.—I think there would be lack of continuity; but if this system is given a trial the Board should consist of both mercantile and skilled railway members.

Question No. 8.—It should be possible to appoint directors interested in particular industries or areas who would also be impartial.

Question No. 9.—I do not consider this possible.

Question No. 10.—Some controlling authority must exist in India, but I am not prepared to say that the present system is perfect, nor am I in a position to suggest improvements.

Question No. 11.—I think a province like Assam should have a representative on the Railway Board, though this might mean an increase in the number of members.

Question No. 12.—My experience of the Railway Board is confined to my protests regarding the Dibru-Sadiya Railway, in which the Board acknowledged my letter and there the matter ended. It does not appear that the Railway Board is very expeditious in its enquiries or decisions, and cannot be accused of going into unnecessary detail.

Question No. 13.—I do not know exactly what powers the Board possesses, but they should be sufficient to safeguard the interests of the public.

Question No. 14.—The Local Government have always been prompt in dealing with railway matters, and it is for them to say if they consider their powers sufficient.

Question No. 15.—I am not in a position to answer this.

Question No. 16.—I am not in a position to answer this.

Question No. 17.—Absolutely inadequate—under (*a*), (*b*) and (*c*) as far as Assam is concerned.

Question No. 18.—The first consideration must be to work a railway properly on its existing system as regards rolling stock, but there should be sufficient funds available to allow of this and also for reasonable expansion as regards extensions.

Question No. 19.—We have been starved hitherto, and the expenditure desirable annually should be regulated by the amount of work that it is possible for contractors to undertake. The list of projects considered in their order of urgency by the Advisory Committee are all-important, and as far as the Assam Valley is concerned, the Tangla-Bajuli extension, costing Rs. 25,00,000, should, perhaps, rank first.

I would not like to commit myself to figures as regards our annual capital requirements, as this must be dependent on the financial condition both of the province and of the Central Government; and as with the depreciation of the rupee it appears that we shall be worse off than we expected, we would not be justified in embarking in capital expenditure through the agency of loans unless the expenditure was likely to bring in a very quick return. In other words, as the interest on loans has to be met by a Government that can hardly make both ends meet, and as the Secretary of State has vetoed further taxation for the present, we must conserve our resources until the revenue and expenditures under the reform scheme has allowed us to see how we are likely to stand financially in the future.

Question No. 20.—I think this is conditional on exchange and the rate of interest required. Money should be raised in the most favourable market.

Question No. 21.—Local Governments having the power to arrange the rate of interest can, of course, make their own arrangement, but if the Government of India have found difficulty in raising capital at the old rate it would probably be advisable to raise the rate of interest for all railway capital.

Question No. 22.—This is a matter for financiers in touch with the money market, and must depend on the amount of capital required, the locality in which the extension is to be made, and

other factors. I should imagine the most satisfactory procedure would be to call for tenders of capital or raise the money by the means which at the time would appear to be the most acceptable to the public.

Question No. 23.—No.

Question No. 24.—No.

Question No. 25.—It appears to be a matter of interest, and railway loans should bear interest a fraction higher than Government bonds or loans, and the question of interest paid by Government free of income-tax should be considered by railways.

Question No. 26.—If the Central Government has sufficient funds for railway construction from balances their funds should be fairly distributed amongst the province for railway construction, and as the communications in Assam are probably worse than in any other part of India, this province should receive a very generous share, but I do not see how we can expect a balance when there is an enormous deficit which has to be met by the provinces.

(*a*) I do not see how control by the Government of India or Central Government can be done away with.

(*b*) I consider railways are business propositions and should pay for themselves by their freights and fares, but this is not always possible, and the rule must be somewhat elastic.

Question No. 27.—Seems to prove that my contention is correct that company-managed lines are worked in a more businesslike way than State-owned ones, and must, therefore, be more satisfactory to the State and to the public.

Question No. 28.—A province like Assam, where the big contractors are practically non-existent, must be at a disadvantage as regards completing work in the allotted period, and is more likely to suffer from " lapses " than other parts of India, so I am more in favour of an extension of time than the chance of re-allotment.

Question No. 29.—I have not sufficient experience to venture an opinion.

Question No. 30.—I have not sufficient experience to venture an opinion.

Question No. 31.—In the case of the Dibru-Sadiya Railway.

Question No. 32.—The complaint was referred to the Railway Board. Result, nil.

Question No. 33.—I am not in a position to say.

Question No. 34.—It appears that the carrying capacity of most railways is inadequate. No doubt partly due to the late war. As I have already said, the first object of a railway should be to work efficiently as regards rolling stock, etc., its existing system before embarking in extensions, and the means must be one of finance.

Enclosure 2.

Answers to Indian Railway Committee Questionnaire by Rai Bahadur Promode Chandra Dutta, B.L., M.L.C., Government Pleader, Sylhet.

Part I.

Question No. 1.—It is difficult to answer this question by a simple yes or no. The advantages of State management generally speaking are (1) that the entire profits go to the public exchequer, (2) that appointments connected with the railway service will be available to Indians in larger numbers, and (3) that the Government will have the full liberty to regulate the policy of its railway administration in such a way as it may think best having regard to the conditions prevailing in this country from time to time.

Management by companies on a profit-sharing basis is on the other hand said to be more economical and, therefore, likely to yield larger profits. It is further claimed on its behalf that it relieves Government of a great burden.

That the State management is more costly is hardly open to doubt. The Public Works Department has earned a notoriety for extravagance. Not that the Department puts a premium on waste of public money, but because those who are entrusted with the actual execution of the works have no incentive whatsoever to be economical.

The same must be the case with the State management of railways. On the other hand, companies managing State railways will in their own interest try to be as economical as possible with a view to augment their profits. Looked at from the view-point of profits, company management is ordinarily the better of the two.

But it has its drawbacks as well. To secure higher profits companies will, naturally, be inclined to restrict expenditure in disregard of public convenience and efficiency. The Assam-Bengal Railway is an instance in point. As a member of the travelling public I feel that very little regard is paid to public convenience or public comfort. The station staff is badly housed, and there is hardly any waiting-room at any of its stations for the intermediate and third-class passengers. There is a persistent cry for the removal of that complaint, but hardly any attention is paid to the same. Government has been appealed to by members of the Local Council, but the reply has almost invariably been: The Government is advised the company is doing this or that or does not admit this or that complaint to be true. I think the Government says so more out of helplessness than any disinclination on its part to see the complaints removed. The policy of the Government should not be to make the railways a mere profit-earning machine, but that the public comfort and convenience should be the first consideration. Under company management this is not possible.

Secondly, the general policy of the Government is to Indianise the services, and under State management Indianisation of the railway services will steadily go on, but the company management especially with regard to higher appointments will insist on European agency.

Thirdly, whatever powers of control Government may reserve to itself over the railway administration, it can have no freedom of action; its railway policy will be largely influenced by the exigencies of company management,

PART II.

Question No. 10.—Control by a Railway Board in which non-official Indian opinion is adequately represented would be preferable to control by Government.

PART III.

Quesiton No. 20.—I think the capital funds should as far as practicable be raised in India. This will obviate complications created by exchange and, at the same time, retain the money paid out in the shape of interest in this country.

Question No. 26 (*b*).—If we must have railways we must submit to unavoidable increase of rates. But I would rather have no railway than increase the cost of travelling. To throw the burden on the general taxpayer cannot in all cases be inequitable, for he may have use for it for other than travelling purposes.

PART IV.

Question No. 30.—Government has sanctioned maximum and minimum rates for all classes of passengers. Within these limits railway administrations have the power to vary passenger rates. It seems to me that any increase even within these limits should be examined by the Railway Board and sanctioned or disallowed in accordance with its recommendations.

I desire to bring to the notice of the Commission certain matters in which I believe the Railway Board has been invested with powers under the Railway Board's Act, but to which the said Board does not appear to have paid the attention they deserve.

(1) Overcrowding in the inter and third-class compartments. The prescribed number is as a rule exceeded by far and the railway staff, instead of preventing it, exercise their authority to cram in as many as possible, disregarding all protests. This has been my experience so far as regards the Eastern Bengal Railway and the Assam-Bengal Railway.

(2) Railway thefts. They are too common, but I am not prepared to believe that if a special staff is employed for the purpose they may not be stopped or reduced to a minimum.

(3) Provision of female guards in the inter and third-class female carriages. The necessity is obvious. The question is one of funds.

(4) Provision for suitable waiting-rooms, especially for inter and third-class passengers, with separate arangements for males and females.

The 20th December, 1920.

ENCLOSURE 3.

Answers to Indian Railway Committee Questionnaire by Mr. J. N. Taylor, C.I.E., Officiating Chief Engineer, Assam.

Question No. 4.—It would be a forward step if the companies managing State owned lines had a larger share of the capital. This would, I think, give the company a greater interest in economical working and set free Government capital for new lines.

Question No. 5.—The objection raised in this question could be remedied by giving the agent of the railway larger powers.

Question No. 6.—I personally do not see how the paramount interests of Government would be effected or need any safeguard if the companies were domiciled in India.

Question No. 8.—I think that directors at home are also actively interested in particular areas or industries.

Question No. 9.—I agree with the opinion expressed by Mr. Playfair.

Question No. 10.—The Board should, in my opinion, be subdivided into two branches with a non-technical president. The members of one branch should be entirely recruited from men skilled in railway construction and management and the members of the other recruited from firms with large trading interests.

Question No. 11.—Reply to the question No. 10 above disposes of this question, but I agree with Mr. Playfair that no province should be unrepresented on the Board.

Question No. 12.—I agree with the opinion expressed by Mr. Playfair. Assam is likely to receive little or no consideration as long as it has no representative on the Railway Board.

Question No. 13.—The powers possessed by the Board appear to be ample, but whether these powers are always exercised in the interests of the public is perhaps open to doubt.

Question No. 14.—I think that the Government of India have full power of control, but provincial Governments have only very limited powers.

Question No. 15.—The present powers are sufficient.

Question No. 16.—I consider that the present status would be satisfactory if the Board was constituted as suggested in the reply to Question No. 10.

Question No. 17.—I agree with the opinion expressed by Mr. Playfair.

Question No. 18.—I certainly do not as far as provinces with few railway systems like Assam are concerned. The available capital funds seem to be used up in improving the equipment and rolling stock of the large railway systems in the more fortunate provinces, and little or no money is left over to meet even the most pressing needs of the smaller provinces.

Question No. 19.—I agree with the opinion expressed by Mr. Playfair. Assam should get a fair share of whatever funds are annually provided.

Question No. 20.—I agree with the opinion expressed by Mr. Playfair.

Question No. 21.—The present resources of the Government are adequate, but the rate of guarantee must be raised if any new construction is to be undertaken.

Question No. 22.—I can offer no suggestion, but if the guarantee is raised to, say, 6½ or 7 per cent. I can foresee no necessity for resorting to new methods.

Question No. 23.—No.

Question No. 24.—No.

Question No. 25.—If the rate of interest is not made too favourable for railways I do not see how borrowings for new lines could interfere with ordinary Government borrowings.

Question No. 26 (*a*).—I do not consider that this has been detrimental to railway improvement as a whole, but it appears to me that the railway capital programme has been based largely in the interests of the bigger provinces.

Question No. 26 (*b*).—I agree with the opinion expressed by Mr. Playfair.

Question No. 27.—In the statements giving figures for State owned and State managed as contrasted with company managed railways no information has been given regarding strategic lines. These are certainly State owned and State managed, and must always be run at a loss so that in the absence of information it is not possible to draw any inference from the figures as to which system of management is more satisfactory.

Question No. 28.—Money once allotted for a railway should not lapse. It is not always possible to spend the full allotment during a given period owing to unforeseen causes, such as epidemics, floods, etc.

Question No. 29.—The present arrangements are quite satisfactory.

Question No. 30.—Yes.

Question No. 32.—Yes.

Question No. 33.—No.

Question No. 34.—I agree with the opinion expressed by Mr. Playfair.

Question No. 35.—The Branch Line Terms Resolution should be amended so that branch-line feeders to rivers will be in exactly the same position as feeders to railways.

STATEMENT No. 93.

CHIEF COMMISSIONER, North-West Frontier Province.—LETTER DATED THE 16TH DECEMBER 1920.

With reference to paragraph 2 (4) of the Resolution of the Government of India, Railway Department (Railway Board), No. 405—F., 19, dated the 9th October 1920, I am directed to state that the Chief Commissioner has nothing to suggest regarding the present system of control by Government of rates and fares but in regard to the machinery for deciding disputes between railways and traders there is a great deal of room for improvement. It has come to the notice of the Chief Commissioner that there is the greatest difficulty in getting any claim, however petty, settled, and even when the claim is admitted, in obtaining payment of the money. Since the 1st of January last 40 notices of suit have been received by the Revenue Commissioner, North-West Frontier Province against the North-Western Railway from traders in this Province, who have been unable to obtain settlement of their claims by other means. This number exceeds the total notices for the last three years and makes it appear that the machinery for the settlement of claims is gravely defective.

I am to add that though the Chief Commissioner is unable to suggest a remedy, he trusts that the Committee will be able to devise some more expeditious and reliable method of settling claims than that at present in force.

STATEMENT No. 94.

THE DEWAN OF TRAVANCORE.—NOTE DATED 27TH MARCH 1921.

Part I.—The Management of Railways owned by the State.

ANSWERS.

Question No. 1.—It is the considered opinion of the Travancore Darbar, that the Railways owned by the State should be managed *directly* by the State. The present company management should be abolished at the earliest opportunity. The aim and object of Railway policy is the development of trade and industries, the provision of cheaper facilities for transport, and the reduction of Railway rates to a minimum. The Railway should be worked in the interests of the public and not as a dividend paying concern. The management of Railways on company lines has resulted in public requirements being neglected, and inadequate provision being made to cope with the increasing passenger and goods traffic. Some of the present disadvantages of company management are

(*a*) Influence of Indian public opinion is not felt by private companies and the Indian public looks to Government for redress.

(*b*) The Government often find it difficult to get the companies to redress promptly even well-grounded grievances in time and the Government thus become unpopular.

(*c*) Orders for rolling stock, wagons, &c., are not placed in India to the extent desirable with the result that sufficient impetus is not given to the connected industries in India. This in turn affects railway earnings.

(*d*) Indians have not much chance under company management of filling posts of responsibility on the railways. State management would attract a better class of men for service thereby ensuring greater efficiency and public satisfaction.

For the above reasons, the Darbar is in favour of State management of Railways.

The Travancore Darbar owns about 95·96 miles of railway open line of which the main line (Quilon to Shencotta) is 58·05 miles and the Trivandrum Extension (Quilon to Trivandrum) is 37·91 miles. The main line has been financed by the Secretary of State while the capital expenditure in respect of the Trivandrum Extension is provided for by the Darbar. The whole

line is worked by the S.I.R. as per contracts entered into between the Secretary of State and the S.I.R. dated the 27th June, 1901, 21st December, 1910, and the 2nd October, 1913, and subsisting up to the 31st December, 1945. If the management of the S.I.R. is assumed by the Government of India at any time prior to the expiration of the existing contract " The Travancore Railway," should the Darbar desire, be treated as an integral part of the S.I.R. system and the Darbar given the option of working the railway. Even otherwise the Darbar will be prepared to take over the railway and work it if it receives adequate previous notice, say, three years.

Questions Nos. 2 *and* 3.—If the existing system of management by companies is to continue, the Darbar is of opinion that the companies should have an Indian domicile and that the States whose railways they administer should have power to test audit in the accounts. This test audit should be in addition to the audit and control exercised by the Government Examiner of Railways. So far as the Travancore Darbar is concerned there is no opportunity at present for test auditing the accounts of the S.I.R. in respect of the Travancore Section. Companies having Indian domicile would be more familiar with Indian conditions and more responsive to Indian public opinion and the right of the State to audit the accounts of the railways owned by them would give the State a sense of security and fairness.

Even if the State management is not immediately decided on in respect of company worked lines, there should be advisory boards to offer suggestions in respect of improvements of train service, additions to rolling stock, &c. Further, there should be arbitration boards consisting of railway officials and the public at important railway centres to settle claims by traders against the railway companies.

Question No. 4.—The existing system of allowing the working companies an interest in the undertaking entrusted to them is not a suitable and sufficient method of giving them a *real* interest in the undertaking. In the case of State owned railways of any magnitude, the best course to pursue would be for the State to buy up the interests of the working companies and work the railways itself.

Question No. 6.—The Board of Direction should include one or more Government directors, representatives of the industrial and commercial community, a representative of labour, representatives of the Native States concerned.

Question No. 7.—There will be no lack of continuity in a Board domiciled in India. Sufficient continuity would be secured by the chairman's term being fixed for a sufficiently long period. It would be sufficient if some of the members of the Board possess expert knowledge in railway administration, railway engineering and railway finance.

Question No. 8.—It would be preferable to have as members of the Board suitable directors whose impartiality would not be questioned.

Question No. 9.—The Darbar is not in favour of the suggestion referred to in question No. 9.

Part III.—Railway Finance.

Question No. 17.—The supply of funds for railway purposes, especially for new construction and improvement, has been inadequate.

Question No. 18.—Railways are urgently wanted in various parts of India for opening up the country and for developing trade and industry. Viewed from this standpoint, the policy hitherto adopted does not appear to be satisfactory.

Question No. 20.—So far as Travancore is concerned, some amount of capital could be raised locally for railway construction.

Question No. 23.—*Vide* answer to question No. 20.

Question No. 27.—Not quite. State managed railways leave much room for the exercise of stricter economy.

The indirect advantages are great, but it has not been possible within the limited time allowed to reduce them to a mathematical figure.

Part V.—General.

Question No. 34.—The carrying capacity of the Travancore Section of the S.I.R. is not adequate to the requirements and needs of the various industries. The reasons for the failure are chiefly want of adequate funds and the difficulty of obtaining sufficient rolling stock from abroad. The defect could be remedied by providing sufficient funds, by preventing lapse of budget grants, and by manufacturing, as far as possible, the required rolling stock in India.

STATEMENT No. 95.

THE FINANCE MEMBER, Marwar State, Jodhpur.—LETTER DATED 11TH MARCH, 1921.

I have the honour to refer to your telegram dated 26th February, 1921, asking for an expression of the Durbar's views regarding the general aspects of railway policy, &c., and to say that at present this State is administered by a Council of Regency who has duly considered the purport of your telegram. I am directed to submit for the consideration of your committee the following points:—

(2)—(1) That the Durbar considers that it is vitally concerned with any proposals that may be in contemplation for new constructions, whether in the shape of new lines or of extensions, which will (*a*) pass through its own territories; (*b*) affect the traffic passing over lines constructed by itself or in which it has a pecuniary interest. The Durbar should, therefore, when any such new construction is mooted, have full opportunity of pressing its own views before any decision is come to.

(2) That the Durbar considers that it is entitled when such constructions are contemplated to be put in possession of the full facts, even though of a confidential nature on which the desirability of the new construction or of a particular alignment is based.

(3) That in any case its title to compensation should be recognised for (*a*) loss on its existing lines; (*b*) for land given up for new lines; (*c*) for royalties; (*d*) and any other losses that may be incurred.

(4) The Durbar is prepared to accept for application to its privately owned lines such general rules elaborated by Government for safe working of railways as are considered in the light of experience to be necessary, having regard to the special circumstances of the lines privately owned by it.

(5) That the Durbar is prepared to accept Government unified control of maximum and minimum through rates.

(6) The Durbar is vitally interested in the method and question of coal control and the allotments of coal made to itself, and considers that it should have some voice in such matters.

(7) The Durbar is to some extent concerned with the question of allotments made by the Government for lines from which it derives a necessity of its existence such as coal and with the equipment of lines with which it has direct connections, as deficiencies on them affect its traffic.

(8) In particular that the Durbar is interested in the arrangements made and rolling stock allotted to carry on the traffic brought by its private line to the point of Junction with either a State owned line or other railway administration.

It considers that machinery should be devised by which its representations could be heard and considered, as well as those of the administrations who are connected with it could be discussed.

(9) Circumstances arise in which the desirability or otherwise of direct access to big cities, ports, markets, &c., comes under consideration. The Durbar consider that it is entitled to have due consideration given to its representations in such matters, and use means of pressing its side of the case on Government

In conclusion, I am to say that the Council of Regency do not consider that it is necessary for any representative to go to Delhi to give evidence on its behalf; nor is the above list of points necessarily exhaustive. The wide wording of your telegram makes it somewhat difficult to understand on what precise matters your committee desire the views of this State. None of the points noted above appear in the questionnaire originally sent round by you; and it would appear desirable that if such new ground as this is to be broken, that a fresh questionnaire should be circulated, formulating as definitely as possible the matters on which information is sought.

STATEMENT No. 96.

PATIALA DARBAR.—NOTE DATED 11TH MARCH, 1921.

General Aspect, Railway Policy.

Indian States should be treated liberally in the matter of permission to construct railways which would develop their own territories or tracts lying adjacent to them. Ordinarily they can finance such railways on their own responsibility without asking for any concession in the nature of a guarantee or rebate. It is usual in the case of private companies constructing railways in British India to provide land free of cost, and it would be only just and fair that land required for the construction of a railway financed by an Indian State should similarly be provided free of cost. This free supply of land is not an unreasonable concession, in view of the fact that substantial indirect advantages will accrue to the Government by the opening out of the area traversed by the railway. It should, therefore, be ruled that when a projected railway line passes partly through the territory of an Indian State or in close proximity of it, the State concerned should have preferential right to finance and construct such railway at least on terms similar to those allowed to promoters of assisted or feeder railway companies. The general practice so far has been that an Indian State can only claim a share proportionate to the length actually lying within its own territory.

Some projects are at present refused sanction on the ground of short circuiting existing routes, more particularly so where the interests of an assisted company are adversely affected in the slightest degree. This matter ought to be looked at from the point of view of greatest good to the greatest number. Monopolies and vested interests should not be allowed to stand in the way of improvement of communications and development of backward areas, more especially in cases where the owners of existing route have been earning substantial dividends for many years.

The construction of new branch railways has become a matter of great difficulty owing to scarcity of money and general rise in the rate of interest. Neither assisted companies nor Indian States can in the present circumstances undertake the construction of new railways, unless they have a sure prospect of making them pay their way. One way of accomplishing this would be that special rates should be allowed to be charged on branch and feeder railways to permit of their earning a dividend equal to prevailing rate of interest from the very commencement. These rates to be automatically brought down as soon as the dividend reaches a specified limit (say, not to exceed 10 or 12 per cent.). Unless some such policy is adopted, backward areas may have to wait for the benefits of railway communication for a very long time indeed, as there is little likelihood of cheap money being available in the near future. Even with higher tariff rates necessitated by high rates of interest the cost of transport by rail will not be even half of that paid for the existing means of transport, which moreover can carry a very limited quantity of traffic, thus standing in the way of natural development of the country. If the branch or feeder at any time becomes a link in a trunk route, ordinary trunk line rates can be introduced at once. Another way of cheapening construction would be that in case of branch and feeder railways built on the gauge of the parent line, high standards of construction, applicable to the main line, should be eschewed in favour of economy in first construction. Provided the road bed is substantial, improvements can easily be effected afterwards as the traffic develops. It is very essential in the present state of money market to keep the first cost down as much as possible. Liberal terms should also be given for working of branch lines. Parent line should not make any charge for administrative supervision, or at least reduce it to a mere nominal figure, in calculating the percentage to be charged for working the branch lines.

Relations with Railway Administrations and Government.

The Rajpura Bhatinda Railway owned by this Durbar is worked by the North Western Railway. Cases have arisen when through traffic legitimately belonging to Rajpura Bhatinda route has been diverted by the main line. This should not be permissible, and whenever such diversion is made owing to any reason other than a breakdown on the direct route, earnings from such traffic should be credited to the legitimate route.

During the last few years, whenever curtailment of train service has become necessary owing to military exigencies or other causes, the branch lines have had to bear more than their reasonable share in the reduction of train services involving them in heavy losses of income. Branch lines with their limited traffic, and the existence of competitive means of transport for short distances can ill afford to lose any portion of their traffic, while the main line earns more than its due by the abnormally heavy traffic passing over it. Some sort of arrangement should therefore be devised to protect branch lines against unreasonable losses being inflicted on this account, provision being made to award them compensation when the working agency shows undue preference to its own interests, or is obliged to refuse normal facilities on the branch line for military exigencies.

It is feared, that nothing is at present done by the working agency to foster traffic on branch lines, but what is worse, owing to chronic difficulties due to shortage of rolling stock, very often even the traffic offering is not accorded full facilities of movement.

This greatly hampers the promotion of new railways by the Indian States, and if benefits of railway communication are to be extended to larger areas, very early steps should be taken to do all that can be done to make their existing railways earn the maximum dividend possible. As soon as the existing lines earn more than prevailing rates of interest, the States will have no hesitation in embarking on new projects for the purposes of developing other parts of their territory not at present served by railway communication. Compared with their resources the investments in railway lines made by Indian States are very meagre, and every effort ought to be made to encourage them to take their proper share in railway construction.

STATEMENT No. 97.

The SADR-UL-MAHAM, Political Department, H.E.H. the Nizam's Government, Hyderabad, to the FIRST ASSISTANT RESIDENT, Hyderabad.—LETTER DATED 9TH MARCH, 1921.

Kindly refer to your letter No. 802-P/F.1336/20 dated the 29th of January, 1921.

His Exalted Highness' Government do not consider it necessary to forward any detailed replies to the Questionnaire of the Railway Committee as the general situation as regards railways in the State has been described in full detail by Mr. Lloyd Jones, the Agent of the Nizam's Guaranteed State Railway Company in his evidence before the Committee. His Exalted Highness' Government need only say that with his evidence they are in general agreement. So far as they are aware, there is only one point on which they feel it necessary to differ from the evidence tendered by the Agent of the railway. According to Mr. Lloyd Jones, it is immaterial whether the Board of the Railway is in India or in London. His Exalted Highness' Government are strongly of opinion that a board in India would be preferable to a board in London. This however is not a question within the range of practical politics at present, in view of the legal agreements between the Nizam's Guaranteed State Railway Company and His Exalted Highness' Government. It is sufficient to say that as soon as practicable His Exalted Highness' Government intend to exercise their option of buying out the English company and substituting an Indian administration in its place.

His Exalted Highness' Government understand that their difficulties with regard to the Railway Board of the Government of India have been fully explained by Mr. Lloyd Jones. In the opinion of His Exalted Highness' Government the Railway Board as at present constituted is not sufficiently representative. The Board should be strengthened and should be placed in a position to pass final orders on all railway matters in India.

STATEMENT No. 98.

THE PUBLIC WORKS MEMBER, BIKANIR.—TELEGRAM DATED 12TH MARCH, 1921.

Greatly regret unavoidable delay replying your telegrams 26th February and 4th and 10th March. Question of policy of Government of India regarding railway in Indian States is already being dealt with by Standing Committee of Chamber of Princes in consultation with Political Secretary, Government of India, Law Member and President, Railway Board. Neither at meeting last December nor subsequently was any intimation received of this aspect of question coming up before your Committee. In view of shortness of time and extreme importance of subject which involves political questions of great importance such as jurisdiction and compensation for land acquired by railway administrations in addition to ordinary railway questions of constructions and ownership of line, management by Indian States, purchase, sale, etc. His Highness' Government are of opinion that that part of the question relating to Indian States be entirely left over by your Committee as any decision given by your Committee on which no Indian State is represented might it is feared affect settlement of these important matters with Government of India later on when the question is discussed again at Standing Committee. In view specially of shortness of time His Highness' Government much regret their inability to send any written statement or representative to give evidence before your Committee. Might however add that His Highness' Government would be strongly opposed to any proposals affecting Sovereign rights and the internal autonomy of the Bikanir State or their powers of ownership management and control over their own State railway lines and it can confidently be anticipated that the same views would be held by the great majority if not all the other Indian States.

STATEMENT No. 99.

SRI SRI SRI KRISHNA CHANDRA GAJAPATI NARAYAN DEO, Rajah of Parlakimedi.—LETTER DATED 23RD JANUARY, 1921.

Referring to your circular letter No. 15-R., dated 17th January, 1921, I have the honour to state that I have no particular views or recommendations of mine to put forward for the consideration of your Committee except the following:—

(1) The Local Government should be given power to interfere with the proposals or action of railway companies either on complaint or of their own motion in matters gravely affecting the interests of the travelling or general public. At present the Government have to play the *rôle* of a helpless spectator, and the answer to interpellations in the Legislative Council whenever they were appealed to in such matters has almost always been—" Government have no power to interfere."

(2) Another point that I should like to urge is that when the owners of a branch line resolve to manage the line themselves without entrusting the working of the branch line to the authorities of the main line, Government should reserve power to direct the main line company to co-operate with or help the branch line in a reasonable and friendly spirit and to lay down the terms on which they should regulate their mutual business; as the branch line would otherwise be helpless against any high-handedness on the part of the stronger and more powerful main-line administration.

(3) Again, the control of the Railway Board in distant Simla or Delhi might be efficient and sufficient enough in general " All India " matters, but that Board must be either ordinarily inaccessible or unable to come to right conclusions or to get prompt relief in particular matters requiring local knowledge, and in such matters it is desirable that the Local Government should be able to grant the required relief.

STATEMENT No. 100.

THE RESIDENT IN KASHMIR. MEMORANDUM DATED 17TH JANUARY, 1921.

Question No. 1.—I am in favour of management by companies on a profit-sharing basis.

In my opinion a Government Department cannot manage a railway as a commercial business as efficiently as a company can manage it. Under a company more attention is likely to be paid to the requirements and comforts of the travelling public and to the requirements of trade. A company, too, will be more free from political pressure.

Lines built principally for strategic purposes should be managed by Government.

The railway systems of which I have had personal experience are (i) the Bombay, Baroda and Central India Railway and (ii) the North Western Railway.

Question No. 2.—I would suggest that where the practice is not in force, the Agent should convene from time to time a Consulting Committee on which important trades in the areas served by the railway should be represented, and which should also be attended by an officer or officers of the company well acquainted with the needs of the travelling public.

Question No. 3.—In the United Kingdom. A Board located in the United Kingdom will be in a better position to raise necessary loans.

Question No. 4.—I advocate allowing the companies to hold a larger share of the capital and to receive a proportionate share of the profits.

Question No. 5.—The criticism can be met by the establishment of a local Consulting Committee as suggested above, on which Indians can be asked to serve.

Question No. 7.—The answer to the first question is in the affirmative. To the second, my answer is that the appointment of a Chairman skilled in railway work would be essential. To the third, the answer is that it would not seem to be necessary that the other members of the Board be skilled in railway work.

Question No. 8.—I think this possibility would have to be considered.

Question No. 9.—I do not think that it is necessary to do more in the case of a company domiciled in the United Kingdom than to have a Consulting Committee in India.

Question No. 10.—I consider it to be satisfactory.

Question No. 11.—There should be a railway member of Council with secretaries for the different branches of railway work, and an advisory body of expert railway officers for general policy and development.

Question No. 13.—The answer is yes. I would not have any extended interference with the companies beyond insisting on the better fitting in of the timings at junctions of the passenger trains of different railway lines.

Question No. 14.—Not with respect to the proper fitting in of the timings of trains at junctions of different railway lines.

Question No. 15.—No.

Question No. 16.—I would advocate the change suggested in my reply to Question No. 11.

Question No. 17.—The funds hitherto allotted would perhaps have been sufficient if the present system of " lapses " had been modified.

Question No. 18.—Yes.

Question No. 20.—Yes.

Question No. 28.—I would advocate budgeting for a three years' programme instead of for one year as at present.

Question 35.—I think it would be convenient to the public and to the handling of traffic if wagons of smaller carrying capacity were available for attachment to passenger trains and if such wagons were obtainable at rates less than the rate of the full carrying capacity of the wagon. It is necessary sometimes to have boxes, *i.e.*, office records, despatched expeditiously and at rates which are not prohibitive.

STATEMENT No. 101.

THE RESIDENT IN MYSORE.—MEMORANDUM DATED 1ST FEBRUARY, 1921.

In expressing an opinion on questions affecting the future railway policy of India, I propose to confine myself to the most important aspects of the problem, both because my acquaintance with the working of railways is not sufficiently intimate to make it possible for me to offer any useful discussion of the numerous points propounded in the questionnaire sent with your letter, and because, as I am shortly proceeding on leave and have a great deal of important work to dispose of before I start, the time at my disposal is very limited.

2. As regards the political aspect, it is, I think, unquestionable that the State must retain full control of the railway administration of India. This is especially necessary with regard to the trunk lines of the country. These lines, for economic and other reasons, are in the nature of monopolies, and if they were run by companies, whether British or Indian, concerned purely to show the biggest possible dividends, the interests of the public would inevitably suffer. Railway policy is of such paramount importance for the development of the country that I am inclined to think that it will not receive proper treatment until a Ministry of Transport is established. This would not necessarily mean the abolition of the Railway Board, which might still function under the Ministry of Transport. In any case, the Railway Board needs strengthening, with the object, not only of giving it greater weight with the Government of India, but of bringing it into more intimate touch with the public needs. The fact that the Board hitherto has not been sufficiently responsive to public opinion is evidenced by the overcrowding and other discomforts to which third-class passengers are subjected, to say nothing of the inconvenience suffered by the business community of the country. Another point of great importance is to ensure that political considerations should not unduly influence the railway budget. That budget should, so far as possible, be separated from the Imperial budget, except in so far as the ordinary net revenues from railway administration are concerned. The dominant principle in railway finance should be not so much to earn revenues for the State as to provide facilities for the travelling public and to foster economic development, due regard, of course, always being had to the principle that the public, in utilising the advantages thus offered them, should contribute a full return in the shape of reasonable interest on the capital outlay. It is, I consider, a mistake that railways should be regarded as a possible means of expanding the revenues of the State, to meet financial emergencies by raising rates without regard to the economic effects of such a policy. The State should be content to look for financial advantages from railways mainly to the indirect revenue due to economic development in the regions served by them.

3. It is a commonplace of current politics that railways in India have been starved for several years past, this, of course, being mainly due to the financial stringency caused by the war. There is much leeway to be made up, and I do not see how this is to be done and how provision is to be made for reasonable expansion within the next few years unless an enormous loan is floated almost at once—probably fifty millions sterling will be needed. There is the objection that money is very dear in these days; but money is a commodity and if a particular commodity is urgently needed for development purposes, it must be purchased at the prevailing rates. To adopt the opposite view, simply means the paralysis of industry and all the evils that such conditions bring in their train. I would suggest that the amount required for development of existing lines, providing rolling stock, doubling the permanent way there necessary, and so on, should be raised in the form of debentures on the existing railways, and where the lines are worked by a company it may be possible to allow it to raise money, its share in the total capital of the railway administered by it being proportionately increased. The money required for new railways might be raised in the form of a railway loan guaranteed by the Government of India. Without such guarantee it would be difficult to find the money at anything like reasonable rates. It will probably be a very expensive business, but at the same time delay in economic development will mean an immense loss both to the State and the community. If necessary, railway rates could be pushed up to meet the interest charges. The loan should be floated both in India and England. It is desirable that business men out here who subject Government to criticism for their methods should be given an opportunity to show that they are prepared to assist themselves.

4. On the whole, I think Company management is preferable to State management. I should be inclined to give existing companies a larger interest in the lines they manage. It will be the business of the Railway Board to see that public interests are fully considered and to ensure that there is no ground for the complaint very commonly made that companies are interested solely in earning a large dividend and that if the dividend is large, they escape any kind of criticism from the Government of India. If the further capital required by these companies or a considerable part of it is forthcoming in India, it may be possible to establish committees of the Boards in London at suitable centres in India, such committees to be given extensive powers in controlling the management. Indians would, of course, be eligible for appointment on such boards. The objection that these so-called " alien " companies are averse to employing Indians has, perhaps, been overstated. Doubtless the railway board would find no difficulty in ensuring that fully qualified Indians of the type required should be given suitable appointments. British companies out here are not in any way concerned to find employment for their own countrymen, and if Englishmen are, in some cases, preferred to Indians, it is because they happen to have greater economic value, either because of better professional capacity or because they are more reliable. It should not be difficult to find Indians of the right type under a proper system of recruitment, especially if facilities for necessary training are forthcoming in India.

STATEMENT No. 102.

BURMA CHAMBER OF COMMERCE.—LETTER DATED 5TH JANUARY, 1921.

I have to acknowledge the receipt of Mr. Ryan's letter of the 2nd December, 1920, enclosing copy of a questionnaire which has been prepared with a view to eliciting the opinions and recommendations of parties interested in the subject-matter of your Committee's enquiry.

2. In reply, I am directed to say that the whole of the Burma railways system has been under company management for the last 24 years. Prior to 1906, the system was under State management. The two systems having never existed side by side, my Committee are not in a position to compare the relative advantages and disadvantages of State *versus* Company management.

3. Many of the proposals mentioned in the questionnaire have never been tested by actual experience in India, and, therefore, any replies that may be given can only be based on theoretical arguments. The proposals referred to are those relating to the management of State-owned railways by companies domiciled in India and with a Board sitting in India, and to the financing of those railways by capital raised in India. Experience may show that theoretical arguments in favour of, or in opposition to, certain propositions, are not borne out by actual practice.

4. My Committee would prefer to make a general statement of their views on the points raised rather than to reply categorically to the questionnaire.

Part I.—Management of Railways owned by the State.

5. On the general question as to whether railways should be State or Company managed, my Committee are unanimously in favour of company management under an efficient system of control by the Supreme Government. They are of opinion that company management is likely to be less rigid, more in touch with trade, more up-to-date, and more progressive. Under company management the members of the staff are not liable to transfer from one railway to another, as is the case on State-managed railways. Their services are usually continuous on one railway, with which they become identified, and they are, therefore, not only of more value to the company they serve, but they gain the confidence of the public to a greater degree. My Committee view with apprehension any considerable enlargement of the existing bureaucracy such as would be unavoidable were the principal railways in India and Burma managed by the State. They fear that the influence of State management would be deadening and that a detrimental rigidity would very soon make its appearance. Moreover, the political difficulties arising from Government being the sole employer of a vast labour force, such as is required on railways in India, cannot be overlooked.

6. As to the question whether the company managing the railway should be domiciled in India with the board sitting in London, or in India with the board sitting in India, my Committee are of opinion that, so far as Burma is concerned, there would be very great difficulty in obtaining a suitable local board whose members would have the necessary knowledge of, and sufficient leisure to devote to, the working of the railway. Even if such a board could be found there would be frequent changes in the personnel, more especially with regard to Europeans, which would result in lack of continuity and would militate against efficiency.

7. After careful consideration my Committee are of opinion that the advantages of the existing system of working railways in Burma by a company domiciled in England, and with the board sitting in London, outweigh the disadvantages, even although the advantages which ordinarily flow from company management are only partially realised on company-managed railways in India owing to the larger portion of the property being owned by the State, and to the State, therefore, having the controlling power. On the Burma railways surplus profits are divided 23-35ths to Government and 12-35ths to the company, that division representing approximately the capital invested by each. The company proportion in Burma is higher than on the majority of the State-owned and company-managed railways in India.

8. The above remarks do not, of course, apply to railways that are purely strategic, and which must necessarily be managed by the State.

Part II.—The Railway Board and the Government of India's Control.

9. There can be no question that some system of control by the Supreme Government over the working of railways is essential, and my Committee are of opinion that control by a Board is as satisfactory a means as can be devised. Apart from questions of railway finance, about which they will express their views later, they consider that the existing control of the present Board extends to unnecessary detail, and they strongly advocate that much larger powers be delegated to companies' boards of directors and to their agents in India and Burma. To give concrete examples, they consider that much wider powers should be given with regard to the sanctioning of new works (the powers in this respect being at present, it is understood, restricted to Rs. 25,000 in the case of capital) and also with regard to the creation of new appointments, more especially having regard to the fact that the pay of railway employees has been considerably increased during the last few years. The existing limit is, they are informed, Rs. 250 per month, all appointments above that salary requiring the prior sanction of the Railway Board.

10. Apart from questions of finance, they are of opinion that the Railway Board possess adequate powers of control over railway administrations, and are not in favour of enlarging those powers.

11. The Committee recommend that if the services of a man of wide experience in commerce be procurable, such a man should be a member of the Board. They also recommend that in addition to the chief engineer, who is an expert in engineering, the Railway Board should have attached to their staff an expert in traffic matters and also an expert in regard to the Locomotive Department.

Part III.—Railway Finance.

12. The views of my Committee are that the arrangements for the financing of railways are the crux of the enquiry by the Indian Railway Committee.

13. There can be no doubt that the supply of funds from Imperial sources for railway purposes in Burma has been quite inadequate for a number of years.

14. The figures contained in the accompanying statement have been obtained from the Agent, Burma Railways, and show the capital expenditure actually spent and budgetted for on open lines during the years 1910-11 to 1919-20 and on new lines during the years 1904-05 to 1919-20. The figures hardly require any comment; they speak for themselves.

15. During the last few years there has been a large expansion of commercial and industrial activities in Burma which is likely to continue if adequate arrangements for transportation can be made. The Burma Railways are in urgent need of additional rolling stock as well as of improved terminal and roadside facilities, and have advised this Chamber that unless the capital allotment for the open line is considerably enhanced within the next few years they will not be in a position to carry the anticipated traffic. My committee view that possibility with great alarm, and strongly urge that every endeavour be made to prevent it.

16. My committee hold very strongly that the present system under which Indian railways are financed is in need of reform. They consider that the provision of funds, both on capital and revenue account, to Indian railway administrations should be entirely separate from, and in no way dependent upon, the general finances of the Government of India. If that be not practicable, the committee are of opinion that it is imperative, in the interests of economy and efficiency, to earmark over a period of years grants for railway capital expenditure which shall not be liable to reduction or withdrawal. They further consider that the requirements of railways on capital account should be met from loans raised on the London or Indian markets according to where conditions are most favourable at the time.

17. Under the existing system the Railway Board have apparently little voice in the allotment of funds for railway capital purposes, and their function consists of the distribution among the different railways of whatever funds the Finance Department of the Government of India allot them. It is apparent that under that system due attention cannot be paid to the needs of individual railways, and that it is quite impossible to carry out a broad and comprehensive forecast of railway requirements.

18. My committee are not in favour of the suggestion to raise capital for railway purposes by means of ordinary or preference share capital of local subsidiary companies. They consider that the responsibility for the financing of the large railway systems for all works of a capital nature should lie with Government.

19. So long as the standard of equipment of existing railways is so low, they consider the policy of devoting the greater part of the available capital funds to the improvement of equipment and rolling stock of existing railways sound in principle.

20. They do not consider the existing branch line terms are sufficiently tempting to attract new capital.

21. In view of the increased rate of interest which capital now commands, the increased cost of labour, and the high price of materials, they are of opinion that increases in railway rates are possibly necessary in order to admit the return on capital invested being such as to prove attractive to the prospective investor, and also to prevent railways being a burden on the taxpayer. They are not in a position to furnish a rough estimate of the percentage by which rates might be raised if so required.

Part IV.—Government Control of Rates and Fares. Settlement of Disputes.

22. My committee have no complaints to make with regard to the control exercised by Government over railway administrations in respect of rates and fares. They do not see the necessity for fixing minimum rates.

23. They have no suggestions to make with regard to the machinery to be provided for the settlement of disputes between railway administrations and traders.

Part V.—General.

24. It has already been stated that the carrying capacity of the Burma Railways system will not be adequate to meet the requirements and needs of the various industries served by the members of this Chamber unless the allotments of capital expenditure be very much larger in the future than they have been in the past. There is only one remedy, and that is to increase the allotments.

CAPITAL EXPENDITURE

Main Line.

——	Works.	Rolling Stock.	Total.	——
	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	
1910–11...	39·36	13·36	52·72	
1911–12...	38·32	6·29	44·61	
1912–13...	25·82	10·56	36·38	
1913–14...	22·82	9·10	31·92	
1914–15...	17·53	9·05	26·58	
1915–16...	7·94	7·60	15·54	
1916–17...	2·76	3·77	6·53	
1917–18...	2·29	— 4·36	— 2·07	Credit due to rolling stock sold overseas 6·48
1918–19...	3·65	—11·68	— 8·03	" " " " 11·68
1919–20...	11·07	3·95	15·02	" " " " 2·57

New Lines.

—	Pegu-Moulmein.	Henzada-Kyangin.	Southern Shan States Railway.	—
	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	
1904–05	8·86	5·22		
1905–06	39·49	13·05		
1906–07	48·68	19·94		
1907–08	29·01	13·43		
1908–09	16·15	7·93		
1909–10	5·61	3·04	1·93	
1910–11	1·38	1·15	16·97	
1911–12	1·05	·78	28·86	
1912–13	3·22	·52	38·43	
1913–14	·27	·14	38·51	
1914–15	— ·89	— ·02	20·76	
1915–16	— ·06	— ·34	2·84	
1916–17	— ·05	— ·26	— ·46	
1917–18	—1·08	— ·06	·44	Credit due to rolling stock sold overseas.
1918–19	—1·01	·22	·30	
1919–20	·74	— ·42	—1·04	

STATEMENT No. 103.

THE KARACHI CHAMBER OF COMMERCE.—LETTER DATED 31ST MARCH, 1921.

My Committee have had under consideration your circular letter dated 2nd December last (which only appears to have been received in this Chamber early in February), also your letter of 22nd February to the Commissioner in Sind, and telegram of 2nd inst., regarding any evidence that the members of this Chamber might desire to give to the Indian Railway Committee regarding management of State railways in India, etc.

My Committee regret that owing to the sudden and unexpected decision of the Railway Committee to abandon their visit to Karachi, and the inability of the president or any individual member of the Committee to pay even a short visit to this port, there has been some delay in the completion of the material which it was proposed to lay before the Committee. The first meeting of the reformed Bombay Legislative Council and the visit of his Excellency the Governor of Bombay to Karachi prevented the chairman of the Chamber from visiting Delhi to give evidence as he might otherwise have been able to do; and other members of the Chamber were unable conveniently to leave Karachi at a time when the almost complete stoppage of bookings on the N.W. State Railway and other railways serving Karachi had suddenly cut off exporters' supplies of produce and reduced Karachi export and shipping business to a condition of chaos.

It is now probably too late for the views of the Karachi Chamber in the matter of State versus private railway management, etc., to be taken into consideration by the Indian Railway Committee. My Committee, however, put their conclusions in brief form on record for such use as the Railway Committee may desire to make of them.

(1) *The Management of Railways owned by the State.*—My Committee are of opinion that private management of State railways, *i.e.*, management by private companies on a profit-sharing basis, yields the best results for the reasons that (1) there are less changes of personnel, and (2) promotions and appointments are more likely to be made according to merit rather than by seniority or other considerations, than in the case of State-managed railways.

My Committee desire to add that, in their opinion, *all main* or *trunk* lines of railway communication, and all political or strategic lines in India should be *owned* by the State. *Political* or strategic lines should also be managed by Government officers.

If rapidity of construction, competition, and efficiency of management be ruling considerations, then my Committee are of opinion that it would be to the general advantage if all railways in India other than main, trunk lines, and political or strategic lines, were financed, built, owned, and managed by private enterprise.

With regard to the private management of State railways on a profit-sharing basis, my Committee incline to the opinion that a company domiciled in India with a board sitting in India would be the solution calculated to yield the best results and to fit in best with the spirit of the times. Such a company and board could appoint financial agents and consulting engineers in London to assist them as required.

(2) *The Railway Board and Government of India Control.*—My Committee are of opinion that a Railway Department of the Government of India is essential, be it called the " Railway Board " or any other name. The head of the Railway Department should be a member of the Viceroy's Council with large powers and complete control over railway finances until such time as the railways of India are developed to meet fully the needs of the day. The vital importance of railway maintenance and development in India demands that railway finance should no longer be subordinated to the general needs of Government, but should be managed on strictly commercial lines.

(3) *Railway Finance.*—In the present state of India's railways no possible source of capital supplies should be left untapped. In addition to Government loans (a definite portion of which should be allotted in advance to the Railway Department or Railway Board for disposal as the railway member considers best), private companies—railway and others—should be encouraged to raise capital in England, America, India, or any other part of the world. Further, private enterprise should be encouraged to come to the assistance of India by financing, constructing, and

managing as many railways as possible, other than main, trunk, political, and strategical lines. The present concession terms for the construction of feeder railways by private enterprise need complete revision.

(4) *The Government Control of Rates and Fares.*—Needs further consideration. The principle of *rigid* maximum and minimum mileage rates should only apply to competing main or trunk lines serving the same locality. The application of such a principle to all feeder railways is an absurdity. On feeder railways and, indeed, on all railways in India, goods' rates and passenger fares should be maintained at levels that will bring a good return on the capital invested, thus encouraging further supplies of capital to be placed at the disposal of the Railway Department of Government and of those private companies and others who are directly interested in the maintenance and construction of railways in India. But there is no need whatever to establish a strict uniformity of levels, *i.e.*, equal mileage rates as at present, except in the case of competing main or trunk lines and feeders serving one district, locality, or town, *e.g.*, Delhi and parts of the United Provinces, whose surplus produce may be transported to Karachi, or to Bombay, or to Calcutta by competing main or trunk lines.

(5) *Recommendations Germane to the Enquiry.*—Having regard to the handicap endured by portions of the Western districts of the United Provinces in marketing their surplus products to the best advantage owing to lack of direct broad-gauge railway communication with Karachi, and also to the difficulty now being experienced by Government in finding sufficient supplies of capital to carry out the many urgent railway and other remunerative public works schemes demanding immediate attention, my Committee urge that private enterprise be given every opportunity of carrying out the proposed Sind Cawnpore "Great North Central" trunk railway *via* Hyderabad, Jodhpore, Beawar, and Gungapur on terms that will permit of Government taking over the ownership of all the portions of the line that will pass through British territory as soon as Government are in a position, financially, to acquire the property. To defer the construction of this most important trunk line of railway communication until such time as Government can themselves produce the necessary capital, would unnecessarily delay the further development of all the localities which the line will serve, including the United Provinces, Delhi, Rajputana, Sind, and its capital—Karachi, the nearest port to Busrah, Aden, Suez, and Europe.

STATEMENT No. 104.

THE CHAMBER OF COMMERCE, Cochin.—LETTER DATED 21ST JANUARY, 1921.

I am in receipt of your No. 15 R.C. dated Madras the 17th instant, enclosing a copy of the Questionnaire relating to the Indian Railway Committee, asking for a brief statement of this Chamber's views and recommendations on the subjects under enquiry and finally whether it would be convenient for a representative of this Chamber to supplement the statement asked for by giving further oral evidence to the Committee in Madras early next week.

In reply I am directed to inform you that this Chamber is, like all Commercial Associations, keenly alive to the importance which attaches to the enquiries of your Committee and would have welcomed the opportunity offered for stating the views of its Members, but in the absence until now of a copy of the Questionnaire the Chamber has not been in a position to go in detail into the various matters embraced in the enquiry and having in the meantime been favoured with a copy of the statement drawn up in relation to the subject by the Madras Chamber of Commerce, of which this Chamber is a Member, we have already signified to the Madras Chamber our wish to be associated with them in their representations.

Such being the position my Members think it best to leave the matter as it stands, more especially as there is now insufficient time in which to study the questionnaire in detail and prepare a statement which would adequately deal with the subject. Moreover, the memorandum drawn up by the Madras Chamber represents the general views of this Chamber, who unfortunately could not in any case now arrange for a representative to proceed to Madras to give oral evidence. This letter, however, may perhaps be accepted by the Committee as a substitute for any more detailed statement.

There are, however, a few special points concerning existing railway facilities and railway development in this locality to which I would wish to draw the Committee's attention:—

(1) At present the trade seeking an outlet *via* the Cochin Shoranur Railway is gravely handicapped by the break of gauge at Shoranur and by the inadequacy of rolling stock (which we know is a universal shortcoming).

(2) The likelihood of the Cochin Harbour Scheme becoming in the near future an undertaking of practical politics instead of merely a matter of academic discussion makes it of supreme importance that railway development in the shape of conversion or duplication of the existing Shoranur Cochin Railway and of the construction of further railways should be undertaken without undue delay and that when taken in hand the question of gauge should receive mature consideration. The Chamber desires to emphasise this aspect of the position in view of the decision arrived at before the war to construct the Polachi Dindigal line on the metre gauge system, which unless Polachi were linked up through Palghaut with Trichur would result in the entire trade of the Polachi district being necessarily diverted to the East Coast, although in point of mileage being, this Chamber believes, legitimately within the area which the Cochin Port would expect to tap.

I may mention that the first of these two matters has been already brought to the notice of the Madras Chamber, whose Chairman has very kindly consented to make verbal representations, should opportunity allow, to the Committee thereon.

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STATEMENT No. 105.

TUTICORIN CHAMBER OF COMMERCE.—LETTER DATED 11TH FEBRUARY, 1921.

With reference to your letter No. 15 R.C. dated 17th ulto., I regret to inform you that your invitation arrived too late to enable this Chamber to send a representative to give evidence before your meetings in Madras. This was due to breaches on the South Indian Railway Company's system which cut Tuticorin off from all communication with places north of Trichinopoly for a period of 8 days.

I am directed to pass on to you the undernoted resolution passed at the monthly ordinary meeting of the Chamber to-day, in connection with the management and finance of Indian Railways.

"Resolved, that this Chamber is in general agreement with the views put forward by the Burma and Bengal Chambers of Commerce in their communications to the Indian Railway Committee. This Chamber wishes to emphasise its opinion that a company-managed railway under an efficient system of control by the supreme Government is likely to serve the country better than a purely State-managed concern."

STATEMENT No. 106.

HYDERABAD (DECCAN) CHAMBER OF COMMERCE.—MEMORANDUM WITH PARTICULAR REFERENCE TO H.E.H. THE NIZAM'S GUARANTEED STATE RAILWAY COMPANY.

General.—It is no use denouncing the present company management and setting up a cry for wholesale State management, which would be as bad as the former so long as the staff remains as uncontrolled. What we want rather is an efficient, forceful, active and independent board of directors domiciled in India, representing all shades of Indian opinion and interests, having an insight in local matters, readily accessible to all, and interesting itself on behalf of the public. Such a board will be able to justify its existence by checking and effectively supervising the policy of the Railway Executive and setting it right in consonance with public interests.

Local.—We, like the rest of India, suffer from the want of wagons in our railways, and in the busy season the way the wagons are distributed requires a lot of looking into. The traffic assistants in the railway are absolutely out of touch with the merchants, and do not speak to them, if at all they do, without the station-master being the interpreter. The bulk of our traffic goes to Bombay. Our principal cotton centres are in the metre-gauge. Our goods have to pass through Manmad. The G. I. P. Railway every now and then restrict the quantity that they will receive at this junction to a very limited tonnage. The merchants are compelled to book their cotton and seeds from the metre-gauge stations *via* Secunderabad. Both the N.G.S. Railway and the G.I.P. gain by this arrangement, as the goods are carried over a longer length on their railways. The restrictions, therefore, on the quantities received by the G. I. P. at Manmad are of frequent occurrence. The Chamber feels that they should have an alternative route which is not prohibitive in freight. This can be achieved if the Purna-Hingoli branch is extended to link up with the G. I. P. somewhere near Barsi Road. The Chamber is informed that there is opposition to the scheme from the G. I. P.

The railway does not pay any attention in these parts to public opinion. A radical change in the arrangement of the goods yard at Secunderabad was made, without any reference to the public, whereby the goods have to be taken to the east end of the town. The original entrance and exit were at the west end of the yard opposite the Customs office. The merchants that cleared the goods used to take them to the Customs house. Now they have to go round nearly a mile to the Customs office. Apart from the extra cost involved, there is a great deal of delay. The ostensible reason for the change was that the yard was very much congested. The change has not improved matters now, as the Chamber can quote instances where a number of wagons that arrive at Secunderabad are not unloaded for two and three days for want of room.

We, like the rest of India, suffer from the overcrowding of trains. Where we differ from them is, whereas overcrowding in British India is among the third-class passengers only, here it applies to second-class passengers also. The Chamber can cite instances in which passengers, sometimes a hundred, were travelling on footboards on suburban trains. These are not brought to light, as we have no newspapers here to ventilate the grievances of the public.

The remodelling of the station at Secunderabad was taken up some five years ago and is still unfinished, and it is not known how long the construction will so drag on. Far bigger buildings could have been conveniently finished in less than this time. However it be, there was no particular necessity for the railway to have demolished the old building before they constructed the new one. thus exposing passengers to sun and rain and many other such difficulties. Practically there is no platform, no proper entrance or exit, and as the train service is very irregular and trains are very often late, passengers have to wait very long exposed to all kinds of weather. No railway would have thought it possible to manage without building for such a big station as this for five years. The convenience of the public also should be borne in mind by the railway authorities when they arrange things to meet their requirements.

STATEMENT No. 107.

MYSORE CHAMBER OF COMMERCE.—NOTE DATED 15TH JANUARY, 1921.

The Management of Railways Owned by the State.

Whether State management is superior to Company management, or *vice versa*, Mysore can at least claim that it experiences whatever may be the benefits or the drawbacks inherent in the systems from the fact that the railways running in and through the State are under three different forms of control.

Firstly, we have (*a*) entirely company management in London in the portion of the Madras and Southern Mahratta Railway line from Bangalore City to Bowringpet, 44 miles, and Bowringpet to Marikuppam, 10 miles, and owned by the Government of India; (*b*) a native State-owned line under the same company management as (*a*) for that portion of the line from Bangalore City to Harihar, 211 miles, and Bangalore City to Doddakuragodu, 52 miles; (*c*) native State management entirely of the line from Birur to Shimoga, Arsikere to Mysore, Bangalore City to Nanjangud, and Bangalore City to Bowringpet, all three forms of management being subject to the Railway Board control.

The difficulties of co-ordinating the interests of two separate governments under such circumstances must obviously be a matter of great delicacy, and this is all the greater when the interests of the mercantile community and the public clash. For a native State to possess its own railway system, and the control thereover to be subject to that of the Government of India, as well as the Railway Board in India and a Board of Directors in London as lessees, is a state of affairs which my committee venture to think has no parallel in any part of the world. My committee from this statement do not wish it to be construed that such control has been inimical to the interest of the State, but a situation which might be considerably improved in the interests of the Mysore State and the public and trading community. Under the existing systems of control prevailing in a State containing 663 miles of railway communication there must obviously be difficulties for the adoption of a uniform railway policy or even management. Whatever may be the best form of control, and this is more a matter for the Government experts to decide, my committee venture to submit that for the lines running through Mysore the representatives of the mercantile community and the public should have some voice in the administration, even if such representations partake of the nature of a consulting committee with a definite status and entrusted with specific powers and responsibilities. Some such link between the executive management of the railway and the public would probably result in the latter taking a livelier interest in its railways and be also more willing to invest in them. To such a committee might be entrusted the settlement of the grievances of employees, the redress of disabilities to trade, the consideration of new extensions in the State, and the comfort and welfare of the travelling public. The direct administration of the line would remain entirely in the hands of the executive and managers, and the question of finance left wholly in the hands of the State, but subject to the approval of the State Legislative Councils so far as the matter of provision of funds concerns their respective taxpayers.

Answering questions Nos. 6 to 8 in general, my committee venture to submit that the control and management of railways in South India, as represented by the Madras and Southern Mahratta Railway and the South Indian Railway lines, should be merged into one system and be under direct State management with a board sitting in India, and proportionate permanent representation allowed on such board to the Government of India, the Mysore Government, and to nominees, for three years, from each of the Chambers of Commerce in Madras (2), Tinnevelly (1), Cochin (1), and Mysore (1). Thus, one member each would be nominated by the Madras Chamber of Commerce, South Indian Chamber of Commerce, Tinnevelly Chamber of Commerce, Cochin Chamber of Commerce and the Mysore Chamber of Commerce, and a like number nominated, *pro rata* to capital invested, by the Government of India and the Mysore State, with a permanent chairman and deputy-chairman nominated by the Government of India. My committee strongly urge the necessity for merging the Madras and Southern Mahratta Railway with that of the South Indian Railway, and making same one united system, if there is to be anything like a uniform policy of control and rates over the joint systems for the south of India as a whole. The inconvenience and loss is very great which merchants suffer through these companies not being able to accept goods for carriage over each other's lines without a suspension of traffic, or one company being short of wagons while the other is well supplied. The experience of the absence of uniformity in working of the two lines during the war is sufficient to call for one united management for both of the companies.

Under the control of such a board of representatives it can be claimed that the interests of the Government of India, the Mysore State, the mercantile community and the general public would be fully protected, and Indian conditions and requirements receive greater consideration and expeditious treatment. It is also submitted that under such partially-elected representative control the general public are likely to be more willing to participate in railway investments than under the present system, whereby the question of funds for the railways in India is one made subordinate to the financial requirements as a whole of the Government of India. My committee do not think that there will be any lack of continuity in such a Board of Directors as they suggest, specially as both the chairman and the deputy-chairman would be permanent Government of India nominees skilled in railway work. They do not consider it necessary that the other members of the Board should be skilled in railway work, nor do they think it likely that Chambers of Commerce would elect a representative who, by reason of his being actively engaged in a particular industry or area, would prejudice the impartiality of the Board.

Railway Finance.

My committee do not think it necessary that they should reply seriatim to the several questions raised touching railway finance, but are strongly of opinion that the requirements of the railways, whether for new construction, maintenance, or the improvement of the existing railways, should not be dependent on the power of the Government of India to provide finance either by borrowing or from its balance, but that the railway policy of the Government of India should be one quite independent and in the direction of making the construction, maintenance, etc., of the whole of the railways in India dependent on their own successful working, like any commercial firm or company would be expected to be, even if the carrying out of such a policy necessitates the raising of existing rates and fares. Owing to the complexity of the question of railway rates, a rough estimate of the percentage by which rates and fares might be raised will not serve any useful purpose. but an increase in the rates for all goods (other than food grains) and a fractional increase in third class passengers' fares, with double and treble increases in the case of second and first class fares, are hardly likely to result in any loss of trade or falling-off in passenger receipts. The increase in the goods rates might be raised to the average rate per ton per mile prevailing in 1912, which would

but represent an increase of 10 per cent., and a 15 per cent. increase in passenger rates would raise the average charge per passenger per mile to about 3¼ pies. My committee are, however, in agreement with the recommendations of the Industrial Commission as contained in paragraph of their report touching the preferential treatment of exports consigned to seaports.

STATEMENT No. 107 (*a*).

W. C. Rose, Esq., Manager, Bank of Mysore.—Memorandum dated 15th January, 1921.

(Transmitted by the Mysore Chamber of Commerce.)

So long as no share in the control of railways is given to the people of India I see no likelihood of investments in Indian railways becoming popular with Indian investors. At present, to the Indian mind the whole control and management of railways in India is clothed in a foreign garb—a different case to what prevails in Canada, Japan, and South America. It cannot be denied that the railways in these countries are not efficiently managed or not profitable, on the whole, to foreign investors, who in the case of the Canadian, Argentine, and Brazilian Railways are perhaps more British, but, nevertheless, with no predominant control, if any, over the companies. It must also be admitted that in spite of such local control and management these railway companies experience no difficulty in raising on the London market all the funds they require. It is only a question of the rate that a company is prepared to give for money that has any bearing on the London money market, and not by reason that the particular company is to be managed by a London Board of Directors—composed chiefly of retired Indian civilians and ex-railway officers or agents. What one fails to appreciate is, why the retired Indian official, resident in London, is more capable of directing the policy of an Indian railway, or influencing Home financiers, than his up-to-date and equally expert colleague on the spot, backed up by credit of the Government of India? The company agent in India, presumably, is required to express his views to his London Board on any policy he may desire to have introduced, and it is not the case that the policy of Indian railway company is conceived by the London Board, and its execution only a matter for the agent in India! I see no reason why a Railway Department of the Government of India, with a Minister of the Viceroy's Council at its head, as suggested by Sir T. R. Wynne, with the aid of an Advisory Board, composed of railway agents and commercial men, should not be constituted to take the place of the present Railway Board and London boards. By such a step will the people of India realise that they have a voice in the control and management of their own railways. As regards the question of finance, I am of opinion that given the aforesaid conditions, with popular terms of issue, it would be possible to raise in India all the money required annually for capital purposes. I do not consider that any real attempt, on a regular organised system, has been made in India for the marshalling of the available financial resources of the people in India. The pre-war practice of the Government of India was merely to call tenders for the amount of their requirements for all services. These loans were usually for a few crores and were readily absorbed, chiefly by speculators in Government paper securities. During the war the Government of India advanced a step and took council with the three Presidency banks, and made them their underwriters for the War Loans, and left the pushing of these loans to the other banks without a share of the underwriting commission received from Government. This attitude of the Government of India is in sharp contrast to the policy adopted by the Home Government, who secured the co-operation of all the bankers in the United Kingdom, and allowed, I believe, to such banks a generous commission as well as the use of the funds raised by each one for a fixed period of time. The banking resources (deposits) only of all banks in India in 1917 are said to have aggregated some 150 crores, and if these banks were to act as one large underwriting syndicate for the raising of Government loans in India, say, annually to the extent of 15 crores, it would but mean the diversion, if at all, of their deposit resources to the extent of 10 per cent. only. With the establishment of the Imperial Bank of India, for the existing three Presidency banks, the opportunity for a more co-operative policy, of the nature described with other banks, should now be easier of accomplishment. Further, the opening of a branch of the Imperial Bank of India in London should make it possible for that institution to obtain British funds for investment in Indian railways. The only question is, as I have stated, one of rate. It is useless for me, under the present prevailing financial conditions of the money markets as well as the certainty of further borrowings in the near future by the Government of India, to mention a rate of interest which I consider would have to be paid by the railways; but the rate must not be less than the rate offered by the Government of India for its loans, with a share of the surplus profits, after paying Government, say, 5 per cent. on its capital outlay, and should also be free of taxation. This latter condition is most essential as it is probable that in the future the income tax is more likely to be increased than reduced. A further condition to induce the Home investor would be to fix 2 shillings to the rupee as the rate of exchange for the payment of interest only, the capital to be repayable in rupees.

STATEMENT No. 108.

The Native Share and Stockbrokers' Association, Bombay.—Note dated 28th January, 1921.

1. My association is strongly in favour of the management of railways as being taken over entirely by the State, as the management by companies has proved extremely adverse to the interests of the country, and specially its trade and industries. It is notorious that the present management is oblivious of all the interests of indigenous trade and industries, with the result that they have not developed to an extent as could have been anticipated. The company management is naturally anxious that as much profit should be got out of the railways as possible. This may be a desirable course to pursue for purely commercial concerns, but one that cannot, and should not, be followed in its entirety where national interests are concerned. Railways are in all

the countries considered, and rightly so, as national concerns, and the history of the war furnishes sufficient evidence to show how the State had to assume control of the railways in each belligerent country for the proper mobilisation of all the resources of the State in its best interests.

It is a matter of the deepest regret that the claims of Indians for employment of Indians in higher grades of the railway service are not taken into account by the companies concerned. This can only be remedied by the assumption by the State of all management, specially as under the new policy adopted recently a definite proportion of all appointments has been promised to Indians. Another reason why my committee are in favour of State management of railways is the treatment meted out to third-class passengers—a treatment of which there is, perhaps, no parallel in any other country. In short, my association recommend most strongly the adoption of the State management of railways as a principle by the Government of India. It would be a fitting supplement to the reforms inaugurated recently.

20. Capital funds required should be raised in the cheapest market.

21. With regard to branch-line terms my association are of opinion that they must be more liberal than what they are at present. Financial conditions have altogether changed, and the time when it was possible to raise loans even on 5 per cent. has gone. Looking to the big dividends being declared by the cotton mills and banks, people will not go in for railway shares unless there is some equally great inducement offered to them. It is a matter of regret that in all the present industrial awakening being witnessed in this country not much attention is being devoted to the railway enterprise. It is to the interest of both the people and the Government that this neglect of one of the principal industrial enterprises should be replaced by a healthy interest, and this will be possible only when branch-line terms are made more liberal than what they are. In this connection my association may be allowed to point out that, looking to the spirit of the times and their experience of the investing public, the new railway companies should be as far as possible Indian and at least half of the capital subscribed must be in Indian hands.

22. The method of raising loans should be by terminable bonds redeemed by a suitable sinking fund created for the purpose. This method appears to be the best, looking to the financial condition of all the countries in the world.

24. My association cannot give any estimate of the amount which may be raised by loans in India and the United Kingdom. The war period showed a great possibility in this country for responding to the call for loans. Though that response cannot be taken as an index to the future possibilities of the Indian financial market, my association are confident that there will be no lack of response to any railway loans which may be floated. My association cannot pronounce any opinion on the amount which may be possible to be raised in the United Kingdom.

STATEMENT No. 109.

THE CHAIRMAN, Central Provinces and Berar Mining Association, Kamptee.—LETTER DATED THE 4TH FEBRUARY, 1921.

With reference to your letter No. 1129-A/XIII, dated the 15th December, 1920, forwarding copy of Railway Board's letter No. 405-F. 19, dated the 3rd December, 1920, together with copy of the questionnaire referred to therein, I have the honour to state that the experience of the members of this association has been confined to the two company-managed lines, the Bengal Nagpur and Great Indian Peninsula Railways. They are, therefore, not in a position to express an opinion on many of the subjects mentioned in the questionnaire. They would, however, like to point out that the mining industry of the Central Provinces has been very seriously affected by the lack of railway facilities, and as an example of this one company alone has about 350,000 tons of prepared manganese ore on their mines and sidings, which they have been unable to transport to port, although the demand for ore during the past year has been such that they could have disposed of twice the quantity that they were actually able to export. The members of this association are, therefore, of the opinion that there should be an allround improvement in the carrying capacity of the railways by the doubling of open lines and an increase in the quantity of rolling stock.

With regard to the question of whether the board of the leasing companies should be domiciled in the United Kingdom or in India, the members of this association are of the opinion that the answer to this enquiry would depend to a large extent on the ability of India to supply the required funds

With regard to the question of the Railway Board and the Government of India's control of the railways, the members of this association are of opinion that this should be limited as far as possible, because the Railway Board's control over rates, for instance, might prevent competition between railways, and would, therefore, prevent exporters from having the benefit of lower rates than the Railway Board might permit. This, I understand, has already happened in the case of the Bengal Nagpur and Great Indian Peninsula Railways, over both of which railways manganese ore is transported to the ports of Calcutta and Bombay, as the case may be.

STATEMENT No. 110.

BOMBAY NATIVE PIECE-GOODS MERCHANTS' ASSOCIATION.—LETTER DATED 1ST FEBRUARY, 1921.

With reference to your letter No. 15-R.C. dated the 1st ulto., enclosing a copy of the questionnaire of the Indian Railway Committee, I am directed by the committee of the above association to send hereby their views as under on the subject:—

Part I.

Question No. 1.—My committee are of opinion that railways owned by the State should be managed by the State directly.

Question No. 2.—When the State undertakes the management, there should be a change in the system of management and we suggest that separate Railway Trust be created consisting of representatives of Government by nomination, of experts and representatives of Indian trades from each Presidency and a military officer.

Question No. 3.—If at all the railways are to be managed by companies, we think they should be domiciled in India.

Question No. 4.—No.

The reasons are obvious.

Question No. 5.—We are of opinion that the management of railways by companies domiciled in United Kingdom as a rule are out of touch with Indian conditions and requirements, hence, it is desirable that they should be domiciled in India.

Question No. 6.—The board of companies domiciled in India should be composed of directors elected by the shareholders and the Government nominees to the extent of one-fourth, half of which should be non-officials.

Question No. 8.—We do not consider it difficult to obtain suitable directors to take interests in the affairs of the company.

Question No. 9.—No.

Part II.

Question No. 10.—We do not consider it satisfactory and refer to our reply to Question No. 2.

Question No. 11.—If our suggestion in reply to Question No. 2 Railway Trust is overruled and it is thought desirable to continue the control by means of Railway Board, there should be change in its constitution so that there may be a majority of representation of commercial and industrial interests on the Board.

Question No. 13.—Railway Board has never been known as exercising its powers with regard to matters relating to the requirements of the travelling public and of trade. If Railway Board is to continue it must have full powers to exercise them over the management and also should have adequate powers to deal with complaints from the public.

Question No. 14.—No.

Part III.

Question No. 17.—The supply of funds by the present system for railway purposes with regard to sub-questions A. B. and C. is not adequate.

Question No. 18.—The funds available at present are quite inadequate to meet requirements of equipment and improvement of existing railway and of railway extension.

We suggest that two separate grants should annually be provided to adequately meet requirements for both purposes.

Question No. 20.—The funds may be raised for the capital purposes in the cheapest market and preference should always be given to India on equal terms.

Question No. 21.—We do not consider the existing arrangements of supplementing by means of branch line terms the Government of India's resources for railway constructions are satisfactory. Looking to the changed condition in the monetary market of the world they will have to be modified in order to induce capitalists to invest in railways construction and more liberal terms will have to be offered.

Question No. 22.—It may be raised by loans, debentures or by terminable bonds by the Railway Trust as suggested above or by the Government of India for railway purposes.

Question No. 24.—We think at least ten crores of rupees could be raised annually for railway purposes in India and about twenty millions sterling from United Kingdom in normal condition.

Question No. 25.—Not likely.

Question No. 26.—(A) Yes. (B) We are opposed to the increase of rates and fares, but if at all it is necessary to do so, to make both ends meet, the rates on the articles of luxury should be raised.

Question No. 28.—The grants ear-marked in the Budget to be spent in a particular year should not lapse.

Part IV.

Question No. 30.—We do not consider that the Government control is adequate in respect of rates and fares and we deprecate the system of preferential rates for sea ports against internal traffic rates.

Question No. 31.—The powers in this respect dedicated to the railway administration have not been used in the interests of the public.

Question No. 32.—Though there is such a provision for the appointment of a Railway Commission to settle disputes between railway administration and traders, my committee are not aware of any occasion when such a commission has been appointed. They should like to suggest that in every leading commercial town there should be a committee composed of chief commercial bodies out of which two of them should act as arbitrators when there is any dispute between the railway administration and traders. The traders generally are not aware of any expedients to redress their grievances and are practically helpless in the hands of railway officials. This sort of helplessness has been responsible for a good deal of embitterment between the trading community and the railway owing to unnecessary losses which have to be put up with by them. To remove the complaint and to have harmonious feelings, the only course is to have such a committee as suggested here above. Traders will then soon be accustomed to refer in case of any complaint to such arbitration and will even in case of adverse decision be reconciled to it, coming as it will from arbitrators out of their own people.

Question No. 33.—Our committee hopes to submit further statement in reply to this question.

Part V.

Question No. 34.—The carrying capacity of different railways, in our opinion, is not adequate at all, especially when large numbers of wagons are occupied in carrying coal. To immediately relieve the acute position of storage of railway wagons my committee suggest that Government should take steps towards providing sufficient number of steamers to carry coal between different Indian ports.

STATEMENT No. 110 (A).

BOMBAY NATIVE PIECE-GOODS MERCHANTS' ASSOCIATION.—LETTER DATED 3RD FEBRUARY, 1921.

In continuation of my statement dated 1st inst., I beg to send the following statement in reply to Question No. 33.

Under the present management of State railways, following results have been experienced by the mercantile public in transmission of their goods:—

(1) Efforts have been successfully made to relieve railway companies of their liabilities as carriers of goods in regard to short and non-deliveries and pilferages of goods under cover of owners' risk.

When this change in the rates was introduced with two forms of receipts, the public were unaware of the consequences that would result from the protection the railway companies thus sought under "Owner's risk" receipts, under which they now disclaim liabilities not only for damages, but also for short and non-deliveries. Consequently, cases of pilferage and entire loss of goods have been increasing. Traders are put to great losses and to hardships in recovering their claims the settlement of which is indefinitely delayed even in cases under railway risk notes. Our committee, therefore, recommends that as an immediate remedy under the present company management an average rate and one form of receipt should be fixed imposing upon the company full liability as to the safe carriage of goods and merchandise to their destinations with regard to pilferages and short and non-deliveries. This will make the companies alive to their responsibilities and greater precaution will be exercised by those responsible at different railway stations including railways police.

(2) Corruption owing to lack of strict control by the present management has been increasing, and when under plea of shortage of wagons or some such cause booking is suspended, preference is given to goods where arrangements are made through muccadum by way of tips. This state of things continued even during the last year in our city. To avoid such occurrences, my committee thinks that serial loading system and efficient control in the matter is essential as an immediate remedy.

(3) Recently, railways have also been disclaiming their liability for goods awaiting loading in their yards. In the busy season a very large number of merchandise packages are sent to railways, and they have to wait for a day or two before regular consignment receipts are given. After loading, in carts from private godowns, cases of entire disappearance of goods have recently been happening, and the cartmen, lured by robbers, miscarry the loads, and when receipts are not forthcoming after a day or two, inquiries are made, and it is found that goods never entered the yards or were turned back by the drivers induced by some robbers. To avoid such occurrences, a system of gate receipts to be given to consignees should be introduced and proper and vigilant guard by the authorities should be exercised on goods awaiting loading. Such a receipt should eventually be returned in exchange for a regular railway receipt on completion of the loading.

STATEMENT No. 111.

CALCUTTA TRADES' ASSOCIATION.—EXTRACT FROM LETTER DATED 25TH NOVEMBER, 1920.

I have the honour by direction of the committee of the Calcutta Trades' Association, to state that this association has nothing to add to its letter No. C.M.-14—1916, dated the 19th September, 1916, to the Railway Board, regarding the question of State *versus* Company management of Indian railways, and to its letter No. C.M.-4—1918, dated the 2nd April, 1918, regarding the working of the Indian Railways Act.

NOTE.—The letters quoted are reproduced here *in extenso*.

Copy of letter No. C.M.-14—1916, dated 19th September, 1916, from the Secretary, Calcutta Trades' Association, to the Secretary, Railway Board.

I have now the honour, by direction of the master and committee of the Calcutta Trades' Association, to reply to your letter No. 188-F—16, dated 27th June, 1916, requesting to be furnished with such views as the committee may desire to offer regarding the question of the comparative advantages of the management of railways in India by companies and directly by the State.

It is further noted that you will also be glad to be favoured with the replies of the association to the following questions enumerated in your letter under reply:—

(1) What particular railway or railways do your members most frequently have dealings with?

(2) If with both State and Company-managed lines, does the experience of your association lead to the belief that the public are better served by one than by the other in—
- (*a*) promptitude of despatch and delivery,
- (*b*) in rates,
- (*c*) in the manner of dealing with complaints,
- (*d*) in the care and handling of goods,
- (*e*) in the matter of passenger traffic?

(3) If dealings are with one system of railway only, have you complaints to make under any of the sub-heads to the Question (2)?

Before proceeding to deal with these questions, the committee desire me to state that the concensus of opinion is that, both from the point of view of convenience to the public and general policy, the management of railways in India by companies with State control as opposed to direct management by the State is the system to be preferred.

One point in favour of company management is that members of the staff are not first the employees of the State and secondarily of the railway, and, therefore, liable to transfer. Their service is continuous. They become identified with their own line and such a staff, in the opinion of the committee, becomes more efficient than where individual members are subject to frequent transfer. Individuals become personalities in their districts and are not only of extreme value to the company they serve, but they gain the confidence of the public. A good many instances might be given of this feature of company-managed lines. On the other hand, cases could also be given of men of ability employed by State-managed lines being transferred to other systems and being replaced by others again from other districts, who, though possibly as able, had to acquire local knowledge before being, from the local point of view, properly efficient.

Before leaving this point, the committee feel that the question of promotion by seniority in the railway service as a whole is a serious handicap to State-managed railways in contrast to company management. The State railway servant regards himself as a servant of the State and the system on which he is working at the time has second place, whereas the company servant develops a feeling of loyalty to his company, and, moreover, his whole career depends not on seniority, but personal efficiency.

The committee do not wish to go deeply into the question of political influence on State management, but they would remark *en passant* that this is possibly an undesirable feature and one to which company management forms an effective barrier.

Turning to the specific questions that have been asked :—

(1) The lines our members most frequently deal with are the East Indian Railway, Bengal Nagpur Railway, the Eastern Bengal Railway, and less frequently the Bengal and North-Western Railway. The concensus of opinion is that the most satisfactory service is rendered by the East Indian Railway and the Bengal Nagpur Railway. The Eastern Bengal Railway has become more progressive of late years, particularly with regard to passenger traffic, but individual members point out defects in the handling of goods and parcels traffic, while with the few who deal with the Bengal and North-Western Railway, that line seems to be generally unpopular. But although this is a company-managed line and its management is apparently unpopular with the public, this fact must not be taken to offset the general opinion expressed by the committee in this letter.

(*a*) The East Indian Railway and Bengal Nagpur Railway appear to be regarded by members as being on the same grade and ahead of others in promptitude and delivery of goods. More satisfaction is obtained from these lines when complaints arise and more promptness than is the case with other lines.

Members also comment with satisfaction on the excellent passenger arrangements on the Bengal Nagpur Railway and the individual attention they experience when travelling on this system. This feature seems to have been highly developed on this line, but, in all fairness, it must be stated nothing can be said against the East Indian Railway or Eastern Bengal Railway on this score. Reverting to parcels traffic, our members complain of carelessness in handling on the Eastern Bengal Railway, frequent breakages and other forms of damage, also of delay in obtaining railway receipts of goods forwarded by passenger train, whereby the documents reach the consignee a day later than the goods, which, in the case of perishable articles, is often disastrous.

(*b*) We have no remarks to make on this subject

(*c*) We have dealt with this in our remarks under sub-heading (*a*).

(*d*) The concensus of opinion is in favour of company-managed lines.

(*e*) See our remarks under (*a*).

With regard to paragraph 3, the Committee would strongly urge that the management of the East Indian Railway be continued in its present form. From the nature of this communication hitherto it will be seen that the opinion of members is in favour of company management, but in regard to this individual case, it would be borne in mind that the lines controlled by the East Indian Railway are of very great extent, and the excellency of the present management of what must be a difficult and complex problem is very marked. In fact, too great praise cannot be meted out to this company for the successful manner in which they have tackled the problem of managing a huge concern with an absence of friction and complaints. They would therefore view with some anxiety a far-reaching change that might be prejudicial to the excellent service that prevails at the present time.

Copy of letter No. C. M.-4—1918, dated 2nd April, 1918, from the Secretary, Calcutta Trades' Association, to the Secretary, Railway Board.

By direction of the Committee of the Calcutta Trades' Association I now have the honour to reply to your letter,* No. 574-T.—17, dated 31st October, 1917, with reference to the working of the Indian Railways Act.

The question has received the careful attention of my committee, and in respeonse to a circular issued to the several members of the association, certain complaints regarding rates and other defects in the Act have been duly brought to the notice of this association, amongst which the following appear to call for special attention.

1. *Responsibility for the loss, destruction or deterioration of goods delivered to a Railway Administration for carriage by railway.*—In this connection, Messrs. Samuel Fitze and Company, Limited, have placed at the association's disposal copies of the correspondence which has passed between themselves and

(*a*) the East Indian Railway, and

(*b*) the Chairman, Railway Board

* T., January 1918, A. $\frac{574\text{-T.}—17}{1—2}$.

Their letter, dated 11th February, 1918, to the latter, gives a full *resumé* of the facts of their particular grievance against the East Indian Railway, and it is, therefore, unnecessary for us to deal with the matter in detail.

My committee have gone very closely indeed into this case, and it would appear that a very strong case has been made out for the necessity of issuing *kutcha* receipts for such goods as are duly tendered to a railway administration for carriage by railway to up-country stations, provided the goods so tendered are properly marked in accordance with the rules of the railway company in question. The present system of not granting receipts until the goods are actually ready for despatch is one which has met with unanimous disapproval of the members of this association, who are strongly of opinion that they are deprived of any measure of protection against loss, destruction or theft.

The next point in connection with Messrs. Samuel Fitze and Company's complaint is their inability to obtain any redress from the East Indian Railway with regard to the cases alleged to have been lost from the sorting yard at the Howrah goods shed, and with reference to this point the committee would respectfully draw your attention to Section 72 of the Indian Railways Act, which reads as follows:—

> " The responsibility of a railway administration for the loss, destruction or deterioration of animals or goods delivered to the administration to be carried by railway shall, subject to the other provisions of this Act, be that of a bailee under Section 151 of the Indian Contract Act, 1872 (IX of 1872)."

As also to Section 151 of the Contract Act referred to:—

> " In all cases of bailment the bailee is bound to take as much care of the goods bailed to him as a man of ordinary prudence would, under similar circumstances, take of his own goods of the same bulk, quality and value as the goods bailed."

In considering these two Sections together, the committee are of opinion that a very strong case could be made out against the East Indian Railway, and your board's attention is particularly directed to this case.

2. *Disposal of goods not called for by consignees at station of destination.*—The following letter, dated 1st February, 1918, has been received from Messrs. James Monteith and Company on the above question:—

> " It is our experience that consignments which, through some cause, are not called for by consignees at destinations, are frequently relegated to the lost property offices without any intimation being sent to the consignors or consignees, and the matter only comes to the knowledge of the consignors after the lapse of considerable time after the demurrage accruing has greatly increased in bulk.
>
> " The remedy which suggests itself to us is that arrangements should be made to send intimations of non-delivery of consignments a week after receipt thereof to the consignors and a copy of the intimation to the consignee with a request for the production of the railway receipt, and this, we think, will not be found impracticable if printed forms are used for the purpose. We may add that conformity to this procedure at the railway stations will obviate much unnecessary clerical work and complicated enquiries which have to be held afterwards, leading to correspondence which seems to us preventable.
>
> " From what actually takes place, we are inclined to think that the current procedure of summarily consigning undelivered parcels to the lost property offices does not appear to have lightened the work of the railway offices, as enquiries which could have been made at the initial stage of matters, ensuring the interest of the railways and their constituents, have to be made afterwards, to the detriment of all the parties concerned and multiplication of work at all the offices interested."

My committee also commend this matter to the consideration of your board, as it is felt there is a great deal of sound reasoning in the contention raised by Messrs. Monteith and Company, and the remedy appears to be a very simple one indeed.

3. *Mistakes made by a railway administration with regard to the forwarding of goods legibly and clearly marked to a wrong destination.*—The above constitutes a grievance brought to the association's notice by Messrs. Houghtons (India), Limited. This firm's complaint is that two separate and distinct parcels of goods, legibly and clearly marked, were despatched in each case to the wrong destination by the railway company, who decline to accept any responsibility on the grounds that the respective packages, though admittedly legibly and clearly marked, were wrongly pointed out to the forwarding clerk at the station of despatch. The firm claim that this is a mis-statement of facts, as in both cases forwarding notes were correctly written out and the packages clearly and legibly addressed, and it is for the railway company to see that the packages were correctly labelled for the station of destination, and the responsibility, therefore, must be with the railway company for any loss or damage incurred either by the consignee or consignor.

4. *Responsibility of a railway company for the loss of goods accepted for conveyance to a particular destination beyond the limit of its own line of railroad.*—This question has been raised by the French Motor Car Company, Limited, who complain that they are unable to get any redress from the Great Indian Peninsula Railway for the loss of a box containing two taximeters worth Rs. 600 which was despatched to them from Bombay by goods train *at owner's risk*. The Great Indian Peninsula Railway are able to prove that the box in question was made over by them to the East Indian Railway and consequently they deny any liability for its loss. The East Indian Railway likewise deny liability on the grounds that the box was booked *at owner's risk*, but admit the firm is entitled under Section 75 of the Indian Railways Act to a maximum compensation of Rs. 99, which the East Indian Railway are agreeable to pay.

In this connection, I am to direct your attention to the English law on the subject, which is as follows:—

> " If a railway company accept goods for conveyance to a particular destination beyond the limit of its own line of railroad, *and the goods are lost while in the hands of another railway company to whom they have been delivered to be forwarded on the journey*, the

first railway company is the party to be sued by the owner of the goods, as being the party contracting with him for the conveyance of them, *unless the company has by express contract limited its liability to loss* and damage occurring on its own line of railway,"

from which it will be seen that the first railway company contracting with the consignor for the conveyance of the goods is liable for any loss or damage occurring to such goods while in the hands of another railway company to whom they have been delivered to be forwarded on the journey. My committee, therefore, feel that this question should be carefully gone into by the Railway Board, for the reason that, as matters now stand, a consignor is unable to fix responsibility upon any particular railway company in the case where goods are consigned to a station beyond the limit of the receiving railway company's railroad and are subsequently lost in transit.

5. *Rates of Freight.*—(*a*) *Musical Instruments.*—These are classified under the highest scale of freight, and, in addition, when the value of the goods exceeds Rs. 100, they have to be insured if sent at *railway risk.*

My committee note that under Section 75 of the Indian Railways Act insurance on "excepted" articles was introduced *by way of a compensation for increased risk* with respect to articles of special value. It is obvious, therefore, that whereas the articles are to be insured according to their monetary value, the increased risk applies mainly to the risk of theft or pilferage, which can hardly be said to be applicable to pianos, although they are classified under the highest rate of freight governing " excepted " articles, while on the other hand, articles which are included in the same list and which are more liable to the risk of theft or pilferage or even damage, are classified at a lower rate of freight.

Again, in the case of cotton or woollen piece-goods, though, bulk for bulk, this class of merchandise is lighter than pianos and consequently carried at a lesser freight, they are just as valuable and more susceptible to damage by fire or damp, and also more liable to theft and pilferage, yet such goods are not considered an increased risk, and consequently are not included in the list of excepted goods, although it must be the experience of railway companies that pilfering in respect of this particular class of merchandise is admittedly heavy.

Furthermore, there is a maximum and minimum rate for each class of freight, but in the case of pianos, they are not only classified under the highest rate, but are also charged at the maximum freight of that rate, whether the consignment be a fraction of a maund or a ton lot, over and above which the goods have to be insured when consigned at railway risk if the value exceeds Rs. 100.

The obvious deduction to be made from the above statements is that as pianos, which are heavy articles, are subjected to the highest rate of freight *plus* insurance, the total carriage charge on this class of goods is detrimental to the trade, and it is contended that inasmuch as present day pianos are no longer the delicate instruments of 20 to 30 years ago, they are not so liable to damage, and no more than ordinary care in their handling is necessary. Consequently, it is considered that they should be classified at a lower rate of freight, and the increased risk (if any) of damage be covered under the scale of insurance.

(*b*) *Fragile goods.*—My committee are of opinion that the question of whether goods under this classification are badly or defectively packed, should be decided at the time of their acceptance by a railway company, and not left to be determined on arrival of the consignment at its destination. They feel that special conditions for packing should be made applicable to the various classes of fragile goods, thus standardising the mode of packing for each particular class.

(*c*) *Bulky articles.*—In the case of iron girders, shafts, rails, etc., where by virtue of their great length such goods cannot be carried in one truck, my committee consider that as the aggregate weight of such consignments is often under the minimum weight per truck specified, it would obviate the payment of heavy extra charge on underweight consignments, if it could be arranged to run trucks in pairs whenever sufficient freight offered, but as in the case of Messrs. Samuel Fitze and Company, already referred to in this letter, *receipts for all such consignments should be granted by the railway company at the time such consignments are tendered for despatch,* and not deferred until such time as the goods are actually railed.

In this connection there also arises the question of inability to specify on the railway receipt the number of articles tendered for despatch in one consignment when the number of such articles cannot readily be counted by the station staff. My committee consider that, for obvious reasons, the correct number of articles received in the goods shed or loaded in a wagon, should be specified in full and in detail at the time of granting a receipt, otherwise the consignor is deprived of any protection against loss or theft.

6. *Insurance.*—In the case of " excepted " articles where insurance has to be effected and freight charges prepaid, my committee are of opinion that compulsory *pre-payment* should not be imposed by the railway company, but that consignments should be accepted at " to pay " rates at the option of the consignor.

In conclusion, I am to inform you that a copy of this letter is being sent to the Indian Railway Conference Association for information.

STATEMENT No. 112.

CHAIRMAN, Madras Trades' Association.—LETTER DATED 10TH JANUARY, 1921.

I have the honour to acknowledge receipt of your circular communication No. 15 R.C., dated 30th December, 1920, on the subject of the Government of India (Indian Railway Board) questionnaire, etc., forwarded to my association for attention. The matter has been considered in a meeting of my association and it is with regret they do not feel themselves in a position to offer any very definite views on the matter.

The same subject was discussed in July, 1916, and a communication was sent to the secretary of the Railway Board, a copy of which I enclose herewith for ready reference. None of our members feel that they are in a position to deal adequately with the matter and therefore do not wish to send any representatives to appear before the Commission during its sittings in Madras.

While not wishing to go fully into the matter; I at the same time desire to express on their behalf the considered opinion that company-managed railways are preferable to State-managed, as they believe better results can be obtained in working, both as regards return on capital invested, and convenience of the travelling public.

The Railway Board, we think, should be further strengthened in all departments and consideration should be given to the representation on the board of South Indian Interests.

Regarding finance, while believing that it will be necessary for the Government of India to find the necessary funds, we at the same time think that companies, if they desire, should be given a greater financial interest.

We believe that for the present and for many years to come it will be advisable to have the management of the companies domiciled in London as we do not believe that a sufficiently strong board of experts in railway management is available in India.

Question No. 26, *paragraph* (*b*).—We believe that railway rates should be sufficiently high to enable railways to be worked at a reasonable profit. The general taxpayer should not be asked to bear any of the burden of the loss on the railway working.

ENCLOSURE.

Copy of letter dated the 31*st July*, 1916, *from the Chairman, Madras Trades' Association to the Secretary, Railway Board.*

I have the honour to acknowledge receipt of your circular communication No. 188-F/16, dated 27th June, on the subject of State *versus* Company-controlled railways.

The matter has been considered at a meeting of my association and it is with regret we do not feel ourselves in a position to offer any definite advice upon the subject.

The only railways with which our members are in any way intimately associated are the Madras and Southern Mahratta Railway and the South Indian Railway, company-managed lines under nominal State control.

With State railways pure and simple we have had no experience.

In reply to the various queries raised by you on page 2, the opinion of my association is that, considering the difficulties under which the above-mentioned railways work in the direction of shortage of rolling stock, the fact that they have only a single track throughout the major portion of their systems and so forth, they have afforded and are affording to the general public every facility within their power. There are of course complaints, but we find that they are handled in a businesslike way.

The officials in general have always shown themselves easy of access and anxious to develop the facilities of their lines to the utmost for the benefit of the general public. My association is of opinion that the present system is working satisfactorily, and that the State has ample powers of control if it chooses to exercise them. Company control has very many points to recommend it, and my association is not in favour of any alteration.

STATEMENT No. 113.

THE INDIAN MERCHANTS' ASSOCIATION, Karachi.—LETTER DATED 7TH FEBRUARY, 1921, to the COMMISSIONER IN SIND.

With reference to your telegram dated the 5th instant and various telegraphic communications from the Indian Railway Committee in connection with railway policy and management, I am directed to state that my association are not in possession of questions framed by the Railway Committee in order to enable them to put in their written statement as per questions. My association gather from the wire of 26th January, 1921, to you by the Railway Committee that what is wanted is an expression of views of various interests.

2. In this connection, I am to state that my association are in entire accord with the general Indian view in favour of State management of railway against that by companies. As you are aware, this matter was fully threshed out in the then Imperial Legislative Council on the occasion of a resolution moved by the Honourable Sir Ibrahim Rahimtoola in favour of State management of railways (*vide* the *Gazette of India*, April 3rd, 1915, part VI, pp. 342 to 365).

3. My association need not reiterate the arguments in favour of State management of railways. It is expected to bring railway policy more and more into conformity with Indian opinion, as well as Indian interests. It will put a period to the present system under which low rates are charged for foreign goods as against those charged for Indian products. The railway policy regarding risk note forms B. and H. has been one of opposition to true interests of Indian merchants.

4. In this connection my association would urge that the liabilities of the railway companies should be extended to loss of contents or of a part of consignment, even though it is not a complete package, and also to " robbery from a running train." I am to add that the railway policy on the Sind section of the North Western Railway is, in connection with railway risk, getting more prejudicial to the interests of merchants. Risk note form A. applies only " when articles are tendered for carriage which are either already in bad condition or so defectively packed as to be liable to damage, leakage or wastage in transit " (North Western Railway Goods Pamphlet, No. I.P. 438). Of late, risk note form A. is being freely applied to all consignments, whether securely packed or defectively packed. Surely this is unfair to the mercantile community.

5. The railway policy should also undergo a change for the better regarding third-class passengers, who contribute the bulk of the revenue in passenger traffic. The distinction shown to Europeans (or Anglo-Indians) in railway compartments should cease to exist.

STATEMENT No. 114.

SECUNDERABAD TRADES' ASSOCIATION.—NOTE DATED THE 2ND FEBRUARY, 1921.

The Secunderabad Trades' Association favours the management of railways by the State.

Railway business being practically a monopoly in most parts of the country, companies which are managing railways with the object of making profit are not competent bodies to give the public that just and equitable treatment which they are entitled to, as their own profits must be the first consideration of the companies.

We also presume that if such monopolies are handled by the State direct, there will be more consideration shown to the public representations regarding grievances or inconveniences which may arise and a more sympathetic attitude shown.

STATEMENT No. 115.

ANSWERS to the QUESTIONNAIRE, by Mr R. S. D. LAHARY, representative of the Delhi Hindustani Mercantile Association.

Question No. 1.—I think that the State-owned railways should be managed by the State directly, rather than on a profit-sharing basis. The tables given on page 4 of the questionnaire show that the company-managed State railways bring more net profits on capital to the State than the State-owned and managed railways do. This proves clearly that the company management of the State-owned railways is less expensive, and hence less efficient. It further proves that such management naturally cares less for the comfort of passengers and more for its own profits. This is my theoretical reason. Now I come to the practical side of the question, based on personal and commercial experience. The B.B. and C.I. Railway (both gauges) is owned by the State and managed by the company on profit-sharing basis. The company is careful to show to the educated public and officials, who generally travel by mail, that it has an up-to-date rolling stock, and every attention is paid to the comfort of the passengers. But when we travel by passenger trains and in third-class the inconvenience is unbearable. It is very difficult to differentiate between the trouble that a third-class passenger has to bear on the N.W. and O.R., the State owned and managed railways and on the B.B., and C.I., and the G.I.P. railways, which are both State-owned railways but managed by companies. But, on the whole, I should consider that third-class and higher-class passengers are better off at the State-owned and managed railways than at the company-managed ones.

With regard to the commercial facilities and claims, the State-managed railways are decidedly better and certainly more prompt than the company-managed railways. The company-managed railways are studiously careful to put up a very pleasant appearance at such occasions as the Royal visits and the like. But this is simply to hide the ugly that lurks behind all this pomp and show. Excepting the European and Eurasian, staff of the E.I. Railway, including officials are comparatively meagrely paid, and are dissatisfied, while the State-owned railways' staff is better paid and is not so dissatisfied. It is a great hardship that the State-owned but company-managed railways and company-owned and managed railways' servants of lower, as well as higher grades, except only the superior staff, which is mostly European or Eurasian, are dealt with, rather summarily with regard to their dismissal or discharge by the immediate superior, whose mistakes, instead of being rectified, are upheld by the heads of departments, as really no appeal lies against their orders, and thus the officers arrogate to themselves a lot of power which they misuse. There are lesser complaints of this nature against the State-owned and managed railways.

Question No 2.—I advocate State management of State-owned railways, and State control and effective supervision of the State over company-owned and managed railways; for which purpose I would suggest that there should be a well-paid Government officer, preferable an Indian of vast experience and ability in matters appertaining to railways, as also general affairs, and well conversant with the customs and manners of the whole country. He should be assisted by an able staff of experienced and willing hands, mostly Indians. This officer's function should be to attend to all complaints made against any railway whatsoever, either State-owned or company-owned, promptly and carefully. The final appeal of all railway servants should go up to him as the final railway authority, and several other important affairs should also be entrusted to his charge. Without such an official and office, it would be impossible to make corrections and improvements wherever necessary, and public travelling and traffic will always be something troublesome in accordance with the famous Persian saying: "Saffar Surat-i-Saqar," *i.e.*, Travelling and Hell are alike in appearance."

The very existence of this official will considerably better the treatment of the railway officials and reduce the amount of illegal gratifications, that the railway officials and even officers accept more as of right now.

Question No. 3.—No, I advocate management by the State. State is likely to be less aggressive and money-making than a company. Further the State will take into consideration the ulterior benefits that a railway might give to the locality, while the company will think of the *profits* and profits alone in the shape of gold and silver only.

Question No. 5.—I do not advocate management by companies of the State-owned railways. But even in case of company-owned and managed railways, I would urge that the directorate should be an Indian domiciled one, and must have on it an Indian or two to represent Indian view of conditions and requirements in India.

Question No. 6.—I would repeat what I have said above. Further, I would suggest that even if a company is floated in India and sanctioned by the Government with a purely Indian directorate, the interests of the Government can very well be safeguarded by certain laws, rules and regulations for all railway companies alike, so that no company may be able to infringe them.

Question No. 7.—The question suggests that for safeguarding the interests of the Government a permanent chairman be nominated by the Government and who may be skilled in railway work. I perfectly agree with this, but I would suggest that this chosen mortal be an Indian, otherwise there is a danger of the people and shareholders losing confidence in the Government and believing that the company is under the thumb of a foreigner, with hardly as sympathetic a temper as an Indian should be.

Question No. 8.—This question shadows that human nature is frail, and it is so, there is no doubt about it. Because this is exactly the indictment that I have been bringing against a foreigner. Being a foreigner he will have very little in common with India and Indians. It is better to have a partial director than to have an ignorant or unsympathetic one. Further, I beg to suggest that in the face of other directors present it would be impossible for one or two to show partiality in particular industries or areas, unless they are actuated by honourable and unselfish motives.

Question No. 9.—This suggestion is a splendid one, but it is very doubtful if it is practicable and will not create unsurmountable difficulties. But for the sake of efficiency I would not mind the combination only if practicable.

Question No. 10.—I have already suggested the establishment of an effective and influential Government official. I do not consider the Railway Board, constituted as it is at present, and the way in which it discharges its duties, to be satisfactory or wholesome for the purpose for which it is or ought to be meant. I should suggest that, if an Indian is the chairman of the board, better care would be taken for the comfort of the passengers and goods traffic.

Question No. 11.—Board's subordinate officers should be mostly Indians of education and experience. (When I use the term Indian, I do not preclude Anglo-Indians who may be fully conversant with the language and thoroughly acquainted with the customs and manners of this country.)

Question No. 12.—I am for a radical change in the system, as indicated above. Until and unless the whole system is overhauled, no satisfactory results will be possible.

Question No. 13.—They have adequate powers, which they seldom exercise for the benefit of the traveller and of trade. The whole department needs conversion into a sympathetic advocate of the public, rather than a supporter of the official wrongs and irregularities.

Question No. 14.—No.

Question No. 15.—They do not require so much enlargement or modification as they require a better exercise of the powers already possessed.

Question No. 16.—The answer to this has already been suggested above.

Part III.—Railway Finance.

Question No. 17.—I do not think that the supply of funds for railway purposes has been adequate, or else so many important stations will not remain unconnected by rail, nor will the rolling stock be so poor on different lines:

(*a*) More funds should certainly be provided for new constructions.

(*b*) The maintenance of rolling stock is not nice and good, and therefore does need improvement. The shortage of wagons for goods traffic needs to be remedied; and

(*c*) the existing railways must therefore be improved and more money spent on them.

For goods traffic and for convenience of poor passengers I am of opinion that new lines should be undertaken and accomplished as soon as practicable. No civilised country should remain without railways to the extent as India is even at present. One has to travel by cart, tonga, or motor, even distances which are nearly 200 miles at the most. The road from Rawalpindi to Srinagar is 198 miles, and has to be travelled over by any other conveyance except a railway. There are other smaller distances, which are equally troublesome to travel, specially in the heat of Central Provinces and Central India. There are timber and stone treasures in Central India, within the knowledge of the witness, which if explored will mean a large amount of wealth for the locality they are situated at, and will afford useful commodities at comparatively cheaper rates to the outside world.

Question No. 18.—I have explained myself more clearly above. I do not consider that the policy hitherto adopted has been satisfactory or is sound in principal. I have already discussed the principle also at some length above.

Question No. 19.—I have no definite idea. But I would suggest that for experiment we should provide cent. per cent. more for extension of new lines and 25 per cent. for the better maintenance and upkeep, and improvement of the existing railways should be provided.

Question No. 20.—Yes, and in other allied countries also.

Question No. 22.—Capital should be raised by preference shares to insure certain regular income to subscribers both for:—

(i) working companies, and

(ii) subsidiary companies;

and also by ordinary shares to promote speculation among purchasers, as this affords a greater advantage to the capitalist to come forward with his money to invest.

The (*b*) and (*c*) methods do not appeal to an average Indian in these days of non-co-operation. The general idea is that the capitalist uses our money for his own profit and benefit and returns it to us when done with. We do not acquire a partnership for which Indians are craving, and rightly, too, at present.

Question No. 23.—I am opposed to raising money by loans, but I am for securing funds by the sale of ordinary and preferential shares.

Question No. 24.—I have no idea; but I am sure that if shares of railways are offered to the Indian public they will be more readily subscribed, while I think it will be next to impossible to raise funds by loans in India

Question No. 25.—I am not for borrowing at all. I am afraid whether Government loans, at least for some time to come, will have entire success in India. The reason for this is quite obvious.

Question No. 26.—(*a*) Certainly it is. The railways should be self-supporting. The Government should not be obliged to tax the taxpayer for the benefit of particular individuals who travel or trade to their own advantages.

(*b*) The past loans raised by the Government have not given good impressions. They have, strictly and honestly speaking, rather lowered the confidence. Therefore there should be no borrowing, but shares should be sold to the public.

The rates may, therefore, with advantage be raised as under:—

Third-class: No enhancement whatever.
Inter-class: Two times of third-class fare.
Second-class: Five times of third-class fare.
First-class: Ten times of third-class fare.

There should be no enhancement at all in the goods tariff; the rates have already gone high. Any enhancement, however small, would be an additional burden to each and every pocket in India.

NOTE.—Even the smallest enhancement in the third-class fare will be very keenly felt by the public and may cause disaffection. Increase in higher classes will not even be cared for by the gentry, who generally travel in upper classes.

Question No. 27.—I have referred to this in the answer to the first question. The indirect advantage to Government by railways is certain. The Government, no doubt, . . . existe for the benefit of the people, railways therefore must be made self-supporting.

Part IV.—Government Control of Rates and Fares. Settlements of disputes.

Question No. 30.—Yes.

Question No. 31.—I am sorry I do not quite follow whether this question expressly relates to rates and fares only. If so, I could not throw any light, unless I make a searching inquiry. The railway administrations and the Railway Board could make out a statement on the subject.

But if this question connects with the general complaints of the commercial community and the public, much can be said. A very detailed evidence has already been given by the Secretary of the Hindustani Mercantile Association, Delhi, before the Railway Police Commission. I may be permitted to relate that specific instances can be quoted from everybody's experience. Unfortunately the people of India seldom go to the length of complaining to the higher authorities. The suffering classes are generally the poor people or ignorant traders To avoid the trouble (as they consider) they never think of making any complaint, because when they appear before an official, they are very contemptuously received. The unnecessary harassment they are subjected to in the course of inquiry is much felt by them, and they, so to say, prefer to bear and tolerate the loss and inconvenience at one time than to appear again and again.

To the best of my knowledge there is hardly any case in which the Railway Board has taken pains to interfere. The general reply in such cases which the Board send is that the complaint has been sent to such and such for disposal, or some such like reply. The railway officials and authorities deal with such complaints and cases most shabbily. The immediate station master or the goods clerk tries to save his staff. The office staff in most cases concurs with the report of the station master, etc., and a reply is sent to the complainant in those terms. This causes great annoyance to the complainant.

I have personal experience of such cases.

Question No. 32.—The sections of Chapter V. of the Railway Act appear very sound, on pen and paper. I do not find even one example under which a commission to settle dispute between a railway and certain trader was formed.

For ordinary commercial complaints Indian Railways Act, Chapter V, does not allow any facility. I will explain my ideas in the last resettlement of disputes.

Question No. 33.—I beg leave to make the following recommendations:—

(1) That the Railway Board Office suggested by me be located in the capital of India. Delhi being the centre.
(2) That a body or office be created to check the expenditure of stock, etc., and their verifications annually. It should have a president, assisted by secretaries, each of whom should have charge of two railways only, which might be adjacent.
(3) That at every town of importance there should be a body of sensible men like our association, to receive complaints from the public and to dispose of them in consultation with the railway authorities This will save lot of unnecessary correspondence, worry, and trouble to the public and railway.
(4) The railway receipts of the different railways are one-sided. They require modification and uniformity.
(5) The risk notes forms per A. B. & H. need some changes. I remember the Railway Police Committee is taking up this question, while discussing the causes of pilferages and thefts.
(6) Contracts for the handling of goods should not be allotted to the incharge of the station. The railway staff must be very clearly made to understand that they are public servants. They must be taught to be more courteous.
(7) The illegal gratification, which is rather daily increasing, must be checked. I shall be able to explain this personally, if I am called on to do so.
(8) The salaries of the staff must be so that they may be able to live at least comfortably, if not richly.
(9) A trader or his agent, etc., should not be made to suffer humiliation, especially in goods sheds controlled by European staff.
(10) The sender must be given opportunity to see that his goods are loaded with care.
(11) The railway authorities must be distinctly told that only the number of passengers allotted to each compartment are allowed to occupy. Under no circumstances should the carriages be overcrowded. This only applies to third and inter-classes.
(12) Short journey trains to meet the demands of the vicinity must be run to avoid overcrowding on through trains.
(13) Travelling ticket collectors are often a source of inconvenience to third-class passengers *re* luggage, etc. This needs attention.
(14) Issue of return tickets should re-enforced.
(15) Convenience to lady passengers, specially those who have to travel alone, should be specially kept in view.

Part V.—General.

Question No. 34.—No, the carrying capacity is not adequate. The E. I. Railway, of course, has got sufficient number of wagons for the goods traffic and vehicles for the coaching traffic.

The crowded condition of the trains shows that sufficient accommodation in trains and sufficient number of trains are not provided. For the goods traffic, it is not a secret that goods ready for despatch are often kept in abeyance for want of wagons. There are two reasons for this. Leaving the question of military traffic, I would like to point out that very long hours are taken by a goods train on the road. Thus the rolling stock is not freely made use of. Detentions follow this and so the empty stock is not returned promptly.

Secondly, the interchange of stock between the railways is not rightly observed. This is because certain charges are demanded by the owning railway if the wagon is sent loaded. If the wagon is returned empty the sending railway has to pay nothing. This reason is based on the information gathered. I am not perfectly sure of its correctness.

Question No. 35.—It is the sacred duty of the Government to see that the commodities of life are carried from the place of their production to the place of their consumption as cheaply as possible. This can only be done if the best possible means are adopted and greater facilities through the railways are afforded to the public.

STATEMENT No. 116.

REPLIES BY A COMMITTEE REPRESENTING THE COMMERCIAL INTERESTS OF PESHAWAR TO THE QUESTIONNAIRE.

Question No. 1.—We are firmly of opinion that railways owned by the State should be managed by a Board of Directors nominated by the shareholders (Europeans and Indians) in proportion to their holding of shares with the veto resting with the Government of India. Private companies should never be encouraged to exploit Indian resources by raising capital money in England alone. *We prefer State-managed railways to Company-managed.* We have experience of this, as members of commercial communities and as travellers. State-managed railways look after the convenience and comforts of passengers much more than company-managed railways.

Question No. 2.—We advocate certain modifications in the existing State management system, *i.e.*, increase of Indians in the Railway Board and the establishment of Indian Advisory Board at the headquarters of each Province.

Question No. 3.—We are bitterly against management by companies domiciled in the United Kingdom, because such companies are not in full touch with the Indian opinion. We would prefer companies domiciled in India having both Europeans and Indians on the Boards in proportion to their holding of shares, which will give a very valuable training to Indians in such concerns.

Question No. 4.—Pending the acceptance of the proposal urged by us above, we would consider the existing system of allowing the working companies an interest to the extent guaranteed to them now quite adequate, but the Government should have increased control over such companies.

Question No. 5.—To meet the criticism, which is genuine, the companies domiciled in United Kingdom should have a Board of Directors sitting in India to expedite all references.

Question No. 6.—In the case of companies domiciled in India the board of directors should be elected by the shareholders and the Government should reserve the rights of nominating at least one-third of the directors from amongst its own officials to safeguard the interest of the Government.

Question No. 7.—The board of each railway's system should work as the Joint Stock Companies boards do. The members of the board should certainly be skilled in railway work.

Question No. 8.—Generally speaking such directors who are exclusively interested in particular industries should not be appointed. The directors should be men of liberal views interested in the economic advancement of India.

Question No. 9.—We would uphold the view advanced by the Madras Government through the Secretary to the Government in the Public Works Department who has already tendered an evidence before the Committee. We agree to the combination proposed by him, as the scheme outlined by him goes a long way to remedy the defects noticed in management of railways. Before concluding this portion of our evidence we should strongly urge that the whole railway policy should be revised in view of the changed conditions, and Indian capital, Indian talent, and Indian enterprise should be more and more utilised to advance the prosperity and economic interest of India, because prosperous India will be a source of great strength to the Empire, while India with her resources exploited by foreign capitalists, will cause weakness to the Empire and react on the industrial supremacy of England.

Question No. 10.—The present system of control by means of Railways Board is an improvement upon the old system, but with an increase in Indian element the administration will further improve.

Question No. 11.—We are of opinion that there should be Local Boards for each railway system, and these Local Boards should be subordinate to the existing Railway Board.

Questions Nos. 12 *and* 13.—The present Railway Board does not deal effectively and expeditiously with matters relating to the requirements of the travelling public and trade. The third-class passengers are treated like animals, though they supply a major portion of the revenue derived from the railway. Similarly the traders' grievances are not expeditiously removed, probably owing to the shortage of rolling stock, but these troubles and frequent suspensions of booking entails a severe loss to the traders.

Question No. 14.—We are afraid we should answer it in the negative. The Government ought to be more responsive to the requirements of the travelling public and trade.

Question No. 15.—We do not consider any enlargement of powers already entrusted to the Railway Board as desirable.

Question No. 16.—The answer is in the affirmative.

Question No. 17.—The supply of funds has not been adequate in the past. Funds should be raised for new constructions and improvements by means of loans floated in India, and shareholders should have a voice in the control and management.

Question No. 18.—Yes, the policy hitherto pursued is satisfactory.

Question No. 19.—We suggest that approximately eight crores of rupees should be annually provided for capital purposes.

Question No. 20.—Capital funds should be raised principally in India, though a certain proportion thereof be offered in England for subscription.

Questions Nos. 21 *and* 22.—We are of opinion that funds should be raised by issuing Debentures by the Government of India like other loans.

Question No. 23.—None.

Question No. 24.—We believe a very large sum can be raised annually in India, provided the Government gives the Indian shareholders an effective voice in the control and management of the railways.

Question No. 25.—Government loans should be floated for pressing needs of the country, and Indian money held in England and lent to banks or firms there at a small rate of interest should be drawn upon, and invested in industrial and commercial concerns tending to promote the prosperity of this country.

Question No. 26.—The first charge on the revenues of the Government of India should be for sanitation, then education, then railways, and if the allotment be insufficient, more money should be raised by public borrowing. We believe with the present rates of fares railways can be worked at a profit under proper management containing a respectable proportion of Indians, and economy might be effected by employing Indian talent in an increasing measure in place of high-salaried foreigners and retrenchment of comparatively higher railway officers. If even under such a system railways were worked at a loss, the deficit might be made up by income from other departments, and the people would not grumble. In view of the appalling poverty of this country and an unprecedented increase in the cost of living and the meagre comforts which the railways supply, particularly to third-class passengers, we strongly oppose any increase in railway fares. In the event of any increase being found absolutely indispensable, it should be confined to first and second-class passengers.

Question No. 27.—We do not consider these results satisfactory and the whole question should be overhauled. We are strongly of opinion that with the employment of Indians in the higher branches of the railways the expenses would be reduced and the profits would rise.

Questions Nos. 28 *and* 29.—We cannot answer.

Question No. 30.—The answer is in the affirmative.

Question No. 31.—Powers have not been abused, but at the same time little regard has been paid in the past to the requirements of the travelling public and trade. Railway administrations should be more responsive to public needs.

Question No. 32.—Full advantage has not been taken of the machinery provided by the Indian Railways Act, and trade suffers owing to the apathy of the railway administration.

Question No. 33.—The strikes which are now the order of the day in the various railway systems would not occur if Indians get a representation on the local board and the various railway unions are recognised by the Government and their representatives are granted proper hearing. The administration should take into consideration the rise in the cost of living and should accord recognition to labour as it is done in England.

Question No. 34.—The answer is in the negative. This defect would be removed by an increase in rolling stock and the provision of more money for extensions.

STATEMENT No. 117.

RANGOON MUNICIPALITY.—LETTER DATED 15TH FEBRUARY, 1921.

I am directed to state that the Rangoon Municipal Committee have seen and endorse the views expressed in the letter* of the Burma Chamber of Commerce containing their opinions and recommendations on the subject matter of your Committee's enquiry as set out in the questionnaire. The committee agrees in particular that a company-managed railway has much more control over its men than Government can have over the men employed on State railways, and that in general such a railway is in a very much better position in relation to its staff than the State could be.

STATEMENT No. 118.

Dewan Bahadur V. K. RAMANUJA ACHARIYAR AVARGAL, B A., President, District Board, Tanjore.—LETTER DATED 18TH JANUARY, 1921.

I have the honour to acknowledge the receipt of your letter No. 15 R.C., dated 30th December, 1920, regarding the evidence to be furnished before the Committee.

2. The letter was addressed to the Vice-President, District Board, Tanjore, who referred it to me, as he does not deal with railway subjects. My experience of railway matters as president of the District Board is so limited, and the questions put are so technical, that I am not able to give you any useful replies.

3. This much I may say. My experience of the South Indian Railway Company is such that I unhesitatingly advocate the managements of railways directly by the State, and not by any company, whether domiciled in England or in India, and working on a profit-sharing system. The company looks only to its dividends, but is incapable of appreciating the difficulties of the travelling public. For many years the overcrowding of third-class passengers has been the subject of

* *See* Statement No. 102 above.

numerous complaints. No arrangement satisfactory to the public has yet been made. To give another instance, during the war and since, the South Indian Railway Company has raised its charge for the carriage of road metal to such an extent that the District Board feels utterly unable to maintain the main roads in the district and the railway feeders. The company forgets that the District Board co-operates with it in developing communications for the benefit of both the public and the railway administration. I made a representation to the agent of the company and have got a small concession, and I am making a further reference.

STATEMENT No. 119.

Mr. F. H. BIGG-WITHER, Acting Agent, Burma Railways Company, Rangoon.—LETTER DATED 7TH JANUARY, 1921.

In continuation of my telegram No. 3, dated the 4th January, 1921, I beg to say that I have been consulted by the Burma Chamber of Commerce as to the answers to be submitted by that Chamber to the questionnaire of the Indian Railway Committee, and that I agree generally with the opinions expressed in the letter,* dated the 5th January, 1921, from their secretary, to your address.

I would like, however, to add that there has, so far, been no time to obtain the views of the Board of Directors of the Burma Railways Co., Ltd., on the subjects dealt with in the questionnaire, and that this reply, therefore, should be taken as my own views, and not necessarily the views of the company. Further, I understand that Mr. Home, our managing director, who is now on his way out, proposes to give evidence before the Committee.

STATEMENT No. 120.

THE HON. LALA SUKHBIR SINHA, General Secretary, All India Hindu Sabha, Muzaffarnagar.— LETTER DATED 15TH JANUARY, 1921.

On behalf of the All India Hindu Sabha, I have the honour to forward the following grievances for the consideration of your Committee:—

(I) When there is a fair to be held on religious centres like Hardwar, Allahabad, Benares, and similar other places, Local Governments find it very easy to notify that train accommodation would not be available and no especial train could run. This proves a great bar in the religious performance of many people. This should not be done, and Railway Department should so arrange as to borrow extra stock from other lines and make necessary arrangements.

(II) The number of passengers for third-class compartments is, no doubt, fixed, but no attention is paid to this number, and in many cases passengers are so much packed up that they suffer in health, specially in the summer and rainy seasons. Steps should be taken to stop this nuisance, and in no case more than the fixed number of passengers should be allowed to travel in a compartment.

(III) The present arrangement of third-class booking office is not sufficient in big pilgrim centres, and arrangements should be made to open permanent booking offices in those places, I would strongly recommend for a booking office to be opened at once at Hardwar before the Kumbh fair takes place there in April next.

STATEMENT No. 121.

THE NATIONAL LIBERAL LEAGUE, BENGAL.

I have been directed by my committee to mention that our League, being a political association, we desire to limit our remarks to the political aspect of the question as also to the point of view of the public and I desire to make it quite clear that we do not want to touch on the technical or the business aspects of the question.

In the opinion of my committee, railways are intended rather to serve the requirements of trade and of passengers than to earn a profit for their owners whoever such owners may be. They are instruments for conveying the national traffic and they ought to serve the public and general interests. From this general point of view my committee is opposed to any form of ownership which will tend to tinge railway concerns as profit-earning instruments. My committee looks upon railways as something in the nature of public roads serving great economic interests of the nation and as such should be under the control and guidance of those who are best able to serve and protect such interests. My committee is not so much concerned with the question as to whether at the present moment the existing State-managed railways or the existing company-managed railways are serving the public better, because at the present moment the public has very little influence and certainly no power or control over the Government of India and the Railway Board in whom the control of State-managed railways is vested, but my committee is of opinion that under the constitution recently promulgated by the Government of India Act the public through their representatives ought to be able to exert a good deal of influence over State-managed railways and my committee hopes that the time is not far distant when the representatives of the public will be able to exercise their power effectively and to control the policy of State-managed railways. For these general reasons as also for reasons which will appear later in this memorandum my committee is of opinion that the objective of the railway policy in India should be to bring all railways in India under State management. My committee realises that it will take a little time to realise this objective and during the transition period when on the one

* *See* Statement No. 102 above.

hand the representatives of the public will have more influence over the Government of India and the Railway Board, while on the other the vested interests of the existing company-managed or company-owned railway concerns are existing facts, a progressive policy keeping the aforesaid ideal in view should be followed and due regard should be paid during this transition period to public and national interests on the one hand and the just demands of the vested interests on the other.

The question of finance is an all important question and should be examined generally. It has been stated that it will not be possible for the Government of India to get the necessary funds for a progressive policy of railway expansion as it will be difficult to find the necessary capital in India. Without entering into the debatable and difficult question as to the extent to which funds may be available in India, my committee sees no reason in principle as to why the English market or, for the matter of that, any market in the world which may be open to promoters of railway concerns in India, should not be open to the Government of India. If a new company about to be formed or any existing company about to expand its activities can find money in the British market or in any other market by offering certain prospects of profit, the Government of India with the credit of a big Empire at its back should be able to find money on more favourable terms. It is true that subscribers of a public company do not often look to the immediate dividends which the company will earn but are very often more tempted by the prospects of the future. This aspect of the question also may be met by the Government of India by providing for a rate of interest which will be payable as soon as the loan is raised and also perhaps by promising some share in the profits to be earned in future. With regard to the last mentioned point the distinction between railways in the nature of strategic railways which may not be expected to earn any or much profit and other railways may well be kept in view in the accounts of the Government of India as also when loans are raised. The deficit of a strategic railway or any other railway of that type may be met from the general funds of the Government of India, whereas railways of other types should be able to earn profits which will be sufficient to pay the interest and the sinking fund on the loans raised by it.

My committee favours State-owned and State-managed railways because such railways ought to be and, my committee has no doubt, in the near future will be more responsive to public opinion both with regard to its dealings with the passengers and with regard to its handling of goods and merchandise. State-owned and State-managed railways in future will be able to afford better facilities for co-operation and co-ordination between the different railway systems and while providing for centralised action where such action is desirable in national interests ought at the same time to be able to allow expansion and efficient management to the different railway administrations each according to its own peculiar needs and problems.

In a province like Bengal the question of waterways as a means for national transport is of the utmost importance. State-managed and State-owned railways will be able to provide for co-operation and co-ordination in the expansion of the waterways of Bengal; whereas if we have the company-managed system it will be difficult to arrange for suitable co-operation and co-ordination and perhaps at times it may operate unjustly if during the period of an existing contract of a railway concern a competing waterway be allowed to start its work or to expand its activities.

State-owned and State-managed system of railway administration will be of great assistance to the people of India in developing industrial education which is a crying need of the nation at the present moment and in this connection my committee may be permitted to mention that the question of making adequate provision for technical and industrial education is a question of far-reaching political importance as well. Confining ourselves for the moment merely to the question of railway administration, provision for cheaper and at the same time more efficient railway employees is a question of utmost importance and some educational institutions may well be developed in this country which will provide for suitable types of education for lower, middle and higher departments of railway employment and from this point of view also State-owned and State-managed railways will be of utmost importance to the Indians.

Lastly, on the question of profit earning my committee is of opinion that State-owned and State-managed railways should limit their profits only to the extent that will be necessary to provide for the interest on loans, sinking fund and the progressing expansion of a railway system necessary for service to the public and for conveying the national traffic, whereas a company-managed railway is bound to intercept a good portion of the profits for payment of dividends to its shareholders and when it is remembered that in the preliminary stages of a railway concern the shareholders have to keep their money idle they would naturally expect future profits on a large scale—a circumstance which is bound to affect the future generations.

STATEMENT No. 122.

The Committee of the Indian Association, Calcutta.

Part I.—The Management of Railways owned by the State.

Answers to Questions 1—9.

The Railways in British India should, in the opinion of the Committee of the Indian Association, be managed by the State.

The Committee of the Indian Association are in favour of State management of Railways in preference to management by companies, whether such management be through companies domiciled in England with boards sitting in London, through companies domiciled in India with boards sitting in India, or through a combination of the two aforesaid methods of company management.

The Committee of the Indian Association advocate State management of State-owned railways because they think that under such a system the needs and requirements of India as regards trade, commerce, and the development of indigenous industries, as regards passenger traffic, and as regards other matters would be looked after to a greater extent and more satisfactorily than at present.

In India, although the State owns by far the largest portion of the capital invested in railways, the railway policy is determined for all practical purposes by the various Boards of Directors of railway companies which are located in the United Kingdom. The Government of India, of course, exercises a sort of control, but this is more in theory than in practice and even in the case of railways under the direct control of the State the interests of Indian passengers, traders, and businessmen are very often overlooked, and preferential treatment is accorded to the interest of others. This has been the natural consequence of the system of Government that has hitherto existed. The Government being of a bureaucratic character and the higher appointments being held almost wholly by Europeans, Indians exercise no potent influence either with reference to the determination of the railway policy or on the administration. The result of this has been that proposals affecting Indian interests prejudicially have often received the support of the authorities. If this condition of affairs is to be terminated it is essential that the railway policy and administration should be made amenable to Indian public opinion by bringing the management of railways entirely under the control of the State. The Government of India still remains bureaucratic in character, but the fact that the Indian legislature has been enlarged and made more representative and its opportunities of influencing Government have increased paves the way for making Indian railway policy and administration amenable to Indian public opinion. If State management is substituted for company management, Indians will gradually have an effective voice in the determination of the railway policy and in controlling the railway administration. They also expect that under such a system they will gradually be able to modify such methods as are found to be prejudicial to Indian interests.

It has been urged that the system of management by companies domiciled in India with boards sitting in India or by some other modification of the present system of company management may be expected to remove the grievances of Indians in the matter of railways. The Committee of the Indian Association are firmly of opinion that such management would, rather than removing the evils of the railway administration prevailing at present, perpetuate them.

The trend of modern railway policy in the most advanced countries in the world supports the view taken by the Committee of the Indian Association. The information available to the Committee shows that railways are almost entirely State-managed in the following countries:— Germany, Italy, South Africa, Australia, Japan, Belgium, New Zealand and Roumania. In countries such as Canada and France, where privately-owned railways have so long predominated, measures have already been taken for bringing the management of railways under popular control. The majority decision of the Royal Commission that was appointed in 1916 to consider the future railway policy of Canada was that a great extension of Government ownership was unavoidable. In France also a measure has been adopted introducing popular control.

In the United Kingdom where the railways have so far been entirely managed by companies, a great change in the railway policy and administration appears to be impending. Lord Haldane has declared himself entirely in favour of the nationalisation of railways. Mr. C. F. G. Masterman, another prominent Liberal politician, says that the present railway system in the United Kingdom cannot endure, and that the only way out will be unification under State ownership and working. Mr. Asquith speaks of certain industries and certain services which, in the interests of the community can be better and more safely carried on by the State. These are the views of some of the most prominent among Liberal statesmen in England. British Labour leaders are more insistent in their demand that railways in the United Kingdom should be owned and managed by the State under popular control.

The experience of other countries where State management and State ownership have been successful and the direction in which modern railway policy in most of the civilised countries in the world has been moving have led the Committee of the Indian Association to the conclusion that the only solution of the railway problem in India is to bring the railways under the control of the State.

The underlying principle of the reforms that have been just introduced is that the people of a country are best fitted to administer their own affairs. Railways are one of the principal concerns of a country. Besides, in India, these railways are owned by the State, the taxpayers supplying mostly the capital invested in railways and being held responsible for the portion that has been supplied by others. Under these circumstances the only logical conclusion to which it is possible to come in the matter is that the railways in British India should not only be owned by the State but should also be managed by the State.

Part II.—The Railway Board and the Government of India's Control.

We do not consider the present system of control by means of the Railway Board satisfactory. We think a suitable alternative arrangement would be to abolish the Railway Board and to entrust a member of the Governor-General's Executive Council with the management of railways. He should have a Board to advise and help him in important matters of railway policy and administration. This board should be representative in proper proportion by the three following interests: (1) Government, (2) railway administration, and (3) the public. There should, of course, be a proper proportion of Indian representation on the Board. The Board should not consist of salaried officials. Besides, along with each railway system there should be a similar board to deal with questions relating to that particular system of railways.

Part III.—Railway Finance.

It appears to us that under the new conditions, and if the State is entrusted with the management of railways owned by it, the people of the country will be naturally inclined to invest their money in them. This is expected, first, because of the great chage that has taken place of late in the attitude of mind of the investing public in the country, and secondly, owing to the change in the form of Government. The introduction of reforms has led Indians to think that such concerns as railways belong to their own country, and the benefits that are likely to accrue therefrom will profit not only themselves but the people of India generally. Under company management you cannot expect this feeling among Indians. The fact that a very large proportion of

shares in many of the companies that have been started of late is owned by Europeans does not show that there is any ground for the fear that, owing to the introduction of reforms, people in England do not feel encouraged to invest their capital in India. Railways should be extended according as funds are available, and loans should be floated only when the money market is easy. When we say all this we refer to normal times, and not to the special circumstances and conditions such as those created by the war. During normal times we are sure there will be no difficulty in finding money for railways if proper terms are offered. The money needed should be raised as far as possible in India, because the interest and other charges are a loss to this country.

Part IV.—Government Control of Rates.—Settlement of Disputes.

Although Government possesses very great powers in respect of rates and fares, it does not appear that these powers are adequately exercised. The railway administrations also do not generally appear to have wisely used the powers that they possess in these matters in the interest of the public. The Indian public have through representatives on the Imperial Legislative Council and in other ways protested against the rates in force as being inequitable, unfair and unjust, and as being prejudicial to the interests of trade, commerce and industries of the country. The Committee of the Indian Association are not aware that anything has been so far done to remove the complaints that have been made repeatedly in the matter. The Committee of the Indian Association do not consider that the machinery provided for the settlement of disputes between railway administration and traders in India are either effective or adequate. The Committee would suggest the constitution in India of a Commission like the Railway and Canal Commission in England for the settlement of disputes in matters of railway rates and fares.

STATEMENT No. 123.

P. C. SARKAR, Vakil, High Court, Secretary, Bengal Agriculturists' Association, etc.

The great question that confronts us at the present day, the agricultural masses and the public in general, is the want of easy transport of agricultural produce and foodstuffs from one part of the country to another for want of adequate rolling stock. This can, I think, very well be met from the incomes of the railways and from Government grants. As a portion of the lines and roads were blocked up for military purposes, I think the big main lines ought to be quadrupled. The military lines must always remain under direct State control. As the public feel the greatest inconvenience in travelling in times of fairs, national congregations, and the like, it is quite the duty of the Government we live under to provide for a sufficient and adequate number of passenger trains. The fares ought to be lessened than as now, and an additional " fourth " class in passenger trains for easy traffic of labourers, coolies, workmen and artisans ought to be created, as they have in America and the European Continent, and even in some of the English railways. The rate of fares ought to be minimised, and greater comforts of middle-class passengers ought to be looked to by the railway authorities. For this reason, a special Board of Control to set complaints and grievances right ought to be constituted in India, and must consist of both European and Indian elements, with always a European and Indian president every alternate five years of office. I, therefore, am of opinion that the Board of Directors should be constituted within England and India, and a branch of it ought to exist in India. Any matter of extraordinary importance may be placed before the full board for discussion. I, therefore, am of opinion that railways owned by the State should be managed directly by the State, but with greater supervision, so that the public are not inconvenienced in any way or the easy goods traffic hampered in any way; rather, for both goods and passenger traffic, greatest facility should be given to the passenger as well as to the merchant. For better and more efficient working the staff ought to be increased, and the pay of the new as well as existing hard-worked staff ought to be increased from the incomes of the railways. Working by companies on a profit-sharing basis has been very unsatisfactory in some of our Indian railways, and should not be repeated again to bring in greater loss to the Indian taxpayer ultimately. The board of directors, I have said, ought to be constituted in India, and must be constituted such as to safeguard the interest of the Government, *i.e.*, in the English branch someone from the Secretary of State's Council should be there, and in the Indian branch the Director of Indian Railways should always have a seat in it.

2. That the supply of funds for railway purposes has hitherto been quite inadequate. This deficit can be made good to some extent from the profits and incomes of State-driven railways. New constructions can be managed by funds raised both in India and England. The improvement of existing railways can be husbandised, however, from the incomes and special State grant funds for that purpose.

3. The principle involved in question 18 has not been satisfactory. If at all a certain portion of available capital funds to improvement is allowed for equipment and rolling stock, an equal portion also from the same sources ought to be applied for railway extension work and opening out new mineral areas for development. All such new extension lines should be *Government guaranteed*. Funds for railways should have to be raised both in England and India, and all such loans ought to be Government guaranteed. Generally, fares in Indian railways should be lessened, and fares on those articles that are to be exported outside India ought to be charged more in comparison to commodities that are consumed in the country. There ought to be a preferential tariff.

4. Then, in the next place, " running train thefts " which, if carefully searched, are in many cases systematic thefts of the consignors' goods by the irresponsible petty underlings of the company's servants, ought to be put a stop to by a high hand and more closer supervision. This laxity in supervision has been very much deprecated, and Government has to pay large sums in settling claims of private bodies which ought not to have arisen at all had there been a system of more careful method of working and closer supervision. Greater liability ought to be shouldered upon the Indian common carrier than as at present. The liability of railways in India and the Western countries are quite different. The case laws both Indian and English-American clearly prove this. The

principle underlying this liability of common carriers ought to be the same. The risk note system ought to be altered to some extent. The present system of exoneration leads to great incentive to thieving.

5. Then the high rate of freight for live stock and dairy and poultry produce by railways and steamers in India ought to be made easy and just to exist in the lines as they have in packet services for similar commodities in English and Danish or English and Irish or English and American ports. The Union line of British steamships carried live stock and breeding cattle to the Cape ports free of costs, the sending parties bearing only the costs of attendants and fodder. Similar concessions are given to parties sending live stock in the State of Dacota, in the United States Commonwealth. In some of the Danish and Norwegian railways similar concessions are allowed to farmers and breeders. I advocate and urge that in an agricultural country like India the Indian railways ought to carry breeding cattle at very easy rates of fare from one place to another or from one province to another. This will give the farmers an incentive to improve the local breeds of cattle, and thus the cry of the country for easy and cheap milk and dairy produce supply will be met. Again, I should here say that dry cattle ought to be carried under similar concession rates for *bonâ fide* breeders and stock raisers of the country. For this reason, I am of opinion that State management of Indian railways with greater degree of close supervision in the internal management may be introduced.

6. In conclusion, I would suggest that in all claim cases of merchants and private individuals the claims may be settled by a responsible officer of the railway staff as now, assisted by co-optive members from amongst the merchants or members from Indian and English Chamber of Commerce, and that their decision may be final. This may be reversed by reference by the parties by decision of a Court of Justice above a certain valuation, say Rs. 10,000.

7. There ought to be larger number of both goods and passenger trains, and the speed of passenger trains ought to be enhanced and fast-going passenger trains ought to be more than as now. I close here, and if anything is to be explained or elaborated I may be called in.

8. One thing I beg to place before the Committee. I beg to impress here that the transport law of milch cattle, dry animals, dairy and poultry produce may be made more easy in English, American and European lines. The Mahishyas of Bengal have been memorialising the Government since 1912, and in this connection I may draw the attention of the Committee to their memorials to the Bengal Government, dated the 12th August, 1919, 31st May, 1914, to the Imperial Government, dated the 17th September, 1913, and 6th January, 1915, which, being returned, was re-submitted through the Local Government of Bengal on the 3rd March, 1915, the original memorial to His Excellency being sent, as above stated, on 6th January, 1915.

9. Lastly, I beg to say that, as in the Western countries, provision for the carriage of milch cattle and service bulls in passenger trains at very easy and nominal rates may be made in Indian railways. The rates of existing fares by goods wagons and passenger trains are prohibitive.

I hope the matters herein contained may receive the kind consideration of the Committee.

STATEMENT No. 124.

Messrs. Hoare, Miller & Co., Ltd., Calcutta.—Letter dated 22nd December, 1920.

In regard to the question of whether the railways of India should be managed by the State or by companies, we advocate the broad principle of the management of railways by companies on a profit-sharing basis; but we do not consider that a rigid policy can be laid down, for it is obvious that railways constructed principally for military purposes or strategic reasons on the Frontiers cannot be operated as dividend-earning concerns and those lines must continue, if for this reason alone, to be administered by the State.

2. In accordance with the foregoing, we consider that two of the three railways at present administered by the State should be re-organised. The North-Western system as it exists is unwieldy; and if the commercial sections of this administration were divorced from those of purely military importance and placed under company management they would be equally attractive to the investor as any of the present company-managed lines. The Oudh and Rohilkhand Railway being merely a link between other systems, without the advantages of what might be termed a terminal trade, could not exist as a dividend earning concern under the management of a company; but a re-arrangement of the North-Western Railway system on the above lines would permit of the allotment to the Oudh and Rohilkhand Railway of certain of the eastern sections of the former; and if the Delhi-Umballa-Kalka Railway were added to the Oudh and Rohilkhand system, to which it would geographically belong, under a re-arrangement of the North-Western Railway, the disadvantage now suffered by this railway from the lack of a terminal would be largely removed and it would become possible to operate it at a cost compatible with the present cost of a company-managed trunk line.

3. As to whether such companies should be domiciled in India or in the United Kingdom, we imagine that everything is moving in the direction of the former and the real point at issue is whether the change should be made now or relegated to the indefinite future. The opponents of Indian boards lay stress on the very real argument that sufficient continuity of directorate would be difficult to secure, and that the members would not have as much experience as home directors possess. The commercial population of India is however growing so rapidly that the field of selection is being broadened. But there is a real danger of an automatic rotation of directors holding office only during the last year or two of their residence in India just at the time when they are incurring added commercial and public responsibilities. These dangers could be avoided by—

(1) appointing no director who at the time of his first appointment is over 40 years of age;
(2) never replacing one director by another from the same firm.

In regard to the latter point we believe that the Court of the Bank of England have a somewhat similar provision which acts well in practice. We believe that such a board located on the spot and selected from the best men available would be as strong as boards located at home which, owing to the rapidity of India's commercial progress, must be out of touch with present Indian

conditions. We also think it might be a distinct advantage if the boards were domiciled in India so as to be in close touch with the Railway Board. Small boards of an advisory nature and with no executive control composed of ex-directors might be useful in London.

4. In regard to the Railway Board, we wish to make the following points. The general tendency is for men at the head of their profession to demand their own terms, and if the railways are run under company management the best men will be obtained regardless of cost. It is questionable whether the Government of India will care to offer such men sufficient inducement to join the Railway Board, and if not, the personnel on the railways will be stronger than the personnel of the Railway Board. If, on the other hand, the Indian railways are State controlled, men of proved ability in the administration of railways will find scope for their energies outside India to the detriment of all progress rather than accept " civil service " pay as railway managers in this country. These questions appear to us to have a real bearing when considering the powers to be entrusted to the Railway Board.

5. Our second point is the danger of too much control of business enterprises by any Department of Government. We would strongly combat any attempt to set up a controlling authority on the lines of the British Ministry of Transport to administer the Indian railways. In our opinion the functions of the Railway Board should be limited to co-ordinating the work and the needs of the various railways, and acting as a medium between the Government and the railways. And the Railway Board should have at its disposal the finest technical brains in India, for advisory and consultative purposes.

6. With reference to Railway Finance. In its railways the country possesses one of its greatest and most valuable assets. The policy of Government in regard to this asset must necessarily be progressive; but, for a long period the railways have been starved of the funds necessary for their proper maintenance and development and consequently the resources of this great asset have remained fallow; and we consider that in the future the needs and requirements of the railways should be met in a spirit of much greater liberality, for there can be no doubt that the wise expenditure at this juncture of sums comparatively small, compared with the capital invested, on plant and improvements to the existing trunk lines and their branches will not only enable the railways to produce a much greater return for the money invested in them than the mediocre percentages of nett profits on capital now realised but the attendant benefits to the country will be correspondingly greater.

7. We should like to add a word on the subject of branch line companies. The old terms of a 3½ per cent. Government guarantee or a 5 per cent. rebate guarantee more or less served their purpose, the former especially being useful to attract trust funds. These terms are however completely out of date owing to the rise in the value of money. We think that the Commission might be asked to consider another side of this question. A branch line benefits (firstly) the Government in its revenue, (secondly) the population of the districts through which it passes and the district board, (thirdly) the main line which it feeds and (fourthly) the shareholders of the branch line company. Whilst four interests are served only the last named has to put up the money. In going to the public on a small branch line proposition it is necessary to prove that the proposed railway will produce an immediate profit for the investing public. In order to do this the future must be sacrificed to the present, a narrow gauge built where a broad gauge might be a better proposition in the long run and a parsimonious and cheese-paring scheme prepared in order to prove that the traffic immediately available can earn an immediate dividend on a minimum capital outlay. Thus, where four interests are concerned, only one is really considered and the ultimate interests of the whole are sacrificed to the requirements of the stock exchange.

STATEMENT No. 125.

Messrs. SHAW, WALLACE & COMPANY, Madras.—LETTER DATED 18TH JANUARY, 1921.

We have the honour to request that you will be good enough to place before the Commission the following figures and particulars relating to difficulties experienced by us in getting coal from the collieries.

The disadvantages experienced at Waltair necessitated the closing of traffic to this Presidency from time to time owing, we believe, to the congested state of affairs at the Waltair, B. N. Railway and M. & S. M. Railway Junction.

We placed the following orders with our Bengal collieries for the supply of over 3,500 tons of coal to buyers at Madras and in the Mofussil:—

(1) *5th August*, 1919. *Krishnamuorty Bros.*—650 tons Adoni and Kupgal.
(2) *10th March*, 1920. *The Japan Co.*—1,000 tons to Tutticorin and Virudupatti.
(3) *12th March*, 1920. *The Bombay Co.*—1,750 tons to Tuticorin, Virudupatti, Adoni and Bellary.
(4) *Other buyers.*—200 tons Tuticorin.

The above quantity necessitated about 200 wagons for transportation of the coal from the collieries, whereas only about 25 were actually supplied.

The rules and regulations affecting the supply of wagons were duly complied with by us but the coal Transportation Officer could not see his way to grant us a sufficient supply of wagons to meet the demands of our buyers. We may here mention that most of the coal was required for cotton mills.

The question of wagon supply for the orders aforementioned was also taken up by our Calcutta friends, and our buyers assisted by approaching the C.T.O. direct, but all to no purpose and we were therefore reluctantly compelled to cancel the orders of our buyers thereby entailing considerable loss of business to us.

Produce.—For transport of wheat, bran, etc., though supplies of wagons are fairly free, we should like to see a larger number available for transport.

STATEMENT No. 126.

The Honourable Sir JOHN MAYNARD, K.C.I.E., C.S.I., I.C.S., Finance Member, Punjab.—NOTE DATED THE 26TH FEBRUARY, 1921.

Note on the eliciting of local capital for investment in railways.

In connection with the Shahdara-Narowal Railway it is proposed that the Local Government should guarantee 6 per cent. interest for 10 years. The suggestion then arose that a portion of the capital to be raised should be reserved for local investors, and in order to throw open this opportunity to as many as possible it was suggested that shares might be collected through central co-operative banks.

2. Last year the amount of members' deposits in primary societies increased from 8½ to 11 lakhs, while the deposits by societies in their central banks and unions increased from 10 to 15 lakhs; so that it would appear that the co-operative movement is bringing into circulation money that has hitherto been idle. If a productive outlet could be found for this money, sufficiently attractive to bring out the hoards there would be some prospect of stimulating thrift and of developing the province's resources.

3. The difficulty was that if the central banks began to collect money before the prospectus was issued, an offence under the Indian Companies Act was committed; while if merely promises to take a share were registered, there would result much confusion in bringing these promises into effect. In so far as central banks would provide facilities for the collection of shares from people anxious to subscribe, the legal difficulty would prove no obstacle; but in so far as the staff of the Co-operative Department would undertake propaganda in favour of the acquisition of shares by small investors, the Companies Act would prove a serious stumbling block.

4. In actual practice much will depend upon the season of the year at which shares are to be subscribed and the state of the preceding harvest. After a good harvest the co-operative banks have a surfeit of money which they find difficult to employ. At this time there would probably be no difficulty in raising several lakhs of capital for any scheme promising assurance of safe return. This, however, involves a further difficulty that the constructors of the railway desire to know a long time ahead the amount of capital which they should reserve for local investors, and cannot await the reaping of the harvest.

STATEMENT No. 127.

J. P. HARDIMAN, Esq., C.B.E., I.C.S., Commissioner, Tenasserim Division.—NOTE DATED 20TH DECEMBER, 1920.

Question No. 1.—I consider that State-owned railways should be managed by companies on a profit-sharing basis, my reasons being that State management is less efficient and is wasteful. The only system in India of which I have personal experience is the Burma Railways system, and as a member of the travelling public.

Question No. 3.—I recommend that such companies should be domiciled in the United Kingdom, the reason being that a competent Board of Directors is more likely to be obtained in London than in India. Further, if a board were located in India, there might be the possibility of otherwise suitable directors being so actively interested in particular industries as to prejudice their impartiality.

Question No. 4.—I consider the existing system suitable.

Question No. 8.—I consider that it is necessary to consider the possibility of otherwise suitable directors being so actively interested in particular industries or areas as to prejudice their impartiality.

Question No. 17.—Writing as the Commissioner of the earliest Civil Division in Burma to come under British Administration, which remains after a century's administration, the most backward in the Indian Empire from the point of view of communications, I am emphatically of opinion that the supply of funds for railway purposes has hitherto been inadequate, particularly in the direction of funds for new construction, which is what the Tenasserim Division wants.

Question No. 18.—I do not consider the policy of devoting most of the capital funds for improving of equipment and rolling stock satisfactory, since this results in very slow development of a backward area. The correct policy is that followed by the Colonial Administrations, namely, to spend all available capital on new lines, which should be at first inexpensively equipped.

Question No. 20.—I consider that capital should be raised both in India and the United Kingdom, not only because the more sources of supply of capital there are the better, but also because Indian investors will take a more intelligent interest in the railways if they are financially interested in them.

Question No. 26 (*b*).—I consider that rates and fares should be raised, so as to prevent railways being a burden on the general tax-payer.

Question No. 27.—I consider the results in the case of company-managed railways satisfactory to the State and in the case of State-managed railways unsatisfactory.

The indirect advantage to Government attributable to railways through the development of areas served by them cannot be stated in figures, but in Burma each unit of the population is worth about Rs. 12 in revenue to Government calculating on the 1911 population figures (12,115,217) and the 1918-19 gross revenue figure (Paragraph 139, Burma General Administration Report, 1918-19) Rs. 14,64,23,000.

Qustion No. 34.—It is very generally believed that the rolling stock avilable on the Burma ways lines is gravely insufficient at certain seasons.

STATEMENT No. 128.

REPLIES by W. J. KEITH, C.I.E., I.C.S., Commissioner, Magwe Division, Burma, to the QUESTIONNAIRE.

Part I.

Question No. 1.—I consider that railways owned by the State should be managed by companies on a profit-sharing basis. My knowledge of Indian railways is practically confined to the Burma railways. I first made their acquaintance under State management. My own experience is merely that of a member of the travelling public, but in the course of my enquiries as Settlement Officer, Meiktila District, during three years 1907 to 1910 I came into contact with a large number of traders and others with experience of sending goods by rail. My opinion, however, is not based on experience of the working of the Burma railways but on my belief that as a general rule the State management of a profit earning concern is usually less efficient than private management.

Question No. 3.—I consider that all Indian railway companies should be domiciled in India. My chief reason for this conclusion is the necessity of avoiding English income tax if Indian capital is to be attracted.

Question No. 4.—I consider that companies working State railways should be required to provide half the capital and should receive half the nett earnings.

Question No. 6.—I consider that if my suggestion that the companies should supply half the capital is adopted the interests of Government will be sufficiently secured by reserving the appointment of managing director for a nominee of Government and by requiring a reference to Government in certain matters.

Question No. 8.—The objection to Boards of Directors being domiciled in India on the ground that difficulty will be experienced in obtaining continuity in the membership is based on the assumption that the members will generally be Europeans only temporarily settled in India. This objection will disappear as Indian capital replaces European and Indian business men take the place of Europeans on such boards. More than one commercial company in Burma has recently transferred its headquarters from London to Rangoon, *e.g.*, the Rangoon Electric Tramway and Supply Company, Limited, and the Burma Mines. The difficulty about lack of continuity is one which must be faced at the outset.

Question No. 8.—My answer is in the negative so far as Burma is concerned.

Part II.

Question No. 10.—I do not consider that the Railway Board provides a satisfactory system of control. I believe that one-man control would be more effective.

Question No. 14.—I do not consider that the powers of control already possessed by Government have been sufficiently exercised in the public interests. The continuance of the overcrowding of third-class compartments and of the system by which railway wagons during the busy season are frequently sold to the highest bidder are surely matters which Government could remedy if its powers of control were exercised effectively.

Part III.

Question No. 17.—So far as Burma is concerned the supply of funds for railway purposes has hitherto been very inadequate. Conditions in the province are such that the chief benefits accruing from the construction of a railway line are in the form of increased population, of increased area under cultivation and of increased prices received by cultivators for their produce. As an investment for capital the receipts obtained from the railway may for many years be barely sufficient to pay running expenses, but this does not mean that the construction of the railway was not justified. These remarks have reference to the provision of funds for new construction. As regards funds for improvements, the building of the Sagaing bridge over the Irrawaddy and the doubling of the main line from Rangoon to Mandalay are projects which should have been carried out long ago.

Question No. 18.—For Burma the correct policy is to devote the greater portion of the available funds to railway extension rather than to the improvement of equipment and railway stock.

Question No. 20.—I consider that as far as possible capital funds for the construction of railways should be raised in India and that in deciding between rival claims preference should be given to that scheme towards which the largest amount of local capital is produced.

Question No. 21.—Provincial Governments and local funds should be permitted to guarantee up to half the rate of interest guaranteed by the Government of India under the branch line terms.

Question No. 23.—I consider that premium bonds carrying no interest but eligible for participation in quarterly drawings when the bonds drawn will be repaid in full with the chance of participating in a large number of prizes of moderate amounts offer the most promising method of obtaining capital for railway purposes from amongst the enormous number of possible small investors in India. The knowledge that the capital is safe and that it will be received back some day with possibly a considerable accretion in the shape of a prize would be much more attractive to the small investor than a certain return in the shape of interest. The expenses of management —the chief objection usually raised to the system of premium bonds—would be reduced to the minimum. I have no use for a system of premium bonds carrying low interest in addition to prizes. Such a system is a compromise which is wholly unsatisfactory.

Question No. 25.—A system of premium bonds would not clash with Government borrowing so long as Government borrowing is carried on on the present line. Persons who would invest in premium bonds are not persons who at present invest in Government securities or even persons who find Post Office Cash Certificates attractive.

Question No. 26.—(*a*) The answer appears to me to be undoubtedly in the affirmative.

(*b*) I consider that railway rates and fares should be raised in the same proportion as expenditure has increased, whatever that may be.

Question No. 27.—So far as Burma is concerned I have no doubt that the indirect advantages accruing to Government from the construction of railways combined with the actual nett profits on the Government capital invested have fully justified their construction and that the lower the percentage of profits has been the greater have been the indirect advantages.

Question No. 28.—I consider that funds granted should never lapse and that sums which have not been spent before the 31st March should be added to the budget grant for the following year. This has been done for the last few years by special arrangement with the Government of India in the case of Public Works Department budgets in Burma where the amount of any ascertained lapse is transferred from the revised estimate to the budget of the coming year in the final issue of that budget. I also consider that when it appears that the railway receipts for the year are likely to exceed the budget estimate for that year grants for expenditure additional to the budget provision should be made so long as no reduction is thereby made in the nett estimated receipts.

Part IV.

Question No. 30.—I was Revenue Secretary to the Government of Burma from the middle of 1912 to the middle of 1919, or for rather more than seven years, and it was part of my duties to deal with railway questions other than those in which the Public Works Department was interested. I do not remember a single occasion on which the Local Government took any action in regard to rates and fares. Unless local officers and provincial Governments interest themselves in these matters and bring to light cases where concessions are called for by local circumstances I do not think that Government can ever exercise adequate control over railway administration in respect of rates and fares.

Part V.

Question No. 34.—The carrying capacity of the Burma railways is usually regarded as inadequate to the requirements of the rice trade which is the chief trade in Burma in which railway carriage is employed. Lack of railway stock is probably the chief reason for this defect.

STATEMENT No. 129.

MEMORANDUM ON THE FUTURE MANAGEMENT OF INDIAN RAILWAYS, BY SIR D. E. WACHA.

About three years ago, in response to a request made to me by Sir Robert Gillan, the then President of the Railway Board, I had furnished him with a memorandum expressing my views on the question of State versus Company management. I therein observed that on balancing the advantages and the disadvantages of the two systems I was certainly in favour of the latter.

2. A further and closer study since of the most authoritative literature on the subject has amply confirmed me in the views I had originally entertained. Many indeed are the recognised experts who have said and written on this all-absorbing subject, which has continually engaged the attention of economists and statesmen of those countries where the largest and the most organised systems have been in vogue. But for the purpose of this paper I only content myself with quoting at some length the deliberate views of two such eminent authorities as Mr. Samuel Dunn, of Chicago, and Sir William Acworth, the President of the present Railway Committee appointed by the Government of India. Nothing, I am free to confess, has more fortified me in my long-entertained conviction of the preferability of company management to State than the reasoned conclusions arrived at by these two railway economists, based on widely-ascertained and closely-examined facts of the greatest complexity and diversity. I am not aware of any leading and responsible Indian organisation or individual having given a decisive expression on the subject with such wealth of authentic data and illustrations, such searching analysis, and such logical precision as they. Neither am I aware (and I stand corrected if I am wrong) that among those who have agitated for the substitution of direct State management for the existing management of most of the State-owned railways by companies any one who has hitherto presented to the public convincing evidence in support of his contention. Parrot-cry on a public question of a momentous character, far-reaching in its consequences for better or for worse, is to be greatly deprecated, if a just and sound decision is to be finally arrived at. I am therefore at one with Mr. Dunn when he says that " the effects of every public policy is a resultant of the action and reaction between it and the general conditions under which it is carried out. It is difficult enough to anticipate the future efforts of a public policy that has been and is being followed under a known set of conditions. But in that case we can, to a large extent, judge of the future by the past and the present. It is very much more difficult to foresee the various consequences of trying a wholly different policy under the same set of conditions, for then we can only vaguely and uncertainly anticipate the action and reaction of the new policy and the conditions on one another. Ordinarily, therefore, there is much less danger of a capital mistake being made by adhering to, but perhaps also steadily developing and strengthening a policy that has been followed with some success under given conditions; and, consequently it requires less evidence in the court of reason to justify adhering to an existing policy than to justify adopting a new and wholly different one." If any policy, therefore, demands a radical change at this hour in the country, it is the policy of the future management of Indian railways. And I respectfully submit that no care that the Committee may take to recommend a careful policy, after searching investigation and examination, will be deemed too little or wasted. It should be a policy which, when once practically adopted, would prove to be a success, and not which might have to be reversed a few years afterwards as has been unfortunately the case in France, in parts of Germany and elsewhere. For it goes without saying that the policy of railway managment is far-reaching in reference to the whole domain of Indian finance, Indian trades and industries, and Indian economics generally. I therefore further concur with the principle which Mr. Dunn inculcates that " in countries where private ownership and management have been tried with considerable success, the burden of proving that the adoption of public ownership and management is desirable clearly rests with those

who advocate the change to public ownership and management." This is the more imperative at the present juncture, having regard to the past history of Indian railway finance. It is a gruesome one on which I had fully dilated some ten years ago. Whatever the financial blunders and whatever the colossal losses which were committed in the past, for 60 years, say from 1850 to 1910, many an extenuating circumstance, to which it is needless to refer in this place, has been urged in reference thereto. But no such circumstances can be reasonably urged at present as they are all non-existent. The history of the costly, nay improvident, policy of railway finance in the past should serve as a warning at present. What is imperatively needed, while recommending a new policy, are great foresight and circumspection, which shall lead to an avoidance of those huge financial blunders of a similar character.

3. I now crave leave to reproduce here some of the most pertinent observations of Mr. Dunn as I consider them to be quite relevant to the inquiry. "If we broadly consider the experience of the leading and typical countries, we can hardly conclude that it indicates that the public advantages gained from Government ownership ordinarily are greater than those derived from private ownership or the disadvantages suffered from the State ownership are ordinarily less than those suffered from private ownership. Besides, the evidence shows that the results to the public of Government ownership of railways vary widely. There must be causes of the first importance for the differences between the results of State management in Prussia and Japan and in most other countries. The main differences between the conditions in Prussia and Japan and in other countries that affect State railway management and the results are those between the temperaments of the peoples, between the forms and character of the governments and between the relations of the governments to the peoples and to railway employees." I have not noticed anywhere that these essential conditions have at all been examined by those who have advocated State management of railways in India.

4. But let Mr. Dunn speak in his own words about the Prussian system which has off and on been put forward as a model to follow. "The Prussian system is highly undemocratic and the conditions in Japan are still highly feudal. . . . In Prussia, railway labour is forbidden to belong to unions, and subject to a discipline hardly less rigorous and exacting than that of the army." I do not believe that commercial India, European and Indian, are keen on the imitation of this part of the Prussian railway system. Moreover, at present there are no labour unions to speak of in India. But it may be taken for granted that the Indian Government will not forbid the formation of Labour unions. Indeed so far as the trend of the discussion has recently gone on, they would like to see such unions established on well-considered foundations. Then, take the case of Japan, another country which is also held up before the Indian Government to follow. Says Mr. Dunn, "In Japan loyalty of all classes of the people to their government and everything connected with it borders on fanaticism. . . . Since, doubtless, it is owing to these *differences in conditions* that the railway management in Prussia and Japan is a success, while in most other countries, it is much less successful, or a failure, as it does not seem logical to consider that any other country, in order to attain as high a degree of success in the management of railways as Prussia and Japan have, must follow the example that Prussia and Japan, especially the former, have set in organising and managing their railways. For the people of countries such as the United States, France, Canada and Australia to follow the political example of Prussia would be for them to revert to a form of government and to political institutions which they regard as inconsistent with the rights of the individual to great freedom of action and with the right of the people as a whole to govern themselves." Here, in India, we have just begun responsible self-government and the people do require greater freedom of management of their own affairs, so that it would be illogical for them to demand railway management of the political character of Prussia and Japan. But even apart from the facts as described by Mr. Dunn, if Indians are keen on the State wholly and directly managing the Indian system of railways, it is to be hoped that they will carefully consider the balance of advantages and disadvantages before committing themselves to a policy which, after a few years' experience, it may be found necessary to change at an indescribable cost.

5. Lest it should be considered that I am speaking without the book, I may be allowed to bring to the notice of the Committee the deliberate opinion of a famous Royal Commission in Italy which some 35 years ago exhaustively investigated the question. I reproduce its main conclusions as formulated by President Hadley, of Yale (History of Railway Transportation):—

> 1. "Most of the pleas for State management are based upon the idea that the State would perform many services much cheaper than they are performed by private companies. This is a mistake. The tendency is the other way. . . . The State is much more likely to attempt to tax industry than foster it."
>
> 2. "State management is more costly than private management."
>
> 3. "The political disadvantages would be very great. Politics would corrupt the railway management and the railway management would corrupt politics."

Italy nationalised her railways in 1906, despite the Report of the Commission of 1886. Switzerland did the same. Recently the French Government has taken over the system of the Western Company. Mr. Hadley comments on this as follows:—"But an impartial study of the railway history not only of the countries mentioned but of State-ownership all over the world shows little to invalidate and much to confirm the conclusions of the Italian Commission." A large number, again, of people argue that because the State runs the Post Office, the telegraphs and the telephones, though with very qualified success, it can therefore run the railways also. The same plea has been frequently urged by the advocates in this country of State management. But another railway expert particularly points out the fundamental fallacy of that argument. For, says he, "in Post Office business, there is no question of varying charges. The charge for a letter is one penny from Lombard Street to John o' Groats. Nor has anyone claimed that a universal sending out 100,000 circulars should have a reduction on the postage charged because of his wholesale quantity. But if the cost of a postage stamp were a serious amount, we may be very sure that long ago there would have been an irresistible demand for a tariff varying according to distance and difference between retail and wholesale consignments. And this is essential to railway working."

6. It is to be presumed that we are all well supposed to believe that the State will make considerable financial sacrifices and incur even larger financial liabilities in connection with the railways.

7. Returning to Mr. Dunn, the following further observations of a thoroughly businesslike character must commend themselves to those who in the matter of railway management would take a business point of view:—" A Government to be successful in the management of large commercial enterprise must to a very great extent be organised and administered as successful private business concerns are organised and administered. The fundamental requisite of successful business management cannot be attained by the simple expedients of transferring concerns from private to public ownership. Whether a business is managed or owned by a corporation or owned and managed by the public, the owners, in order that it may run successfully, must choose and retain the managers solely because of their special fitness for their duties. Having done this, the owners must give the managers wide discretion and authority, specially for dealing with the employees. The owners must interfere very little with what the managers do, and ordinarily must try to hold them responsible only for general results."

8. Without unduly arguing at length this most important point with further details, it may suffice if the following answers are given in the language of Mr. Dunn to the fundamental question: Will the adoption of direct State management pure and simple, be, on the whole, beneficial to the public?

(1) The railways of the United States are, considering all pertinent conditions, economically managed as any in the world, and it is probable that under Government management there would be an increase in the total expenses incurred in rendering railway service.

(2) Under private ownership the development of the railways of the country had gone forward at a rate which until recent years, has not been equalled in any other country. The capacity of the railway trackage and equipment provided in proportion to both area and population is not surpassed in any other country.

(3) The quality of the freight and passenger service rendered here is in most respects equal or superior to the quality of that rendered by railways in such countries under conditions at all comparable.

(4) The service, however, is very deficient as compared with that of most other countries in respect of the extremely important element of safety. But the evidence indicates this is due rather to local conditions than to private management, and that the situation in this regard probably would not be imposed under Government management.

(5) Passenger rates are probably no higher than in most other countries for similar services, but the average rate per passenger per mile is much higher than it is on most State railways; and State railways usually make lower passenger rates than private railways.

(6) The freight rates of railways have been, and are yet, based largely on what the traffic will bear. In other countries under public management, the domestic freight rates are usually based rigidly on distance. The rate-making policy followed in this country is well adopted to promoting the fullest development of industry and commerce, but it has led to many unfair and extremely harmful discriminations. Public regulation has greatly reduced the number of these unfair discriminations and doubtless can reduce it further; but in the nature of things, unfair discrimination seems more likely to recur under private management than under State management.

(7) The average freight rate per ton a mile is the lowest in the world excepting, apparently, that of the State railways of Japan; and relatively to the conditions under which they are charged freight rates here are probably the lowest in the world. Private railways generally tend to make lower freights than State-railways, and low freights are of more benefit to the public than the low passenger rates.

(8) While in many countries State railway causes financial losses to the public, in the United States, the public derives large sums from the railways in the form of taxes Furthermore, the amount of taxes being collected from them is rapidly increasing.

(9) The condition of the labour employed in the railways of this country relatively is as good as that of the labour employed on the railways of any other country; and it could not be substantially improved without imposing an additional burden of rates on travellers or shippers or both, or an additional burden of taxes on the general public. In either case, the greater part of the added burdens would fall on the middle and the working classes in general.

(10) In view of many other countries with State management of railways and of the conditions existing in our own country it would seem that the State management here would have a tendency rather to corrupt than to purify parties. Clearly then, the preponderance of evidence does not indicate that under existing conditions, at least, the adoption of Government ownership in the United States would be beneficial to the public.

9. I am not aware of any crying complaints brought against the management by companies of State-owned railways in India. No doubt in many a case there may be a justification for such complaints. But they are not of such a character as could not be removed by special legislation. At the same time, it should be carefully noted that they do not go so far as to make out anything like a conclusive case for pure direct State management. I am firmly of conviction that were such management adopted, not only complaints of a similar nature and many others besides would crop up, but that the management would in a few short years be found to be so intolerable as to give rise to a strong agitation in the country to revert to the existing conditions. The war has proved to demonstration in how many important directions the management even temporarily taken over by the Government in England of many an industrial and business concern proved a failure. Business men under pressure of enlightened public opinion had had necessarily to be invited when matters were going hopelessly wrong under bureaucratic management to put them right. They did so. That fact proved to the hilt that the State was not fit to manage colossal business matters so well as those engaged in every day private business. Take the case of the

Munitions Department. How much of waste was incurred? What extravagant prices were paid and what corruption prevailed? No such evils could ever have arisen under private enterprise.

10. Thus what is most wanted is the wisdom of adopting a policy of leaving the management of such a colossal industrial enterprise as that of railways to private enterprise, but at the same time develop and perfect the existing system which, in my personal opinion, is a fair success, by means of wholesome legislation in consonance with well-founded popular needs and requirements. Abuses should be prevented at all costs and hazard and by means of vigilant and honest supervision. Were State-owned railways continued to be managed by companies, with all the improvements and restrictions called for, it should not be impracticable to develop a railway public policy whereby both the public and the State may be greatly advantaged.

11. I may now refer to the views expressed by Sir William Acworth in his most excellent work called "Historical Sketch on State Railway Ownership" very recently published (John Murray). The author in the concluding part of his preface correctly observes that his facts and figures, which have not been challenged as inaccurate, "prove conclusively that a democratic Government cannot with the ordinary political machinery successfully run a commercial business." which, nobody can venture to deny, a railway is. At the outset Sir William gives some comparative statistics. According to the Prussian Railway Administration Report, "there were in Europe at the end of 1913, 216,396 miles of railways, of which 116,111 were State railways, and there were in the whole world nearly 700,000 miles of railways, of which less than one-third were State railways. The capital invested in railways amounted to 208 billions of marks, say, in round figures 10,000 million pounds. It is not possible to work out the respective proportion of State and private capital. Suffice to say that whereas 33 nations own their railways in whole or in part, the United States and Great Britain, where the railways are all in private hands, account between them for more than half of the world's total railway capital." But it is needless to further quote Sir William's comparative statistics. It is sufficient to quote here his broad statement:

(1) "That two-thirds of the railway mileage of the world has been provided;
(2) "Two-thirds of the railway capital of the world has been provided; and
(3) "Two-thirds of the current railway of the world is done by private enterprise,"

and "only the remaining third by State undertakings."

But what are "the lessons of experience," the lessons which the history of railways almost during a century, teach? Sir William Acworth, after very tersely and accurately analysing that history, observes: "Railway history conclusively refutes the idea that State ownership promotes railway development." After making references to the different important systems of railways in the world, the author expresses himself as follows: "A railway company exists for a single end. If an extension offers reasonable financial success, and if capital can be raised on reasonable terms a company will always build it." I fully concur with this opinion. The experience of railways in India is that time out of number the State has been most obstructive to construct new railways essentially required for the development of the country's resources. Time out of number the mercantile communities in India have submitted practical proposals for building such railways, and it is well-known that they have had to wait for years and years before the Government with its tortoise-like machine, could be goaded to build the essential railways. The driving force has always come from the mercantile communities but seldom from Government. One important reason alleged was the difficulty of raising capital. Left alone, the different companies originally launched by private enterprise could have obtained all the capital. But there were so many restrictions in the contracts made by the State with guaranteed and other companies that at every step, the latter were hampered. I myself was against building unprofitable railways with breathless space, while irrigation works were starved as I have shown in my brochure on Railway Finance. But I must assert that the Government had in the past for long long years delayed the construction of new popularly demanded railways absolutely needed for the development of the country. The fact can never be gainsaid. It is writ in large capital letters in the history of Indian railways which he who runs may read. Is it possible that with such a history in the past the State, when directly managing its own railways, can build economically and speedily the new railways wanted for the country's industrial development and extended inland and foreign trade as a company by private enterprise can? Says Sir William, "if even success is problematical, ambition and the desire to forestall a possible intruder will usually turn the scale in favour of a forward policy. But a Finance Minister is quite in a different position. Calls upon him for money coming from a dozen different directions. The Army, the Navy, education, development schemes, social betterment, and fifty things more, all press their rival claims. The money is limited. New taxes do not conduce to popularity. The budget has to be made to balance and the railways go short like all other claimants." This, indeed, is a true portraiture, and it is to be feared that with the democratic form of government now introduced into India, it is as certain as night follows day, that the representatives of the people in the Councils will clamour for such great demands on account of education, sanitation, industrial and agricultural development, social welfare and other objects, that it will be hopeless to get new railways built by the State save by new loans, the interest charges on which will be a further burden on the Indian revenues. Under such a condition of the near future, it would be a grievous mistake to alter the present policy and agree to railway management directly by the State.

12. There is another important point on which it is worth quoting Sir William Acworth's opinion. "It is about the quality and cost of service which, it is needless to say, are essential factors in the consideration of State *versus* Company management. The vital question is not concerned with construction and capital cost, but with day-to-day working of the actual existing system. Will the public on the whole get better services or lower rates or possibly both these advantages?" Sir William Acworth's answer is not indecisive. He says that on this question "there is a mass of accumulated information." There is a difficulty of making a fair comparison between one country and another. "National custom differs widely. To give one striking instance. The average American railway charges its passengers a penny a mile, and admittedly makes no profit. The East Indian Railway charges a fifth of a penny a mile, and makes a handsome profit, means that the Bengal ryot is content to travel under conditions of speed and accommodation and convenient frequency of service which imply reductions in operating costs more

than counterbalancing the five-fold reduction of charge and even the 0·2d. rate is a much larger tax on the income of the ryots than the 1d. rate is upon that of the American labourers, etc. What shall be said? Would it be reasonable to say that all things considered, the passenger fares in America are really lower than those in Bengal, in spite of the fact that in Bengal a man can travel five miles at the price of one mile in the States? Must it not be acknowledged that where conditions are so absolutely different, one cannot really compare but can only contrast? If comparisons are to be of value they must be made where conditions are, if not similar—that we shall never find—at least as similar as may be. This much seems clear. Given two countries in which the standard of living and the purchasing power of money are substantially the same, and where the quality of railway service is substantially the same also, the country in which the rates charged are lower is the best served by its railways." This is a clear exposition as regards comparisons and contrasts. But unfortunately in India, the advocates of State management do not seem to have at all given the slightest consideration to the circumstance to which Sir William refers. There has been no *reasoned* statement of facts touching the quality and cost of service.

13. Then take the question of freights. "It is a matter of common knowledge," says the same authority, "that the freight rates of the United States are out and away lower than those of any other country with which comparison can reasonably be made. The figures for the average receipt of ton mile for Germany and France are nearly double those for America, 0·68d. per ton mile respectively as against 0·37d. and all the other countries of Western Europe except Belgium, are higher than France. The Belgian rate is 0·56d. As we get towards the East, rates fall. In Russia the average is 0·47d., in Japan 0·43d. and finally in India it gets down to 0·37d., which is the same as the American figure. The reason why Oriental rates are low is obvious. Roughly half the cost of railway operation is direct labour cost, and in Japan a railway employee earns two shillings and in India one shilling, whereas in America he earns a sovereign. Why then are not the rates still lower? Because it needs many orientals to do the work of one American, with his efficient methods and his labour-saving appliances. To give an instance, railway embankments in India were, till quite recently, and probably are still, constructed by gangs of coolies running to and fro with small buckets of earth upon their heads." All this is perfectly true. The same may be said of Indian operatives in cotton mills. Though labour is comparatively cheap in Indian and very dear in Lancashire mills, it is an absolute fact, based on a careful examination of production per spindle in the two countries, that despite dearer labour wages, Lancashire is in reality cheaper so far, having regard to the efficiency and intelligence of work.

14. Next, it cannot be gainsaid that private railways lead in inventions and improvements. Says Sir William: "In all the history of railway development, it has been the private companies that have led the way; the State systems have brought up the rear. It will be difficult to point to a single important invention or improvement the introduction of which the world owes to a State railway." In India the State is as slow as the mule in point of improvements and inventions as Prussia, which the advocates of State management constantly point out (no doubt ignorantly) as a model to follow! It is the same Prussia, which Sir William says, clings to old machinery and old methods! But where is the enlightened advocate of State management of Indian railways who cares to learn that "railroading," as Sir William observes, "is a progressive science. New ideas lead to new inventions, imply new plant, new methods. Another means spending of much new capital to be recouped by larger economics later on. The State official mistrusts ideas, pours cold water on new inventions, grudges new expenditure." Very true. If the Government of India has been known to be so backward in this respect what may be the case with the new democratic Councils? It is extremely doubtful whether the pound-wise and penny-foolish policy will ever come into play? And what may be the result? It need not be foretold that State management, if introduced, will be a byeword of reproach and the subject of the most bitter criticism.

15. Yet another point to be touched is civilianism in railway matters. Sir William Acworth says:—"Railway management on its main sides of policy, operation and traffic, is essentially a commercial business, requiring commercial training and commercial aptitude. The railwayman, if he is to serve his customers and his shareholders properly must look ahead, plan boldly for the future, and not fear to take risks. His mind must be alert to recognise and use every new technical improvement, so that he may give the best possible service at the minimum possible expense. He must be quick to observe the course of trade, the change of demand, the potentialities of new markets and new sources of supply and to adjust his tariffs accordingly. Above all he must keep abreast of his work, however arduous. If he fails—at least in the employ of a private company—he goes and a better man takes his place." This is again too true; and in India the civilian is supposed to be a superman! As the late Earl John Russell once observed, he is good enough to govern a State or man a navy or command the army or grow a potato! Instances have been numberless where a civilian is pitchforked to take charge of duties or work of which he has no conception or in which he never has had a training. Even to-day, not to go too far, we have civilians who are at the head of an Improvement Trust and a Port Trust. Civilians are pitchforked into such places where a life-long experience in engineering or estate-managing and in trade and commerce are required. Practically the work is done by other officials who *are trained*. All the same the civilian is at the head. It is so in Bombay as regards the Improvement Trust and Port Trust. It is so in Calcutta as far as the Improvement Trust is there concerned! The unwisdom of placing a square man in a round hole seems to be in India the very acme of administrative statesmanship. Is it a wonder if Sir William asks whether anyone can expect the qualities needed for a railway chief from a State official?" He quotes in answer to his question a passage from the Italian Commission— the same to which reference has been made in the earlier part of this memorandum and on which Mr. Hadley has based some of his inferences. "It is true," says Sir William Acworth, "that the Commission wrote 40 years ago, but human nature has not greatly altered in the interval." Certainly not. The passage runs thus: "On a State railway system the personnel would be chosen according to Civil Service rules. Seniority would count more than merits or special qualifications. There would be bureaucratic dilatoriness incompatible with railway service. This applies specially to the Executive officers who need to have in the highest degree industrial energy, initiative in planning improvements, commercial intelligence, essential in controlling the various claims of expenditure; who have to encourage traffic, improve service, maintain discipline and so forth. The chief officers and their personal

staff must have a personal interest to stimulate them, and a high sense of responsibility to encourage them to perform their duty and for men like them the State would substitute officials with no personal interest in the operating results. Further, the Government employee, is, as a rule, worse paid and subject to less severe discipline than men in private employment and consequently he does less work. When the operation of the Upper Italian Railways was temporarily taken over by the State, only a short time elapsed before the discipline, energy and promptitude of the staff, which had been excellent, broke down, and the service became abominably bad. The general rule is that Government employees do less work; consequently more men have to be employed, and the wages bill accordingly goes up." This is a gruesome picture but no more gruesome than true, having regard to civilian management wherever business and special training are essential. Here too, Indian advocates of State management of railways, must be presumed, to be ignorant of what is likely to be in store when State management is unfortunately resolved upon.

16. Neither can State-managed railways turn out so profitable as under company management. Sir William Acworth says:—" In the two countries where the railways are still wholly in private ownership, the United States and the United Kingdom, nationalisation cannot be justified on the ground of lack of private enterprise. Nor is it necessary to avoid abuses; for those abuses can either be prevented or cured by adequate State regulation and supervision. Further it does not appear that the State is likely to build railways cheaper. Still less, that it will surpass private companies in efficiency of management, and will therefore have available more net revenue to be applied either to improvement of service or reduction of rates in the country as a whole " . . . . " With the exception of the South African Dominion, Prussia is the only country where the State-system shows a substantial profit after payment of operating expenses and interest on capital, and this fortunate position Prussia owes to two things. It bought the railways at a most opportune moment, just before the great industrial and commercial development that has made modern Germany; and the Government has been powerful enough to maintain the scale of rates as practically unaltered over a long series of years. Belgium roughly makes both ends meet. Switzerland the same. The smaller German States and the Australasian, speaking broadly over a series of years, have to make up some part of their interest charges out of general taxation; Austria, Italy and France produce deplorable financial results."

17. Lastly Sir William Acworth dilates on the parrot-cry generally raised by advocates of State management that rates and fares would be more equitably adopted. Here are his reasons against such a delusion. " The claim that the State will adjust rates and fares more equitably is more difficult to deal with. The famous Prussian Finance Minister, Von Miquel, asserted categorically that the possible policy for a State system was to adopt a rigid tariff uniform over the whole country. Another is, in fact, the Prussian system. For 500 miles the rate of normal tariff is ten times that for 50 miles. Whether this is equitable is another question. It does not cost the railway ten times as much to do the business. Nor does it seem to be treating the trade in accordance with the canon of taxation which says that the end to be aimed at is equality of sacrifice by the taxpayer. Be that as it may, while such a policy is possible for Prussia, with only a small seaboard, and where the Government not only owns railways, but the canals, it is unthinkable in England or America. Imagine an English Government charging from London to Edinburgh ten times as much for the first 40 miles out of London. The only result would be to drive the whole of the traffic to the coasting steamers."

18. It may now be instructive to quote the conclusions arrived at by Sir William Acworth on a careful and exhaustive study of railway history very much as Mr. Dunn has. He first gives the summing up of the conclusions by President Hadley of the Italian Railway Commission. This need not be repeated as it has already been quoted. Says Sir William that he has made an attempt to bring his history of railways up-to-date.—" hampered by the condition that the most important facts of contemporary history are not always those that can be most readily published." The conclusions, however, of the Italian Commission, in his opinion, " still seems to stand firm."

" The essential lesson of history may be said to be this. It is impossible to obtain satisfactory results on Government railways in a democratic State unless the management is cut loose from direct political control. . . . In France, in Belgium, in Italy, parliamentary interference has never been abandoned for a moment. Without imputing a double dose of original sin to politicians, it is easy to see why this happens. The railways belong to the people. Parliament is the authorised representative of the people. It seems therefore, to the ordinary citizen, only right and natural that Parliament should control the management of the people's railways. And yet facts are stubborn things, and the facts show that Parliamentary interference has meant running the railway, not for the benefit of the people at large, but to satisfy local and sectional, or even personal interests. They show further that under Parliamentary management it is easier to get money for big schemes of new construction than for inconspicuous day-to-day betterments and improvements, which probably would produce much greater public benefit. Some day, perhaps, having learned wisdom by experience, a parliament and a people may recognise that management for the people is not necessarily management by the people; that there are branches of government, besides the judicial branch, unsuited for popular interference; and may establish a permanent State railway organisation, with its own Board of Management, with its own separate Budget, and entirely independent of parliamentary control, but controlled where necessary, like any private company, by judicially-minded Railway Committee, required also like a private company to earn a dividend for its shareholders, the people. And then a main objection to Government railways in a democratic State will have lost its force. But hitherto, no Parliament and no people have recognised this fact, even though it stands out abundantly clear on the pages of railway history." Sound as these views are, and impartially based on " stubborn " historical facts connected with the greatest railways of the world, I fully endorse them. I am convinced that the management of Indian railways directly by the State will prove a dismal failure. The present system is the most advantageous. It only requires to be improved and the complaints and abuses made by the largest users of railways removed, and the Railway Acts legislated anew on equitable lines, which, while securing to the State all the benefits served by private enterprise shall save the people from all those evils and disadvantages which other countries have suffered by reason of State management, and in the bargain give them all the benefits they are entitled to."

19. Having observed at length on the question of management as above, I should say, in answer to Question No. 8 (part 1) that a company should be domiciled in England with a Board there, but having in India a local board which would be in a position to inform the London Board from time to time of the needs and requirements of the public, so that the necessary action might be taken as speedily as possible. The London Board should not be dilatory in the transaction of all business. Thus consideration of a given subject and decision thereon should be expeditious for purposes of executive action. There is a long-standing complaint that the London Boards of the different companies take an unconscionably long time to arrive at decisions. The importance of the retention of a company's head office in London is essential for purposes of finance, supply of rolling stock and other railway materials and so forth, and for purposes of consultation with experts and the India Office. The local Board will be able to supply all necessary information of an accurate character to help the London Board. There will thus be a mutual advantage on both sides in the final disposal of all business as it arises from time to time. I do not approve of a company wholly domiciled in India. It will hardly be helpful and advantageous. There are a number of matters which could be effectively attended to and concluded in London alone.

20. I approve of the expediency of allowing companies to hold relatively small share of the capital and to receive a proportional share of the net earnings. No other alternative would be as suitable as this.

21. My answer to Question No. 3 will meet the criticism referred to in Question No. 5.

22. I am of opinion that the paramount interests of government will be very fairly and satisfactorily safeguarded by the method I have suggested in my answer to Question No. 3.

23. I do believe that continuity will never be maintained by a Board domiciled in India unless it is wholly constituted of Indians which, under existing conditions, and for some years to come, will not be possible. Members of a Board domiciled in India will continually change as a matter of course—a state of things in no way desirable in the interests of the public and the Government alike.

24. Directors of Boards in London should be as far as possible persons of an impartial character and men who will not grind their own axe to the disadvantage of common interests. This is *the* danger to be guarded against in the future constitution of London boards. Similarly members of the local board of a company should be selected from business persons of experience but not known to push the interests of certain classes of trades and industries at the expense of others. They should be men of grit not amenable to pressure or influence of any kind, men in whom the public—Indian and European—will have every confidence. I should limit the number of a local board to three; for it would be difficult to find a large number of persons of that grit of character and sterling honesty to carry on communications with the London Board *impartially* so as not to mislead them or misrepresent the facts. They need not be necessarily more skilled in railway work. *Business men* are essential; for after all the local board will have more or less to redress grievances in reference to *business* by business men coming daily in contact with questions of railway transport. Where expert knowledge purely of railway construction and railway technicalities are concerned, the local board can always invite such for consultation and advice. Question 9 is answered by all that I have said in the foregoing.

Part II.

25. The Railway Board as at present constituted is unsatisfactory. I should prefer business men conversant with the railway needs and requirements from each of the principal provinces should be selected. Say, six or seven or so. Beyond these business men, there should be three expert engineers, not necessarily engineers belonging to companies. But they must be real experts in all matters of railway engineering. The Government should appoint a President, a thorough business man who combines business knowledge with some expert knowledge also. The Board should thus have no more than 11 persons, and the votes will thus be 7 to 4 or 7 to 5 in case the President gives his casting vote. In such a case Government should finally review the proceedings of a subject thus decided by the Board. In fact, the Government would act as the umpire and the final decision will rest with them. I suggest this course in cases only where the President is obliged to give his casting vote.

26. In answer to Question No. 12, I may say that from my experience of one or two matters, I do not think the way in which the Railway Board decides is satisfactory. The members seem to be more or less not open to views other than those to which they are committed. They act on foregone conclusions, and besides are more or less obstructive to progress besides dilatory in despatch of business

Part III.

27. As to Part III, I am afraid opinions will differ. I myself think that as far as possible all borrowings by government on account of railways should be in India and that the loans should terminate say, at the end of 30 or 40 years. At the same time, the Government should provide a sinking fund, by statute, as the Government is bound to set apart from the general revenues the annual sum which at interest might accumulate equal to the original amount of the loan borrowed. India has greatly suffered in the past by reason of there being absolutely no provision made in the original contracts of guaranteed companies for the repayment of capital by sinking funds. Perhaps the Indian revenues in the early days of railway era in India were too poor to provide such sinking funds. But Indian revenues are now in a healthy condition. It may be admitted that there will be large demands in the immediate future for many an important object of public utility. If the revenues will not suffice, additional taxation will have to be necessarily provided. Beyond taxation, there should be a statutory provision obliging Government to utilise the annual net profits of railways, which are now swept away into the general revenues, for the purpose of setting apart the sinking funds. The ultimate financial gain to the public will be great. What has been happening for years past is that the net railway gain goes to the Treasury.

This is expended for purposes of general administration. That should be put a stop to at once. It will be found that for the last 12 or 15 years the Government annual finances, in a majority of cases, would have shown a deficit instead of a surplus. That deficit has been concealed by reason of this manipulation of the net railway surplus. It has also led to great extravagance in civil expenditure so that not only will extravagance be checked, but the reserve will act as a fund to meet future terminable loans as they expire. I am sorry I have little time to explain this most important matter of railway finance at length, but I have more than once informally brought the present method, which in my opinion, is very unsound, to the notice of more than one Finance Minister. Even I had alluded to it in some of my observations on the annual Budget in the Imperial Council. But, perhaps, with the changes that have taken place under the reformed Constitution, there will be enough to be said on this all-important subject of Indian railway finance, to which I have paid the closest and most continued attention for the last 30 years. Meanwhile, I may be permitted to say that it is worse than useless to offer any criticism, though I can fill sheets with statistics, on the two tables of earnings underlying Question No. 27. As a matter of fact both company railways and State-managed railways have turned the corner only during the last ten years. From the commencement of railway construction in 1849 down to 1910, there was no such financial result of railways as a whole by way of " net gain." It was invariably a " net loss." No doubt the East Indian and Rajputana Malwa Railways showed a net gain, but it was not so with any other railway. According to the official returns an annual loss averaging one crore was incurred. And no State railway incurred a heavier loss than the N.W. Railway, which was long known as the cinderella of railways. Of course, the corner was satisfactorily turned from 1910. The record earnings since 1916-17 are no doubt more or less owing to war. It remains to be seen what they may be during the current year. Looking at the disappointing financial results of 60 years ending 1910, I would rather offer no opinion on the two tables of net gain, inasmuch as the gain shown during each of the three years must be deemed as fortuitous and cannot with confidence be asserted as an index of what may be the gain for the coming years. The railways have been charging heavily for freights on coal, with this disadvantage that all industries have had to buy coal at prices which will not pay during normal times. If cotton mills in Bombay have been able to bear this large expenditure on coal, it is simply because these too have been earning abnormal profits. These will not last long. The margins of profit must diminish, so with other large industries where coal is an important item of expenditure in production. Railway freights of the future will have to be adjusted to the burdens of trades and industries. No freights can be levied which really cannot be borne by these. To force them signifies so much hampering of industries.

28. I am therefore not in a position to show that the results shown in the two tables are " satisfactory to the State and to the public." Seemingly they are, but whether they will be so permanently or even better is problematical.

29. As I have long been of opinion that the *entire* system of budgetting of the Government of India is not only obsolete but faulty and unbusinesslike, it necessarily follows that the railway budget is also faulty. The whole system demands a radical overhauling.

Part IV.

30. I am not in a position to say one way or the other in reference to the questions of rates and fares. I am aware of serious complaints by Indian merchants about the way in which freights are regulated. They have more than once memorialised the Government on the subject of differential treatment, that is, preference by rebate and kindred reductions given to influential European merchants which are denied to Indian. How far the complaint is founded on facts, I have no means of judging. But when it has been ascertained on the authority of Western railway experts that abuses have prevailed on American, German, English, French and other railways in this matter, there is a likelihood that such abuses have prevailed in the system of Indian railways too. All that I should say in this place is that railway goods rates should be so fixed as to prevent abuses by way of secret bargains. There should be equality of interests. There should be no favours to one set of traders and industrialists against another. Given a business-like Railway Board of independence and impartiality the chances are that complaints in future under this head will be few or next to nothing. At the same time the railway legislation should be of so strict a character as to achieve the same end.

31. Lastly, I must say that the carrying capacity of the various railways is very inadequate. There has been for years a paucity of wagons to carry heavy produce. The rolling stock imperatively needs sufficient addition which can be brought up to the necessities of the country say by annual accretions extending over five years. But this difficulty will never be cured till the remedies suggested by Messrs. Gattie, Horniman and other experts have been adopted. There remain so many " sick wagons." The fact is established that there has been an enormous drawback by reason of the carelessness of haulage and regulating of wagons. As a rule no wagon should remain idle. But if it does, it should be for the minimum number of days in a year. It is here that the closest attention of Indian railway experts should be concentrated. If a really efficient system is devised, it would prove of the utmost advantage to the State by way of economy of rolling stock expenditure, and to the public by way of expansion and development of further traffic.

APPENDIX.

STATEMENT SHOWING NET SURPLUS OR DEFICIT OF ANNUAL ACCOUNTS, EXCLUDING NET RAILWAY SURPLUS, FOR TEN YEARS FROM 1909-10 TO 1918-19.

(*Vide* Annual Parliamentary Return of *Net* Revenue and Expenditure.)

Year.	Net Surplus according to Annual Accounts.	Net Deficit according to Annual Accounts.	Net Annual Railway Surplus.	Net Deficit (—) or Surplus (+) after excluding net Railway Surplus.
	Million £.	Million £.	Million £.	Million £.
1909-10	0·606	—	0·824	— 0·218
1910-11	3·936	—	2·017	+ 1·919
1911-12	3·940	—	3·787	+ 0·153
1912-13	3·107	—	4·803	— 1·696
1913-14	3·312	—	4·789	+ 2·477
1914-15	—	1·785	2·158	— 3·743
1915-16	—	1·888	4·075	— 5·963
1916-17	7·478	—	7·481	— 0·003
1917-18	8·087	—	7·914	+ 0·173
1918-19	—	2·820	10·568	—13·888
Total ...	29·466	6·493	48·416	—25·443

N.B.—It will be seen that but for the railway surplus swept into the General Account, there was a *true annual* deficit averaging 2·54 million £.

STATEMENT No. 130.

The Honourable HRISHIKESH LAHA, C.I.E., Calcutta.

The following answers to the questions contained in the Questionnaire will indicate my views on the policy to be followed in the management of railways in India owned by the State, as stated in the Terms of Reference of the Indian Railway Committee:—

The Management of Railways Owned by the State.

Questions Nos. 1, 2, 3, 5 *and* 9.—It is well known that both the systems of State and Company managements have their advantages and disadvantages, the former being run for military and political purposes, and the latter for private profit. It is understood that State management has the interests of the public at heart, but experience has shown in other countries that it is too costly, and at the same time inefficient. The combination of the two systems on a profit-sharing basis under State control will be of immense benefit to the country. As an instance, I may cite the management of the East Indian Railway, which, however, during the years of war, has greatly been hampered by want of funds for renewals, etc. There should be formed a Local Board with executive powers to look into the workings of railways. This combination will necessitate the establishment of a Board of Directors domiciled in India for the efficient control of railway administration as well as for promptly deciding cases of importance and urgency, and this will rectify the defect of a London board which are " out of touch with Indian conditions and requirements," and no undesirable delay will occur in settling references. But it must be clearly understood that the functions of the two boards should be clearly defined and demarcated, so that there would be no conflict as regards the duties to be assigned to each. The London board would be entrusted with the work of raising loans at cheap rate in England if it could not be raised here, for the purchase of stores at fair rates if not available in India, and for the appointment of trained men for the purpose of good management in India, while the Local Board would exercise direct control over the clerical staff and the administration of railways in India generally.

Question No. 4.—The existing system is to allow the working companies an interest in the undertakings entrusted to them by permitting them to hold a relatively small share of the capital and to receive a proportionate share of the net earnings. Over and above this, the companies should be given the dividend at the fixed rate if guaranteed.

Question No. 6.—In the case of railway companies being domiciled in India, a permanent chairman should be appointed by Government together with two railway experts, and the remaining members will represent the various interests with which the railways have connection, and they will be both Europeans and Indians, the latter predominating in order to help the rising Indian industries. The adoption of this proposal would secure continuity, and safeguard the paramount interest of Government.

Question No. 8.—I do not think that the impartiality of any director actively interested in particular industries or areas can be so affected as to produce any baneful influence upon the deliberations of the board consisting of so many members who have got their respective interests to look after.

Railway Board and the Government of India's Control.

Questions Nos. 10 *and* 11.—The present Railway Board should be reconstituted and enlarged in such a way as to include therein representatives of commerce and industry and various other interests, both Indian and European. The Indian element should be strong, so that there should be no undue tendency on the part of the Board to conduct the railway administration more in the

interests of foreign enterprise than in those of the Indian. As an instance in point, the majority of the Indian collieries are starved for want of wagons and no remedy has yet been suggested for transport facilities to meet their pressing complaints. The Railway Board should exercise control over all the local boards and should see that the rates should be such as to help the development of trade and industries to the fullest possible extent, keeping in view the policy of " minimum of profit with the maximum of traffic."

Railway Finance.

Question No. 17.—I reply in a general way that the supply of funds to the railways was quite inadequate to meet all their requirements in the matter of repairing rolling stocks, etc.

Question No. 18.—It was not considered satisfactory that the greater part of the capital funds should be used in the improvement of the rolling stock and equipment. Railway extension is absolutely necessary, and a fair portion should be employed in it.

Question No. 19.—Funds are required, and about eight to ten crores of rupees, at least, are required for capital purposes annually.

Question No. 20.—Yes.

Question No. 22.—For the main lines the capital must be raised by the Government, and for other lines by private companies.

Question No. 25.—If three to four crores of rupees are raised in India for railway purposes it will not interfere with the ordinary Government borrowings.

Question No. 26.—(*a*) The general revenue position of the Government of India exercises a detrimental effect to railway improvement and development, as the revenue is generally diverted to other purposes at the expense of the railway.

(*b*) Railway rates will have to be enhanced to a small extent in view of the increased rate of interest, but it should not be so raised as to be considered a hardship by the trade.

Question No. 28.—The " lapse " system is a vicious system, and, so far as the railways are concerned, it should be kept in abeyance. The unspent balance should be allowed to be brought forward for the next year.

STATEMENT No. 131.

The Honourable Khan Bahadur A. K. G. AHMED THAMBY MARICAIR, Member, Council of State.—MEMORANDUM DATED 25TH JANUARY, 1921.

I am a leading merchant of several years standing in the Madras Presidency. I have also been the Passenger Agent of the British India Steam Navigation Company at Negapatam for several years. I am the President of the Negapatam Taluk Board which owns the largest mileage of railways in the Province. I am also the Chairman of the Municipal Council, Nagapatam. I had also been a member of the Madras Legislative Council for eight years and served in several committees, such as Ship Building Committee, Civil Supplies Committee, etc. I am also a member of the Landing and Shipping Fees Committees, Negapatam. My experience of railway administration is confined only to the railway system in the Madras Presidency. During the eight long years that I have sat in the Madras Legislative Council several questions connected with railway administration have been discussed, and I can speak with personal experience of the helplessness of the Local Government in the matter of railway administration.

I do not propose to answer seriatim all the points raised in the *questionnaire*, nor can I profess any special knowledge of the technicalities of the railway administration. I shall therefore confine myself to a mere expression of my personal experience and views on what I think should be the future policy of the State in the matter of railway administration in this country.

State versus *Company Management.*

The question whether the railway owned by the State should be managed directly by the State, or by the companies on a profit-sharing basis, is a very simple one, and there can be but one answer to it. No financier, much less a European financier, would invest his money willingly with any philanthropic objects. He will always have an eye on getting a sufficient return for his investment. It naturally follows that to achieve his aim, he should choose either of the two alternatives, increase of the fares and rates or reduce the comforts of the public to the lowest possible minimum. It is true there are certain limitations in the agreements entered into between the Secretary of State and the railway companies, by which the former has retained power to settle the classification of goods and to authorise maximum and minimum rates within which the companies shall be entitled to charge the public for the conveyance of passengers and goods of each class, but the retention of such power in the hands of an individual 6,000 miles off from the actual scene of operations, and under the direct influence of the directors in charge of the management of the companies precludes all possibility of his understanding the real situation and the actual needs and wants. The companies have therefore at present a free hand in raising the rates and fares to the maximum limits without shewing any justification whatsoever for the increase. The relationship that now exists between the guaranteed railway companies now working railways and the Government is stated to be:

(1) The lines that they work are the property of the State.

(2) The greater part of the capital is the property of the Government, either through having been originally supplied by it or through the acquisition of the Government of the greater part of the companies interests on the termination of old contracts.

(3) When funds are required for further capital expenditure the Government has the option of either providing them or of calling upon the company to provide them. The company receives a guaranteed interest at a fixed rate on its capital; and similar payments out of the earnings are paid to the Government. If after these have

been made, surplus profits remain, they are divided between the Government and the company in the various proportions provided for by contracts. The company's share is in all cases only a small fraction of the Government's share.

(4) All the contracts except one, which is for a fixed term of 25 years, are terminable at the option of the Secretary of State, at specified dates, and on termination the company's capital is repayable at par.

It will thus be seen that the Government has the largest interest in the railways and this is due to the fact that the railways are recognised as a means of public conveyance in the interests of the people of the country, to promote their interests and well-being. The necessity for great and rapid extension of the railway system was recognised even so early as 1880, by the Famine Commissioners, appointed after the great famine of 1878, for the very same reasons. If, therefore, the object of the construction of railways on a larger scale is to be achieved, the Government which is morally bound to promote the interests and the well-being of the people should take up the management of the railways in their own hands and not allow them to be run by companies on a profit-sharing basis. The main object of railways should be the maximum comfort and convenience to the public at the minimum cost possible.

This brings me to the question of private enterprise. The Famine Commission of 1880 remarked " that there would be manifest advantages in giving free scope to the extension of railways by private enterprise if it were possible." The District Boards of this Presidency have shown a remarkable public spirit, and I am sure my own District Board has taken the lead in undertaking the construction of branch and feeder lines, and besides several lines already constructed, they have schemes for the construction of nearly 900 miles of railways in the various districts of the province. But progress in this direction is impeded on account of the objections taken by the railway companies, who have consistently opposed the construction of these lines, though urgent and essential from the public point of view, on the ground that they will affect their regular course of traffic. This only supports the view that I have above set forth, that the railway companies care more for their profits rather than for the convenience and welfare of the public. I can quote a particular instance in this province itself. I myself moved a resolution in the Madras Legislative Council for the extension of the Tanjore District Board Railway line from Vedaraniam to Point Calmere with a view to facilitate traffic between Ceylon and India, but the railway company is reluctant to agree to this, on the ground that it will affect their traffic now diverted through Danushkodi and Tuticorin at enormous cost. Unreasonable claims for compensation for short circuiting are not also uncommon. The State, if it managed the railways, will deal with these questions from a broader and public point of view, and progress in the direction of private enterprise would be greatly accelerated.

I am not unmindful of the fact that the railway companies have entered into agreements with the Secretary of State to work out their lines for a particular period. If, however, it is possible to terminate the existing contracts, this should be done at once in the larger interests of the public. This brings me now to the question of finance to meet the railway companies' share of the capital. We have, therefore, to consider if the Government of India will be in a position to pay off these amounts. Already large loans have been raised by the Government in 1842-43, 1854-55, 1865, 1879, 1880, 1900-01, carrying 3½ per cent. interest, income-tax payable. But the subsequent raising of loans at higher rates of interest free of income-tax has created dissatisfaction in the public mind in the matter of investment in Government loans. To ease the situation and to create confidence in the public mind, either the old loans carrying a lesser rate of interest should be repaid or interest should be allowed to them at the higher rates now given. If either of these courses is adopted public confidence will be restored and Indian capital will be forthcoming. The question will then be whether railways pay to meet the interest without involving any additional burden on the State. This is a serious question which requires the careful consideration of the Committee. The nationalisation of railways will also afford wider scope for Indians to enter the higher grades of railway services, as the State has committed itself to a policy of employing more Indians in the State railways. In case the immediate termination of the existing contracts is not possible, steps should be taken to terminate them at the periods fixed.

Alternative Proposal.

In case the Committee decides on the continuance of railway management by companies, the power now vested in the Secretary of State to enter into contracts with the railway companies should be transferred to the Government of India, who will hereafter have the power of framing railway budgets, to avoid any conflict between the Secretary of State and the Government of India. Railway boards in England should be abolished, and boards established for each railway system in this country, which should consist of three directors of the respective companies, three representatives of the Local Governments concerned, and three non-official members of the Legislative Councils who should have taken shares each to the extent of at least 20,000 rupees in the respective companies. They should be the sole authority on all matters relating to the railway administration, subject, of course, to the power of veto by the Local Government and the Railway Board to be constituted by the Government of India as stated hereunder. The Local Governments should have preponderating influence in the administration of railways. The administration of railways in the Central Government should be placed in the hands of a member of the Governor-General's Executive Council, assisted by a board of experts on finance, engineering, loco, traffic, and members of the Legislative Assembly and the Council of State in such proportion as may be considered desirable in the interests of the public; and this board should be the final authority on railway administration in this country, subject, of course, to the supervision of both Houses in the Government of India. These arrangements should also apply in cases of companies whose contracts are to be terminated at the time fixed

STATEMENT No. 132.

G. A. MIRKAR, Esq., Konkan South-West Coast Railway, Bombay.—NOTE DATED 15TH DECEMBER, 1920.

(The numbers in brackets refer to the Questionnaire.)

(1.) I think the railways owned by the State should be managed by the companies on a profit sharing basis. This will lessen the troublesome task of Government. It does not seem proper to deprive altogether the efforts of the former owners and founders of the Project.

(2.) The present system of management should be retained with somewhat increased control of Government.

(3.) It is not essential that companies should be in India, if the management is satisfactorily carried out through their agents.

(4.) I consider the existing system of allowing the working companies an interest in the undertakings entrusted to them by allowing them to hold a small share of the capital and to receive a proportionate share of the net earnings is a suitable method of giving them an interest in the undertaking and is a reasonable one.

(5.) In case of the companies domiciled in the United Kingdom and the directors out of touch with Indian conditions, the remedy will be to empower the Indian Government with option of deciding on their behalf with the consent of their agents such references as would demand urgent consideration in order to avoid undesirable delay. In this case the companies should have implicit confidence in Government.

(6.) If the railway companies are formed in India I would suggest the board should be composed of equal numbers of Europeans and Indians, half of this number should be nominated by Government in order that the interest of the British Government should be watched.

(7.) I do not think that there will be any lack of continuity in the board domiciled in India. I would suggest the chairman of the board should be approved of by the Government and if he is skilled in railway works, it is far better. All the members of the board should be skilled in railways if possible.

(8.) In the case of the companies domiciled in India, we should have, as far as possible, directors actively interested in particular industries or areas within which the railway is proposed to be executed.

(9.) The systems of management by companies domiciled in England and domiciled in India should be combined and each one should have sympathy towards each other and conduct the business without prejudice of caste or creed.

Powers of Railway Board.

(10.) In my opinion the control by the Railway Board is advisable.

(11.) I consider that the organisation of a board is desirable and it should be constituted with an equal number of European and Indian gentlemen. I cannot say anything about the subordinate officers.

(12.) Functions exercised by the board should be limited and the powers sanctioned by Government.

(13.) The Railway Board should possess greater and more adequate powers to exercise control over railway administrations to enable them to deal effectively and expeditiously in relation to the requirements of the travelling public and the trade.

(14.) The powers possessed by Government are not sufficiently exercised in the interest of the public is the general belief.

(15.) The powers now allowed to Railway Board are sufficient in the interests of the travelling public.

(16.) The status of the Railway Board of the Government of India is satisfactory and requires no further suggestion.

(17.) Funds for railway purposes are not adequate. I would only say (about) the new constructions of the railway are often delayed for want of funds.

(18.) I consider the policy adopted for enlargement of rolling stock of existing railways and other purposes out of available capital is based upon wise principles.

Finance.

(19.) I am not prepared to answer this question.

(20.) I would suggest that the funds required should be raised in India and in the United Kingdom also.

(21.) As regards borrowing in India, the existing arrangements for supplementing by means of branch lines terms, the Government of India's resources for railway constructions are not adequate. I would suggest that the Government of India should invest some more capital.

(22.) This is a matter for financial experts.

(23.) I have no other new method to suggest.

(24.) I am unable to give an exact estimate.

(25.) I am unable to say anything in connection with the railway rates. These should be proportionately charged.

(26.) The railway capital programme, as it is said, depends on the power of the Government of India which provides finances either by borrowing or from its balances. I suppose that this policy is detrimental to railway improvement and development.

(27.) No answer.

(28.) I have no criticism nor recommendation to make.

(29.) I do not prefer this.

(30.) In respect of rates and fares the Government should exercise sufficient control.

(31.) Numerous complaints are heard in connection with certain railways regarding overcrowding, suitable arrangement for traffic, etc.

(32.) The appointment of Railway Commission should consist of half the number of Indian native merchants in order to give general satisfaction.

STATEMENT No. 133.

Lieut.-Colonel G. R. HEARN, R.E., Engineer-in-Chief, Khyber Railway.—MEMORANDUM DATED 17TH MARCH, 1921.

Railway Experience.

My service in Indian State Railways extends over nearly 27 years, broken by two periods of active service, in which I was not employed in railway work. I have been an Assistant Engineer and Executive Engineer on Open Lines, Surveys and Construction. I have been Engineer-in-Chief of Surveys on four occasions, and am now Engineer-in-Chief of a construction. Of Open Lines, but not of State Railways, I have had experience as Deputy Consulting Engineer or Government Inspector on three occasions. In the course of my service I have served in most of the provinces of India, excepting Bengal and Assam, and I have served in Burma.

Company and State Administration.

As a traveller, as well as a Government Official I may say that I see little difference in the two systems of working in practice, and although it may cost something to let the working out on contract, so to speak, yet there are solid advantages to be gained thereby. Sometimes, inevitably, the contractor may take every advantage of his contract, and it does appear to me that of recent years the control has been almost too much relaxed, owing to the centralisation of control in the Railway Board. It is, however, quite arguable that the State Railways are allowed quite as much of a free hand, if not more, for I believe all the Boards of Directors do not give their Agents all the powers the Board possesses.

It is not, however, in the direction of purely financial control that I would wish to see some return to the old system of consulting engineers for railways, and indeed I would not advocate a return to that system. But the State was, in my opinion, aided by the local knowledge of the consulting engineers, whereas it is physically impossible for the few members of the Railway Board to have or to maintain, what I consider to be necessary, local knowledge and the power to confer on the large questions which arise. Just as an example I may refer to the question of the workshops of the South Indian Railway, a question which has been discussed for twenty years.

I say that I would not advise returning to the old system of consulting engineers. It has been proposed, I believe, to make some use of the Senior Government Inspectors, but I do not advise this. Certainly they are of very little use as it is. They are totally ignorant of negotiations between the agent and the Railway Board, of whether the former's proposals to renew or improve have been rejected, and all they can usefully do is to inspect and report, and, with the great pressure of work in the Railway Board's office, they may doubt whether their reports receive more than a cursory perusal.

In my opinion a member of the Railway Board ought to be stationed in Bombay, Calcutta and Madras, with great delegated power, and responsibility, to settle large questions, not infringing railway policy.

Constitution of the Railway Board.

The Railway Board, in my opinion, must be responsible for the technical control of the railways, and therefore must be composed of railway experts. I do not see how commercial or Indian interests can at present be represented on the Board, nor am I a believer in advisory committees without responsibility. The places for such interests are on the Boards of Directors of the Guaranteed Railway Companies, but the proper amount of share capital should be held and qualification insisted on. The representatives of such interests will then be vigorously attacked by their rivals, and the local member of the Railway Board, as Government Director, will soon hear of it. A commercial director will have to look into the question of supply of wagons, and the representative of Indian interests will be kept extremely busy. By offering a seat on each Board of a Guaranteed Railway to Indians, something like a dozen directors could exercise influence, instead of just one on the Railway Board.

The Railway Board at Headquarters should consist of a President and Vice-President, and for the present one member to carry on until the "regional" members are established. And I should like to see the Chief Engineer with the Railway Board recognised as the Consulting Engineer to the Railway Board, with the status and salary of the Inspector General of Irrigation. Moreover, the Senior Government Inspectors, not so many perhaps, should be Consulting Engineers to the Regional Members.

Further Recommendations.

I would bring to notice that the members of the Indian State Railway Engineers, though possessing special qualifications, and many having accepted this service as heads of their years at Cooper's Hill, while also having great responsibility, are paid no more, indeed receive less as Chief Engineers, than members of the Indian Service of Engineers. They have also fewer amenities, not all being able to escape the summer in the plains, while apparently they suffer in the matter of pensions, being unable to earn an addition as Superintending Engineers.

They are not represented by a Chief Engineer, the Chief Engineer with the Railway Board not being consulted in matters of pay. Their only remedy is to join with their fellow-members of the Civil Engineers Association, and the latter are not likely to memorialise for better pay on their behalf. A Chief Engineer in a Province has direct access to a Lieut.-Governor, while the Chief Engineer of the North-Western Railway has to take their case to the Agent.

I would also point out, as Engineer-in-Chief of several surveys, and of this Construction, that there is a considerable body of Temporary Engineers and Subordinates, who have been often engaged on Surveys and Construction, but who lead a somewhat precarious existence. This does not tend to economy for several reasons, which will be found in an attached note* on a Survey and Construction Corps.

* Not reproduced.

This Corps, directed by a Chief Engineer, with the training school which I recommend, would be a means of bringing about, in the words of the Montagu-Chelmsford Report, "the recruiting year by year of such a number of Indians as the existing members of the services will be able to train in an adequate manner, and to inspire with the spirit of the whole."

And, lastly, speaking of economy, which has become most necessary in view of the rises in cost of material and labour, I recommend the establishment of a Bureau of Research and Railway Intelligence, to study the railway problems special to this country, so that the school I have mentioned in my note, and other schools which may follow it, may be enabled to study railway economics, a subject which few of us know much about, while many are ignorant of its existence.

This Bureau would have to be adequately staffed, not necessarily entirely by State Railway men, and should be directed by the Consulting Engineer. It could not, however, succeed without the co-operation of the Companies' Railways, but there is not much fear of this being wanting, to judge by the investigation now proceeding into Impact on Girder Bridges.

STATEMENT No. 134.

MANILAL H. UDANI, Esq., M.A., LL.B., Vakil, High Court, Rajkot.—LETTER DATED 7TH MARCH, 1921.

I, the undersigned, most respectfully beg to submit the following statement regarding the Kathiawar Railways for your just and proper consideration, in the interests of the public.

1. The railways in Kathiawar consist of the following separate administrations, each of them traversing over the number of miles stated against them respectively:—

	Miles.
1. Gondal Railways	228
2. Morvi Railways	90
3. Jamnagar Railways	51
4. Bhavnagar Railways	193
5. Junagadh Railways	140
6. Dhrangadhra Railways	—

2. The Dhrangadhra Railway is managed by the B.B. & C.I. Railway administration and the other railways are managed by the respective states, as proprietors.

3. The proprietors of each of the above-mentioned railways have been making a very high profit from their respective lines and which in most of the cases come to nearly 20 to 25 per cent. owing to a continued and great increase in the traffic of goods and passengers since several years.

4. At present each of the States have their own separate management. Previous to the split, the management of Kathiawar Railways was in the hands of a joint administration and were known as B.G.J.P. Railways.

5. Owing to the separation in management, it has become impossible to make arrangements which would be suitable to the people of Kathiawar as a whole and in case of complaints each of them try to throw the responsibility upon the other and thus we see the grievances of the people unredressed.

6. Thus we see that the third-class carriages are almost always overcrowded, being fully packed with passengers. With the change of management, the engineers, drivers, guards and in some cases even the carriages have to be transferred and thus in a journey over a short distance the passengers are put to very great inconvenience.

7. The trains are generally required to stop for a long time at junctions, proper attention is not being paid to the keeping of lights regularly in night trains, the trains generally run at a very slow speed and the travellers feel generally disgusted in this short journey.

8. Owing to separate managements, each of them are careful for their own convenience and thus it is not possible to get time tables so as to suit the public of Kathiawar in general, and the people are not able to get their complaints attended to and their wrongs redressed, as it would be possible if there was one person's management over the whole of the Kathiawar Railways.

9. Some of the administrations have not even got sufficient engines and carriages, and thus they are incapable to avoid the general complaint of over-crowding in all the convenient trains.

10. Although the proprietors are making a very high income from these railways they are very reluctant in investing more capital for improving their line and for providing more comforts to the public. The rolling stock is not only not sufficient in comparison with the increase in traffic, but even the carriages in use are hardly kept in proper repairs. If there was one management over the whole line, such complaints would be easily removed.

11. These railways charge the maximum fare allowable under the rules. The rates for mail as well as other slow trains are all kept equal, and as no distinction in fares is kept in fast and slow trains, there is always overcrowding in the convenient trains. The fares of 2nd class have recently been increased by the Jamnagar and Gondal Railways, without giving any more compensating comfort or convenience to the public.

12. Almost all the trains in Kathiawar have the risk chains without vacuum; their carriages are not kept clean and such complaints are usually heard at every place. The low-paid railway servants hardly pay any attention to the poor third-class passengers, and in spite of repeated complaints in the papers from the public, the condition of these railways has hardly been improved.

13. After the war time the traffic in goods has greatly increased and instead of giving any more facility for the goods traffic, the proprietors are always careful to find out ways to increase their income. The merchants generally recover all their charges from the people by increasing the prices and thus the want of facilities in goods traffic is indirectly a heavy burden upon the people. As a matter of fact, the proprietors ought to have given better facilities for transporting the articles at reduced rates.

14. It is a significant fact that thefts of articles have of late greatly increased over railways and the large number of railway cases testify to the above fact. We hear every day complaints from the merchants of Kathiawar and unless due measures are taken for the prevention of such thefts it is a further burden upon the people, from whom the merchants would not fail to recover their losses in the shape of high prices.

15. The railway servants in Kathiawar except high officials are not paid properly according to the work taken from them, in comparison with railway servants on other lines in India. Some of the administrations are not allowing proper allowance to them and thus they are not only disinclined to do their work properly, but they are often induced to corruption.

16. All these and many other grievances are usually heard regarding the Kathiawar railways and it is an undisputed fact that no steps have been taken as yet to remedy them in spite of continued complaints from the public. These hardships are mostly due to the split of railways and the system of separate management.

17. Unless some radical reform will be made in the management of these railways it is not possible to remedy these continued evils. Before the split the Government was also firmly of opinion that efficient management was impossible in Kathiawar if each State would be allowed to work its railway separately. An opportunity was, however, given to the States and it is an apparent fact that it has turned out unsuccessful. Thus it is now essentially necessary in the interests of the public that the different railway lines in Kathiawar should be entrusted to one corporate management and until such a system may be introduced, there is very little hope of due improvements.

18. By keeping one responsible management over the whole line the administration will become economical and will not only save unnecessary expenses of separate management but give more facility at less expense. If the different proprietors unite together and make a joint Board of Kathiawar Railways and allow the public to have some representation in the management, it is possible that it may turn out to be efficient.

19. Looking to the special condition in Kathiawar consisting of different States I believe, that it is necessary in the interests of the public that proper improvements should be soon made in the Kathiawar Railways, by adopting a system of efficient management.

20. I have read the Questionnaire issued by the Railway Commission and published in the Bombay Chronicle of 8th December, 1920, and so far as they affect the railways in Kathiawar, my suggestions are as under:—

21. The first ten questions refer to management of the railways by the State or by the company. Regarding the Kathiawar Railways, the proprietors are the chiefs of the native states, who conduct these lines from their own state capital. So there is no harm in entrusting the inner working of the lines to them under a control of the Government, so that the States would be compelled to improve the system whenever it may be found to be defective.

22. *Re* Question No. 10. The system of control by the Railway Board at Simla is not found satisfactory regarding these railways. As Simla is very far from Kathiawar, the representatives of the states are able to go there now and then and represent their voice, whereas the voice of the people represented through the local papers hardly reach the Railway Board, and even if it reaches there, no body has ever cared to improve the condition. The Inspector of the Railway Board comes once every year to inspect these lines, and there he is carried by decent engines in specially reserved saloons, and thus he is hardly able to see the grievances of the suffering public. Thus the present system of control by the Railway Board at Simla is found not to be efficient.

23. *Re* Question No. 13, etc. I believe that the Railway Board does not possess adequate powers to control the railway administrations so as to deal effectively with the requirements of the travelling public and of the trade. It often happened in the past that whenever the Railway Board wanted to exercise its control over the railway companies, the companies used to complain against the Board, and the disputes went to such an extent that, in 1912 A.D., Lord Inchcape was specially required to make the settlements of these disputes. At that time Lord Inchcape remarked that the Railway Board is not invested with sufficient power of control over the railway companies, and so it is necessary that a special member regarding railway work should be appointed in the Executive Council of the Viceroy. This suggestion is not still carried out, and hence the Board has not sufficient power to control these railways.

24. *Re* Question No. 33. The condition and management of the railways in Kathiawar being distinct in several ways from other railway companies managed by directors from India and England, the questions regarding the finance, etc., have little relevancy with our lines. But, first of all, the general maxim that the railways are meant for the convenience of the public is required to be put into effect. In Kathiawar, the railway administrations pay no attention to the requirements of the public or for the development of trade and industry in the province, but they consider that they have made the railways only for making profits for themselves and for their own convenience. The angle of vision is thus specially required to be changed, and it is essentially necessary that the public should be relieved from the present autocracy of the railway management and should be given due comforts.

25. In England and in America the Government compels the railway companies to look to the interests and convenience of the people, whereas the state of things is quite different in India. Here the control of the Railway Board is only nominal, and, as a matter of fact, every proprietor or company acts in its own way and cares only for increasing its own earning. The greatest part of the income of all the railways comes from the pockets of the poor third-class passengers and general traffic of goods, and it is very regrettable that the third-class passengers are everywhere treated in no better way than dumb creatures, and in the traffic of goods, instead of increasing any facilities of transport, the merchants are required to suffer many hardships, and thus for want of business facilities, neither commerce nor industry has thriven in Kathiawar.

26. Thus, in short, to improve the condition of these railways it is essentially necessary that the separate systems of management by different States as proprietors should be soon abolished, and the management of the whole line in Kathiawar should be entrusted to a joint board responsible to the Government as well as to the public.

STATEMENT No. 135.

HIRJEEBHOY HORMUSJEE, Esq., Messrs. Hormusjee, Nowrojee and Co., Yeotmal.—NOTE DATED THE 6TH JANUARY, 1921.

I would prefer the management of railways owned by State through a company domiciled in India with a board sitting in India only, because the board sitting in London is, in my opinion, of no use to us here in India, as it is simply dependent upon one individual, viz., the agent of the railway, who is their sole guide in every matter. The board consequently has no recourse, in the absence of Indian experience, but to follow his advice and suggestions. Again, the board working in India should be composed of the leading trade magnates, Indians as well as Europeans, and should have a managing director appointed by Government and managing under the guidance of the board. I would also prefer the railways owned by State managed by companies on a profit-sharing basis, because when profits are shared by the public it will give its full support to the company and thus help in making railways lucrative. As for the qualifications of the members of the board, I think that, besides the managing director appointed by Government, the other members of the board need not be skilled in railway work, because experienced men in other business will be found ultimately quite up to the mark in the management of railways also.

At present there is a body known as the Railway Board over all the Indian railways which, in my opinion, has not appreciably fulfilled the expectations formed by the public. Whatever references or complaints go to them are in many cases dealt with by them without due consideration of the public grievances. I would suggest the entire abolition of this Railway Board, and in its place different boards with a separate managing director for each line of railway separately. The managing director in every case is to be a nominee of the Government and skilled in railway management.

If the Government is desirous to have the Railway Board controlling railways as it is, the Board should tour round over all the railways once a year and investigate matters of public grievances by meeting the leading firms and merchants in their respective business places. I am here for the last thirty years, and although it is a long time since the Railway Board has been established, I have not had a single occasion either to see the chairman or a member of this Board in this place. Last year, myself, as well as all the members representing trade in this place, were hard hit owing to the bad management of the Central Provinces Railway. We all had suffered unbearable losses. As a last resource, we all assembled in the Town Hall at Yeotmal and made representations to the Railway Board. We expected in return a speedy action in the matter by them, but to our disappointment all our labours in approaching them were found to be without any substantial result. As soon as such gross grievances reach the Board, I think it is the duty of the Board to proceed to such places without delay and look into the complaint and remedy the same. If the Board remains fixed at Delhi and Simla and is at the mercy of those administrators of railways who lack in their duties to the public, I think the sooner the Board is done away with the better.

The feeder lines, such as Central Provinces and other railways, which feed the main lines with traffic, should be always open to accept the traffic that is brought to them. There should be no restrictions to their constant work, because when the traffic is restricted and allowed to get congested at their various stations they find it impossible to cope with the demand, while the rolling stock on such feeder lines is generally limited, and will only meet with the demand if allowed to carry goods regularly and without break or restriction. The latter is detrimental to the working of these small branch railway lines.

The goods traffic on almost all the railway lines is moving tremendously slow. It should be expedited. I would suggest that during the harvesting seasons even special trains (goods) should be run to carry goods. As, for example, Yeotmal railway station, if it sends and gets every week one special goods train for cotton and one for cotton-seed, I think it will remove hardships of the merchants as well as constant disputes and troubles with the railway companies. At present there are a few number of wagons available daily, and none when there is restriction. I would suggest that Yeotmal should be given 30 wagons a week for cotton and 20 or 30 for seeds. These goods should be sent from the main line by a special train to Bombay, stopping only at watering stations Thus the goods that take eight days to reach Bombay will be unloaded there in less than half the time, and thereby tension on the staff as well as the rolling stock will be considerably relieved.

STATEMENT No. 136.

S. B. MEHTA, Esq., Manager, the Empress Mills, Nagpur.—LETTER DATED THE 3RD JANUARY, 1921.

With further reference to your favour No. 1129A-XIII of the 15th ultimo, enclosing a copy of the Railway Board's letter No. 405-F-19 of the 3rd idem and of the questionnaire referred to therein, I beg to submit herewith a copy marked " A " of my letter No. 993 of the 14th August, 1916, addressed to the Local Administration on the subject of the State and company management of Indian railways. The views therein expressed still hold good as far as we are concerned.

I may, perhaps, be permitted to amplify them in view of the questions asked.

In a profit-sharing management there would be greater interest taken with regard to economy, the increase of traffic, and in consulting the public convenience than in the somewhat inert and rigid State management, where State officials would be often transferred from place to place and position to position, and where their responsibility would be limited and their prospects would be fixed and unalterable, besides being open to political influences.

I can see some advantage even in having the Board of Directors in the United Kingdom, where at present the largest number of shareholders are, and from whom competent directors could be selected, and who would be able to exercise independent and strict supervision over their officers, who would feel their responsibilities all the greater, being farther away from them, and try to do their duties with utmost vigilance, whereas if the boards were near them they would be too readily accessible to the officers, who would, on the slightest pretext, approach them and try to shelter themselves from responsibility under the protection of their boards. It would be difficult to obtain

competent directors in India. It would only complicate matters and cause unnecessary expense by having Boards of Directors both in England and India. The communication between England and India is not now so difficult or dilatory as it used to be.

I think that the Railway Board must have far larger, almost autocratic, powers of control, especially over the company-managed railways, if these are to exist. For there is certainly an element of jealousy in the conduct of their business. For instance, I may point out a single instance within my knowledge where, due to apparent jealousy, a small gap, not more than a mile and a-half, was left open for years and is only now being made up, between the Great Indian Peninsula and the Bengal Nagpur Railways at Parassia, to the great inconvenience of passengers and to the detriment of other traffic. I attach hereto copy, marked " B," of correspondence on the subject, which will explain the matter more fully.

I consider the Railway Board has also failed in looking after the interests of the public by having allowed a gap of about 150 miles between Balharshah and Warrangal to remain open even up to now, though promises have often been made to bridge it over. If this had been made up, what an amount of unnecessary and roundabout haulage would have been saved, to the great benefit of all concerned, except, perhaps, the Great Indian Peninsula Railway, who must have been apprehensive of the loss of traffic over their longer route. But even in its case it would have been advantageous to have had its wagons spared for other more paying traffic. It is due to the short-sighted policy of this railway that the development of traffic, especially between the Central Provinces and Berar on the one side and the Southern India on the other, has been much retarded. Were the link line opened increased traffic on its own lines would have been available. I enclose copy, marked " C," of correspondence on this subject to explain further my meaning. If either of the railways concerned had declined to carry out the project the Railway Board ought to have been in a position to compel one or the other to do it or get the State to do it, looking at its great importance.

The Railway Board requires to be greatly strengthened so as to be able to command respect and obedience to its rules and orders. In fact, it ought to be a superior Board over all the Boards of Directors and to act entirely in the interests of the public. It ought to be so constituted that it may be able to overcome the various objectionable features both in the Company and the State managed railways. It ought to consist not only of experts in the railway construction and management, but also of men of high and responsible industrial and commercial position, both European and Indian. In short, the Board ought to be in place of the State, as if it were managing all the railways.

I think railways should be constructed by State funds so far as they can be made available, and by companies on business principles if State funds fall short. The State system of funds lapsing when not utilised during the year in which they are voted is very faulty, and must be remedied. It causes waste and retards development. The maintenance, equipment and improvement of existing railways should have priority over construction if funds fall short. Capital funds should be raised where they can be had cheaper.

The Government control of rates and fares is not adequate. There is too wide a difference between the minimum and maximum limits fixed by Government. The maxima ought to be much reduced. I enclose a list, marked " D," of rates, which will show how rates are fixed inadequately and unfairly in many respects.

I also think that the difference between the railway risk and the owner's risk rates is too great If the risk on the whole be taken, the loss would amount to an insignificant percentage, which shows clearly that the railway risk rates are too high and should be reduced considerably. If this be done many disputes may be avoided by most of the traffic being booked at railway risk rates and the railway revenue increased to a certain extent even after the reduction of the rates.

I would in this connection press upon your attention the urgent necessity of a very early revisal of the Risk Note Forms " B " and " H," which consignors who elect to send goods at owner's risk have to sign. Under the terms of these risk notes the railway is for all practical purposes absolved from liability even in the case of loss of a whole consignment, for the burden is thrown upon the consignor of proving that the loss is due to theft by, or wilful neglect of, the railway people. This is certainly very inequitable, inasmuch as all the circumstances connected with the loss are within the knowledge only of the railway. It would, therefore, only be fair if the risk note were so altered as to make the railway completely liable for the loss of a whole consignment, or of complete packages out of a consignment, except when the loss is due to (1) fire, (2) robbery from a running train, and (3) unforeseen events or accidents, in which cases the railway should furnish the consignor with satisfactory proofs in regard to the loss.

It is a patent fact that the carrying capacity of the railways is hopelessly deficient. What is chiefly wanted, in my opinion, is not so much the increase of wagons for carrying the traffic as their rapid transit and great facilities for loading and unloading them with greatly increased siding accommodation. The increase in the number of wagons only adds to congestion. If the Railway Board would require the railways to give the history of the running of wagons and the time taken by individual wagons, they will find how much time is lost in transit and in detentions due to congestion at stations.

I have tried to answer such questions as I could without exact reference to their divisions or numbers. I do not propose to offer myself as a witness.

ENCLOSURE A.

Copy of letter No. 998, dated 14th August, 1916, from Mr. Mehta, to the Government of the Central Provinces.

I have the honour to acknowledge receipt of your favour No. 773-VIII-24-26 of 27th ultimo, with copy of the Railway Board's letter regarding State and Company management of Indian railways, and I beg to give my views as desired by the Chief Commissioner.

2. As regards the specific question asked by the Board in paragraph 1 of their letter, I regret my experience is too limited to enable me to give any definite answer. Our daily business is concerned almost exclusively with the two company-managed trunk lines having their termini at Nagpur. Our imports of cotton, coal and stores come entirely from stations served by the Great Indian Peninsula and the Bengal Nagpur Railways, and practically the whole of our exports and manufactured goods find an outlet on these or other company-managed lines. The only exception is Amritsar, on the North-Western State Railway, where we do some business in piece-goods, but this is a very small fraction of the whole, and besides, it concerns traffic through-booked by the Great Indian Peninsula, our actual contact with the North-Western line being almost nil.

3. Coming to the general question of State *versus* Company management, it is no doubt one of the thorniest problems connected with the administration of railways all over the world. Much can be said on both sides, while the success or otherwise of a particular railway administration depends to no small extent on the personnel it employs, especially in its higher branches, rather than the system under which it works. An enterprising agent or traffic manager, thoroughly in touch with local conditions and necessities, and gifted with a driving force to make his personality felt as an energising influence among his subordinates, is likely to render the administration of any railway efficient as well as popular, be it a State-worked or a Company-managed one.

4. The Railway Board, in the note appended to their letter under reference, have summed up the pros and cons of the problem in a fair manner. The debates on this subject in the Imperial Council clearly indicate the existence of a large body of opinion in favour of the State working all the lines, but it is evidently influenced by considerations which seem rather serious drawbacks in State management. It is held by many that railways should be worked so as to help in the general development of the country irrespective of an adverse or favourable balance in the annual profit and loss account. Now few could gainsay the proposition that more railways are needed for exploiting the economical and industrial potentialities of the country, and it seems to me progress towards the desired end would ultimately be all the quicker if these work at a fair profit rather than prove a burden to the general taxpayers. The existence of company management, with all its faults, would ensure working on some commercial principles after all, while with all the lines worked by the State there is every chance of these being subordinated to political influence or vested interests in the degree in which these have the power of making themselves felt in the councils of the Government.

5. Far be it from me to suggest that State lines are models of efficient management or that political influence is necessarily pernicious. Some of the Indian members, both of the Imperial and Provincial Councils, are effectively voicing public opinion in regard to the many real grievances of the trading and the general community in connection with the working of our railways. The main trunk lines in many cases afford considerable facilities to import and export traffic by preferential rates to the detriment of indigenous industries; the treatment of third-class passengers is a scandal on many lines. But even in company-managed lines the State as the predominant partner, being provided with ample powers, can in my opinion, use them so as to have its influence felt towards the amelioration of such public grievances. The existence of State as well as several independent company lines side by side creates a healthy spirit of competition which must exercise a stimulating effect on the efficiency of railways as a whole. To bring every line under the administration of a centralised State department would lead to a deadening influence which might do away with all incentives to healthy progress by reducing the whole to a dull level of departmentalism.

6. At the same time I think the suggestion that the company-managed lines be controlled by boards not in London but in India, is worth serious consideration. The only difficulty that might be experienced will be that perhaps there are not many shareholders in India holding a qualifying number of shares for directorship and capable of managing the concerns. If there are such including capable Indians, the boards in India would be ideal.

7. The question of finance is also a very important one. Some of the advocates of State management suggest that funds could be found for building new lines by the Government raising loans on the security of their railways at a higher rate than their borrowings on rupee paper. I am afraid such a proposition stands self-condemned. Such railway loans would be considered as unquestioned a security as ordinary Government paper. The price of the latter would be depressed and it would be very difficult for Government to borrow for ordinary purposes. It seems to me if the State owns and manages all present as well as future lines, the ordinary rupee paper will be the only stock to fall back upon for all our capital railway requirements; and with the increasing demands on Government, for other pressing needs and the London market not as helpful as in the pre-war days, it is doubtful if the furtherance of new railway projects is to receive any impetus when private enterprise is excluded from any share thereof. The latter appeals to a class of investors who are desirous of a little speculative interest in their holdings, and the way in which small feeder lines are floated one after another in such quick succession during the last few years is a most hopeful augury for the future.

8. On the whole then, I am inclined to the opinion that it would be best to retain the two systems side by side as at present, to transfer all control in the case of companies, from London to India wherever practicable on the termination of present leases or earlier if possible, and to facilitate in every way the promotion of new lines by private agencies.

Enclosure B.

(i) *Copy of letter No. 459, dated the 31st August, 1915, from Mr. Mehta, to the Traffic Manager Bengal-Nagpur Railway.*

As you must be aware, the Pench Valley Branch of the Great Indian Peninsula Railway Nagpur-Itarsi Extension is to be opened next month for all descriptions of traffic. The terminus of this branch—Parassia—is, I understand, only about 1½ miles from the Bengal-Nagpur Railway narrow gauge station Kirsadoh, and I trust you will arrange for this small connecting link being made up as early as possible. In fact, looking to the trifling cost at which this tiny link will at once afford a means of direct and considerably shorter through communication to your main line,

and all the narrow gauges converging at Itwari with the various sections of the Great Indian Peninsula meeting at the important junction of Itarsi, I should be surprised if the project has not already engaged your agent's attention. A junction of the Great Indian Peninsula and Bengal-Nagpur Railways at Parassia will be mutually advantageous to either line as well as the general public, and I trust the Bengal-Nagpur Railway, with its characteristic enterprise, will see that it is not long delayed.

(ii) *Copy of letter No.* 12779, *dated 1st November*, 1915, *from the Agent, Bengal-Nagpur Railway, to Mr. Mehta.*

Mr. Clark has handed over to me your letter to him No. 459, dated 31st August, 1915, in which you advocate the linking up of the Bengal-Nagpur Railway narrow gauge line with Parassia Station on the Great India Peninsula Railway broad gauge line. This matter has already had my attention, and a year ago I expressed my views on it to the Honourable the Chief Commissioner; at that time I reported that I did not think the connection would serve any useful purpose as the two railways had their own lines over which to carry coal, and as for through booking in other kinds of traffic I could not foresee any prospects.

In your letter to Mr. Clark you indicate that in your opinion the line will be advantageous to the public and to the railways. I shall be very glad to receive your more detailed views on the matter and your suggestions as to what sort and kind of traffic is likely to benefit from it.

Thanking you in anticipation.

(iii) *Copy of letter No.* 1384, *dated 20th November*, 1915, *from Mr. Mehta, to the Agent, Bengal-Nagpur Railway.*

I beg to thank you for your kind favour No. 12779 of 1st instant, regarding the proposed through connection of the Great Indian Peninsula and Bengal-Nagpur Railways at Parassia.

I was not aware that the Honourable the Chief Commissioner had approached you on the subject, nor had we had any communication with Government on the subject. This will show you that there are independent opinions as to the desirability, if not quite the necessity, for linking up both the termini. We believe Messrs. Shaw, Wallace & Co. of the Pench Valley Coal Fields are just as anxious that such a facility would help traffic.

It is difficult to enumerate beforehand what description of traffic and how much of it may be encouraged; but you know development follows the easiest routes.

It struck me that while the Itarsi-Nagpur line is building, and the construction of which is now being retarded and may be delayed for years owing to the unrighteous and cruel War now raging, it might be possible for us to book our large traffic for Cawnpore, Delhi and Amritsar by this new route, as it would save over 200 miles of haulage and therefore might well permit of relatively cheaper through rates. We might also be able to send a good part of our goods to Itarsi and several other stations in the neighbourhood. Then there might be grain and other traffic from Chhindwara and Seoni and other stations on your narrow gauge line which may find an outlet by the proposed route.

May I venture to add that it would indeed be a great pity to leave such a short gap between the two termini, offering obstruction to traffic which would in all probability largely develop but for the difficulty of transport by carts over a small distance?

Trusting this may receive your favourable consideration, and thanking you again for your courtesy.

ENCLOSURE C.

(i) *Copy of letter No.* 9202, *dated 10th March*, 1919, *from Sir B. D. Mehta, to the Government of the Central Provinces.*

I have the honour to enclose herewith copy of a letter I wrote in August, 1914, to Mr. Low, then Director of Agriculture and Industries, on the subject of railway connections between our Provinces and those on the North and South of them.

It happened unfortunately to be written just on the eve of the declaration of the great devastating world War and had no doubt to be put aside. But since better and happier times have come and railway projects are being considered, I take the earliest opportunity of submitting it for the favourable consideration of the Honourable the Chief Commissioner and for such immediate and energetic action as he may deem fit.

I am in hopes that the Nagpur-Itarsi line will be taken in hand at once and the short distance left unfinished, completed without delay.

But unless great pressure and influence be used in connection with the Ballarshah-Warrangal Section, this most important and urgent missing link may again be overlooked as it has been for several years.

As these subjects have been fully discussed in the letter above referred to, I will not weary you with the repetitions of the details contained therein.

Trusting that it will have due consideration as early as possible.

(ii) *Copy of letter No.* 294, *dated the 5th August*, 1914, *from Sir B. D. Mehta, to the Director of Agriculture and Industries, Central Provinces.*

I have the honour to address you the following representation, on a matter which vitally affects the trade, industries and social amenities of the Central Provinces and Berar, and shall thank you to bestow favourable consideration thereon, and take such steps as are best calculated to secure the object in view.

2. As you are aware, our Provinces are deprived of a very large proportion of the natural advantages due to their geographical situation, owing to the want of adequate railway facilities. The two trunk lines serve us well, so far as communication with Bengal and Bombay is concerned;

but, up to only a few years back, we could not boast of even a single direct North to South line, the sole means of communication with Upper and Southern India being the very long and circuitous routes *via* Bhusawal and Manmad, respectively. Matters have, however, considerably improved of late, so far as connection with the North is concerned. There is already a narrow-gauge line between Jubbulpur on the one trunk line and Gondia on the other, extending up to Chanda; and it is satisfactory to note that the Great Indian Peninsula Railway are pushing on vigorously with the construction work of the Nagpur-Itarsi broad-gauge line. The first section from Itarsi to Betul is open already, and the whole is expected to be ready in two or three years. This line has certainly come not a day too soon, and places within the reach of the trade and the travelling public of these provinces a very short and direct means of communication with Northern and Central India, the United Provinces, the Punjab, and, above all, the new capital of India.

3. It is, however, much to be regretted that the most important project of a direct connection with the South, in continuation of the Nagpur-Itarsi line, has been allowed to drift for so long. It cannot be denied that if the Central Provinces and Berar are to have their proper share of trade with his Highness the Nizam's Dominions as well as the Madras Presidency, to which they adjoin, a central and direct North to South communication is an imperative necessity.

4. If one looks at any railway map of India, one is at once struck with the vast expanse of railless territory below the Bombay-Nagpur-Calcutta trunk line, right from Manmad at one end to Khargpur at the other. The large rough triangle formed in the middle of India, by the railway lines connecting Manmad on the Great Indian Peninsula, Bezwada on the Madras and Southern Mahratta and Kharagpur on the Bengal Nagpur Railway with each other, has absolutely no means of through communication between the sides; and yet this railless area, the bulk of which comprises our provinces, contains some of the richest tracts of cotton, coal, rice, timber, etc., with potentialities of no little development and expansion under the impetus of short and rapid means of communication, both North and South. The former will, of course, soon be an accomplished fact, with the Nagpur-Itarsi line in operation; and the map will show that there will then remain only a very small missing link in the South between Ballarshah and Warrangal, to convert the whole into one grand trunk line of standard-gauge through communication, from Madras in the South to Peshawar in the extreme North passing through the very heart of our provinces.

5. Thus the Ballarshah-Warrangal line is destined to play an important part in the chain of communication North and South, and to our provinces its advantages would be incalculable. It will at once afford an extremely short and direct route to the fertile Nizam's Dominions, as well as the Madras Presidency. In fact, the line is likely to revolutionise the conditions of all our trade with these parts of India, which is at present well-nigh annihilated, owing to being forced through the long tortuous channel *via* Manmad.

6. As to how far the absence of direct communication with the South hampers commercial development, I should like to give you the instance of our premier industry, with which I am directly connected.

7. South India is a very large market for cotton yarns and piece goods, and we have more than once endeavoured to obtain a share of this trade; but our attempts have always ended in failure, because of the artificially enormous distance the goods have to be carried *via* Manmad and the heavy freight charges consequent thereon. It will be seen from the map what a tremendous difference it could make if the missing link, Ballarshah-Warrangal, were to be supplied. The following typical figures show how the mileages will be affected:—

Typical large Stations for Yarn and Cloth in South India.	Miles from Nagpur *vid* Manmad.	Miles from Nagpur *vid* Ballarshah.
Madras	1,133	680
Bangalore	1,031	807
Salem	1,255	845
Coimbatore	1,354	944
Madura	1,441	1,027

8. Again, the Southern Presidency and the adjacent Nizam's territory are famous for their cambodia, and some other types of long and strong staple cottons, which they grow profusely. As you know, cultivators here are taking more and more to short staple cotton, and we find it increasingly difficult to secure our supplies of long staple within the limits of the Central Provinces and Berar. We have practically to buy about 75 per cent. of our requirements in this line either in America or other parts of India; and here, again, we can do much larger business with the South than at present, were it not for the high railway freights, which raise the cost abnormally. With the Ballarshah-Warrangal line these cotton centres can also be brought within considerably easier reach, as the following table will show:—

Typical large Stations for Staple Cotton in South India.	Miles from Nagpur *vid* Manmad.	Miles from Nagpur *vid* Ballarshah.
Madras Presidency.		
Nandyal	948	601
Tirupur	1,323	913
Dindigul	1,409	999
Virudupati	1,468	1,054
Nizam's Territory.		
Dharmabad	621	494
Umri	602	513

9. Of course, the advantages even to the cotton industry will be reciprocal. The cotton mills in Southern India will be able to buy the Central Provinces' short-staple cotton, the best of this type throughout India, and cheaper freight might enable them to cater for our markets effectively in manufactured goods as well.

10. Similarly, the trade in various other commodities is bound to be fostered by the railway mileage being brought down to a level commensurate with the natural geographical distances. Besides, it is a matter of common knowledge that new railways planted in fertile tracts, affording direct means of communication with large consuming markets, lead to lines of development and evolve forces of progress in their train, the end of which it is impossible to foresee.

11. Apart from its undoubted commercial advantages for our provinces, this small link will do away with the present hardships of travel to the Southern Presidency. It takes over two days to reach Madras from Nagpur, even by Mail or Express trains; but a Madras-Delhi through-express *via* Nagpur, which will be a certainty with the Ballarshah-Nagpur line, could accomplish the journey to Nagpur in some twenty hours.

12. The link will further be an admirable one from a strategic point of view, as it would at once complete the chain of one-gauge direct communication North to South, traversing the whole length of the country.

13. With all these advantages and its immense possibilities for good, it is very curious this project of linking up Ballarshah with Warrangal, once said to be well on the tapis, has been practically shelved, for reasons best known to the responsible advisers of the Government of India. Sir T. R. Wynne, the late president of the Railway Board, recently stated in his Excellency the Viceroy's Council that the line had been completely surveyed, but he could not say whether it would be constructed at all. In this connection the well-known Calcutta commercial weekly "Capital" makes some pertinent remarks in its issue, dated 23rd ultimo. It says:—

> "Calcutta will naturally draw all the traffic and business it can, but its capacity of absorption will have some physical limits; and it will be necessary to provide for other outlets. England's prosperity is not dependent on that of a single town or port, but on many. Madras may well agitate for a share in the business. It is evident from a glance at the map of India that it only requires a few missing links to provide a through North and South grand trunk communication on the broad gauge between the United Provinces in the North and Madras and Colombo in the South."
>
> "An obstacle to this is to be met in the Nizam's (Hyderabad) railway policy which has been to spend money through the agency of the Nizam's State Railway Company in making the Godavery Valley Railway on the metre gauge, which supplies only a local want. 120 miles of broad gauge between Warrangal and Chanda lies wholly in the Hyderabad State. It forms the most important link to be supplied in a North and South Trunk line. For some reason not completely explained, this link is supposed to prejudice the narrow-gauge railway if made. Except for local purposes the Godavery Valley Railway is at the mercy of the Great Indian Peninsula Railway. By connecting at Chanda, the Nizam's line gets in touch with the Bengal Nagpur Railway and encourages trade with Madras. It becomes a very important factor in all through traffic, when the developments in course of formation North and South are fully matured.
>
> "The Bengal-Nagpur 2 ft. 6 in. gauges running North from Chanda to Jubbulpur, have little traffic from want of North and South objective. Let the Hyderabad State link be made and they may be swamped with traffic to and from Madras, and their conversion rendered imperative. It is evidently Hyderabad that is stopping the way to the North and South Grand Trunk system, with its antiquated Nizam's State Railway contract. If progress is to be made, it will probably require the assistance of an independent company with an up-to-date contract."

14. The above gives one some indication of the difficulties in the way of the new line, and, incidentally, it also shows what decided views people interested in trade and industries hold as to the possibilities of the Warrangal-Ballarshah (Chanda) connection, and its necessity for the full development of the existing lines as well. The same writer, in another issue of "Capital," dated 11th June, 1914, considers this connection to be in every respect much more urgent, both from the Madras as well as the Central Provinces point of view, than the Raipur-Vizianagram line, which was so much heard of in the past, but work on which is also entirely suspended after the opening of a very small section from the Vizianagram end some years ago. He writes:—

> "As far as Vizagapatam harbour is concerned, we find that a connection with Raipur, however much it must have been pressed on the attention of the Government of India, is still marked on the maps with a dotted line, the funds for it being apparently diverted under the pressure of the agitation for wagons and rolling stock exercised from Calcutta. It is not clear that this connection demands a first place in the railway programme of construction. The interest of Madras in the main lies in the connection of Warrangal with Chanda and Nagpur.
>
> If Madras wishes to rise to a real sense of her dignity as an important jewel in the Imperial diadem, she will agitate for the through connection with Upper India by an uninterrupted broad-gauge route."

15. The Railway Board are not likely to spare the large funds required for some 400 miles of the Raipur-Vizianagram Railway for a considerable length of time, and have made it quite clear that this line must await other urgent needs. I submit, this, coupled with the fact that the Ballarshah-Warrangal line is a very short length of some 150 miles, and is much more necessary for the development of trade between Central Provinces and the South, as well as the South and Upper India, makes its immediate construction doubly necessary.

16. I have, therefore, now the honour to request you, as the officer primarily responsible for the fostering and development of agriculture and industries in these provinces, to move the Local Government to use their influence with the Government of India, with a view to have this small

link between Ballarshah and Warrangal sanctioned and constructed by one or other of the railways concerned or by any other agency as soon as possible. As one who was intimately associated with the trade and commerce of this country during his official connection with the Government of India for several years, Sir Benjamin Robertson will hardly need any arguments to convince him of the necessity of this line and all it means for the provinces under his charge. And, looking to the important interests at stake, any differences with the Nizam's Government are not likely to be incapable of friendly adjustment, especially when it is remembered that the line will benefit his Highness' territory as well and that we are fortunate in having at the head of the Government of India a diplomat of diplomats in the person of the present Viceroy.

Trusting you will take up the matter with the Local Government as soon as possible and awaiting an early and favourable reply.

(ii) *Copy of letter dated 29th March, 1919, from Sir B. Robertson, Chief Commissioner, Central Provinces, to Sir B. D. Mehta.*

I have just seen your letter, dated the 10th March, regarding the construction of the Nagpur-Itarsi and the Ballarshah-Warrangal sections of the North and South through railway. I had already written to the president of the Railway Board to have the Nagpur-Itarsi line completed as soon as possible. I may tell you for your private information that the portion of the railway from Ballarshah to Warrangal is now to be built by his Exalted Highness the Nizam's Government as the line passes entirely through Hyderabad territory. This will relieve the pressure on the ordinary railway programme, and I have been informed from Delhi that it is probable that the construction of the railway will be undertaken as soon as material, etc., can be obtained at reasonable rates.

(iii) *Copy of letter dated 2nd April 1919, from Sir B. D. Mehta to Sir B. Robertson.*

It is very kind of you to write personally to me and for which I sincerely thank you on the subject of the missing links of the railway communication from the North to the South of India, affecting seriously the development of our provinces.

I am glad to learn you had already taken up the question of the Nagpur-Itarsi section which, I hope, may soon be completed.

I fear his Exalted Highness the Nizam's railway administration have not fully appreciated the importance of the Ballarshah-Warrangal link; otherwise they would not have neglected it for so many years before the War broke out. Urgent and repeated pressure from our provinces both on the administration and the Railway Board is therefore needed, and I feel sure you will not fail to avail yourself of every opportunity to use it.

If the railway administration wait for " reasonable rates " to get the material required, they may have to wait for years. Prices are not likely to go down soon. I may say we are now after the war, actually asked to pay higher prices for machinery than those definitely fixed during the war (in 1917).

Is there any chance of the Raipur-Vizagapatam project being taken in hand in the immediate future?

Thanking you once more and with best wishes.

ENCLOSURE D.

Comparative statement showing increase in rates for twist and piece-goods over Great Indian Peninsula and Bengal Nagpur Railways from 1912 *to* 1920.

GREAT INDIAN PENINSULA RAILWAY.

FROM NAGPUR TO

Stations.	Miles.	R. R. rates in 1912.	R. R. rates in 1920.	Per cent. of increase.	R. R. rates per mile per maund in pies in 1912.	R. R. rates per mile per maund in pies in 1920.
		Rs. A. P.	Rs. A. P.			
Wardha ...	49	0 3 9	0 4 2	11	·91	1·02
Pulgaon ...	68	0 5 0	0 5 5	* 8	·89	·95
Hinganghat ...	70	0 5 2	0 5 7	8	·88	·95
Warora ...	94	0 6 9	0 6 11	2	·86	·88
Amraoti ...	114	0 7 7	0 8 3	9	·80	·86
Akola	158	0 10 6	0 11 2	6	·79	·84
Nandura ...	196	0 13 1	0 13 9	5	·80	·84
Burhanpur ...	278	1 2 1	1 3 2	6	·78	·82
Bombay ...	520	0 11 8 (O. R.) 1 2 1 (R. R.)	1 13 11	65	·27 ·41	·69
Cawnpore ...	806	1 8 3 (O. R.) 1 13 4 (R. R.)	1 8 3 (O. R.) 1 13 4 (R. R.)		·36 ·43	·36 ·43
Delhi	924	1 15 3 (O. R.)	2 2 6		·40	·44

BENGAL NAGPUR RAILWAY.

FROM NAGPUR TO

Stations.	Miles.	O. R. rates in 1912.	O. R. rates in 1920.	Per cent. of increase of O. R. rates in 1920 over O. R. rates of 1912.	R. R. rates in 1920.	Per cent. of increase of R. R. rates in 1920 over O. R. rates in 1912.	O. R. rates per mile per maund in pies in 1912.	O. R. rates per mile per maund in pies in 1920.	R. R. rates per mile per maund in pies in 1920.	Per cent. of increase of R. R. rates of 1920 over O. R. rates of 1920.
		Rs. A. P.	Rs. A. P.		Rs. A. P.					
Raipur	188	0 6 7	0 9 2*	39	0 11 9	78	·42	·59	·75	28
Howbagh ...	220	0 7 6	0 10 10*	44	0 13 10	84	·40	·59	·75	27
Bilaspur	257	0 8 6	0 12 1*	42	0 15 7	83	·39	·56	·72	29
Raigarh	339	0 10 9	0 15 6*	44	1 4 2	87	·38	·54	·71	30
Sambalpur ...	413	0 12 10	1 2 7*	45	1 8 3	89	·37	·54	·70	31
Chakardharpur ...	509	0 15 6	1 6 7*	45	1 13 7	90	·36	·53	·69	31
Chakulia	589	0 14 0	1 9 11*	85	2 2 1	143	·28	·52	·69	31
Viâ Asansol ...	632	0 15 0	1 11 0*	80	2 3 9	138	·28	·51	·67	32
Bankura	639	0 11 8	1 12 0*	140	2 4 10	215	·21	·52	·69	31
Ranchi	654	1 3 6	1 12 7*	46	2 5 8	93	·35	·52	·69	31
Shalimar	703	0 11 8	1 9 0†	114	2 0 3	176	·19	·42	·55	29

* Show also R. R. rates in 1919.

† R. R. rate in 1919 was Rs. 1–5–7.

STATEMENT No. 137.

RAO SAHIB D. LAXMINARAYAN, Kamptee.—NOTE DATED 27TH DECEMBER, 1920.

Part I.—The Management of Railways Owned by State.

1. I consider that railways owned by the State should be directly managed by the State.

The advantages that I expect to result from the entire State management are (1) the saving to the State of the share of profits now paid to the managing companies; (2) the development of trade and commerce on natural lines, instead of the present artificial diversion by means of block rates; (3) the growth and development of industries especially in the interests of this country; (4) the promotion of inter-provincial trades; (5) the centralisation of control in a single State department located in India and amenable to Indian public opinion instead of to Boards of Directors in London; (6) the utilisation of the entire rolling stock as one system; (7) improvement of rates and fares of goods and third-class passengers; (8) proper and convenient accommodation of third-class passengers; (9) larger employment of Indians in the lower and higher services of the railways; and (10) impartial treatment in the supply of wagons to European and Indian firms alike, and the discontinuance of the practice of giving undue preference to any of them.

Sir Convey Gordon placed the whole case against the company management in a terse manner in his evidence before the Select Committee on East India Railways in 1884:—"The disadvantages of having the Indian railways worked by commercial companies are: (1) That the object of a private company will naturally be to develop a dividend; that as long as the maximum dividend be secured the company will be indifferent as to whether that dividend is derived from a small traffic at high rates or a large traffic at low rates; (2) it may often be the true interest of a company, as a dividend-seeking concern, to charge such high rates as may be sufficient to contract the export trade in some particular article of produce, or such rates for the carriage of coal as may tend to strangle the industries in other provinces; (3) that the desire to serve a good dividend on all occasions naturally tends to make the servants of private companies very cautious in trying experiments towards reducing rates and fares; (4) that every rupee taken out of the country by an English company in excess of the normal rate of interest on the State debt constitutes practically a direct tax on transit, which must, of course, have its effect on checking the export and import trade and on the general development of the country; and (5) that where a company is given a fixed guarantee of interest as long as the net profits of the line are not in excess of the guaranteed rate of interest there is no incentive towards economical working practically. I think India has suffered from those disadvantages; on the second and last counts, certainly." Company-managed railways are influenced in the administration and general line of working by feelings and prejudices and vested interests more than the State-managed railways. These companies are, after all, business concerns run by human beings who are not always above temptations; where, therefore, private and selfish interests clash with public and national interests, the latter are bound to go to the wall. The administrations of State-managed railways in Germany was proved to be thoroughly progressive. It was, at the same time, highly democratic. In every district there are committees of representatives selected by the Chambers of Commerce and commercial associations who act as advisory boards to the railway officials. A suggestion to this effect has been made off and on in this country also, but naturally it is not to the interests of European railway companies to consult Indian Chambers of Commerce and commercial associations for their working. European Chambers of Commerce have no need to ask for any change in the present method of working, as their will is law even at present. I shall be excused, I hope, for quoting from the speech of Mr. Lloyd George when he was President of the Board of Trade in 1908:—"I have been very much impressed since I came to the Board of Trade with great and growing discontent with the whole railway system. This is a great contrast to the feeling in Germany, where the traders consider that railway system gives the greatest possible satisfaction. . . . Prince Bismarck considered the question of the State ownership and management of the German railways purely from the point of view of the development of the interests of Germany. The thirty years' experience of Germany had proved this plan a colossal success and a great financial success. In Germany the railway had been used as an instrument for the development of German industry and for fighting against foreign industry; and a very formidable weapon. It was much more formidable, in his judgment, than tariffs. The system known as the Zone system, introduced by the State-managed railways of Hungary in 1889, resulted in reduction of passenger's fares by 50 per cent., giving thus a stimulus to cheapness for travelling purposes in an unprecedented degree." In Belgium, both the State-managed and Company-managed lines are existing side by side together. Twenty years experience convinced the Government of the loss to the country by the company-management of railways, and it was, therefore, resolved in 1870 to take over all the railways under the State management. President Hadley, of Yale University, though one of the opponents of the State management, had to admit that the Belgian and German railways were in many respects extraordinarily good. Sir Leo Money, late Parliamentary Secretary to the Ministry of Shipping, writes in one of his books that Belgium furnishes another instance of successful working of State-owned and State-managed railways, in spite of fares which, to a British traveller, appear incredibly low, and in spite of low railway freights. Switzerland is another country which has dispensed once for all with company management and adopted State management, which has achieved unprecedented success. The same beneficial results have been noticed in Sweden, Italy and Japan. In spite of the almost universal experience of all countries in the world, the Indian Government has ensconced itself behind the time-worn shibboleth of company management of railways, and will not shift its moorings even though the country as a whole has suffered tremendously. Some of the highest officials of the Government in the past, such as General Richard Strachy, Major Conway Gordon, Sir James Caird, Sir Guilford Molesworth and Mr. Edward Cleveland-Stevens, have, even for this country, definitely proclaimed that State management will be the best policy to the progress and development of India. Not only that, but the present harassments and indignities and criminal negligence and indifference towards third-class passengers will, under State management, be a thing of the past.

The experience gained in India and in European countries fully justifies the course that Indian railways should be managed by the State. Mr. Edward Cleveland-Stevens is inclined to think that

the effect of consolidation of all railways has generally been to reduce charges and encourage industries, and that any further reduction in the number of companies is likely to have beneficial results. He thinks that it would be more necessary finally to amalgamate all the companies into one system, which would produce unification of rates for long or short distances.

If the Committee has a lingering doubt of the great advantages accruing from the State-management of railways, it will do well to read the excellent volume, ably written by Carl S. Vrooman, on Government regulation *versus* Goverment operation of railways, and published by Oxford University Press, which furnishes an overwhelming evidence on the abuses of numerous kinds which are possible under company management of railways even under Government regulation. The volume clearly shows that Government ownership and Government working of railways is the best; that by studies in comparative efficiency and all-round satisfactoriness it has been clearly demonstrated that, in continental Europe, State railways, as a rule, furnish better transportaion facilities and charge lower rates than private companies do.

I have had the experience of the Bengal-Nagpur Railway Company, Ltd., and the Great Indian Peninsula Railway Company. The nature of my experience is that I have been a constant traveller over these lines, and that my next experience is in connection with my trade in tile and bricks and manganese, which I have been carrying on since the year 1905 both as a member of the commercial community and of the travelling public.

2. I do not advocate the continuance of any of the existing systems of company management of Indian railways, and therefore propose no modifications for the company management.

3. I do not advocate company management of Indian railways, and therefore make no recommendation in that direction.

Part II.—The Railway Board and the Government of India's Control.

10. I do not consider the system of control by means of a Railway Board satisfactory, for the reason that it is like a fifth wheel in the carriage. It has not curtailed the working expenses of Indian railways. It is merely an expensive department. It should be abolished, and its work should fall upon the member of the Commerce and Industry Department, as before. This will avoid a considerable waste of public money.

11. In view of answer No. 10 it is unnecessary to reply to this question.

12. In view of answer No. 10 no separate reply is necessary.

13. If a railway company declines to quote a lower rate for the carriage of any goods, the Railway Board has absolutely no power to interfere, even though such a rate might, in the opinion of the Railway Board, be considered necessary. So long as the rates are quoted within the maximum and minimum limits fixed by the Government the railway companies can practically do what they like, but there is no appeal against the judgment of the railway administration, and it cannot be said that their judgment is always infallible. This position is not very satisfactory, either from the point of view of the Indian Government or of the public. In England, in America, and in the Argentine Republic, railway companies, owned entirely by private enterprise and receiving no financial assistance from the Government, are subject to control in the matter of railway regulations and rates. It is why I consider that the Railway Board possess no adequate powers of control over railway administrations to enable them to deal effectively and expeditiously with matters relating to the requirements of the travelling public and of trade.

14. In the first place, I consider that Government of India have absolutely no powers of control over the railway administrations in the matters of the travelling public or of trade. Under the provisions of Indian Railways Act of 1890 the control of the Government of India is nil over the railways. The agent or traffic manager of a railway company is not in any way subject to the control of the Government of India. I have not been able to find out any statutory powers which vest in the Government of India any authority to interfere with the agent or the traffic manager of any railway company. The Government of India ought to have more control over the railways than it has at present. Even if they possess any such powers of control, they have not been sufficiently exercised in the public interests.

15. As I am of opinion of the entire abolition of Railway Board, I do not suggest any enlargement or modification of such powers to Railway Board.

16. It is said that cases are not uncommon where the Railway Board have been able to get round the Secretary of State for India in certain matters over the heads of the Government of India. As far as I understand, the Railway Board is not constituted or established so as to give any control over it to Government of India under the Statute. I have not been able to trace any statutory powers which vest in the Government of India any authority to interfere with the Railway Board. I suggest that the Government of India ought to possess more statutory control or powers to exercise over the railways than it has at present.

Part IV.—Government control of rates and fares. Settlement of disputes.

30. It is rather strange that the Government has no control in the matter of rates and fares, on which depends a great deal of the revenue, at least on its judicial manipulation. It is true that the maximum and minimum rate limits have been laid down, but there is a very wide play between these limits. As the Railway Act stands at present, the Government have absolutely no powers to order the abolition, modification or introduction of a rate, even though it may be found that a rate is really creating undue preference or is prejudicing a trade, or that a low rate is necessary to develop traffic which is not moving, or has not been created because of the absence of an encouraging rate. The modification of the Indian Railway Act is only necessary to give Government powers which they will exercise with discretion and in real cases where they are reasonable grounds for complaints.

31. I *do* consider that the powers in respect of rates and fares delegated to railway administrations have not been wisely used in the interests of the public.

The Bengal-Nagpur Railway Company have taken over the working of Tumsar-Tirody Tramway from the Central India Mining Company, Ltd., some three or four years ago. The rate then fixed was Rs. 1-8 per ton from Tirody to Tumsar Road. The management of Bengal-Nagpur

Railway was so defective and lacking in business-like way arrangements that since the taking over of this line, the number of trains were considerably reduced and the mineowners could not bring their stocks to Tumsar Road Station in large quantities as they used to do during the regime of the C.I.M. Co. Due to this difficulty and due to the approach of monsoons when the ore could not be railed to Tumsar Road, I asked the railway authorities to rail some ore to the South Bank of Bawanthari River which was one-third of the distance to Tumsar Road. The through rate to Tumsar Road was Rs. 1-8 per ton. The Traffic Inspector at Dongri and the District Traffic Superintendent at Nagpur recommended a rate of 6 annas per ton to Dongri to the Superintendent of Goods, but after railing 3,160½ tons of ore, the Superintendent of Goods decided to charge me Rs. 0-10-2 per ton although the presumption was to charge Rs. 0-6-0 per ton. The enclosed copies of correspondence will show you how arbitrary the orders of the Superintendent of Goods are. Though I represented him to reconsider his decision, he had no courtesy of replying to me (*vide* copies of correspondence as Appendix* A).

Another instance I would like to quote is that the Bengal-Nagpur Railway Company have been giving me concession rates for bringing rails, sleepers and trucks for the working of mines, when I applied for concession rate of 100 yards of track of railway materials, the railway authorities refused to consider my request (*vide* copies of correspondence as Appendix* B).

32. The duties of railway administrations are found in Sections 42 and 44 of the present Act. It is provided in Section 26 of the present Act that the Railway Commission can only be appointed by the Governor-General in Council, by Sections 27 and 28 the Commissioners shall take cognisance of such cases only as are referred to them by the Governor-General in Council and by Section 41 that the Commissioners alone shall have the power of enforcing the duties and objections imposed by Chapter V on Railway Administrations. With regard to the constitution of this Railway Commission, I beg to suggest that the appointment of such Commissioners is so costly and expensive that the party asking for a commission may have to pay the costs. For fear of this costly tribunal the grievances of the merchants and passengers remained unredressed. Mr. Thomas Robertson was appointed two decades ago to inquire into railway administration in India and that after a very careful inquiry he made an important report in 1908. In that report he pointed out that the Railway Commission which is provided for in the Act of 1890 has never been taken advantage of for obvious reasons. Mr. Robertson had gone into this question thoroughly, and this is what he said in his report:—"Under the provisions of the present Indian Railways Act, the calling into existence of the Railway Commission to hear complaints against railways is considered so costly an undertaking that the Commission has never once been created."

In his report he also recommended that to afford the public and the railways the greatest advantages of which the Commission is capable, it should be required to hold its courts not only at a few chief centres but at the place nearest and most convenient to the complainant, having regard to the general convenience of all others interested. The English Act of 1888 provides quite a different machinery, and that is contained in Section 2 of the English Railways Act which constitutes the Commission. Section 5 empowers the Commission to hold sittings in any part of the United Kingdom, and in such place or places as may be most convenient for the determination of the proceedings before them.

Therefore, what I urge is that instead of having a provision such as is contained in Section 26 of Indian Railways Act of 1890, we ought to have a permanent Commission which will be available to any complainant, and they can sit in any part of the country where the complaints can be heard and investigated without putting complainants to additional and extra costs of taking their witnesses to places and undergo unnecessary expenses. Mr. Robertson in his report recommended and urged regarding this matter the following point which I shall give in his own words. Paragraph 61 of his report says:—

"The Commissioners in addition to their duties on the Board should be employed in association with a Law member when a question of law arises as Commissioners for the purpose of Chapter V of the Indian Railways Act (IX of 1890) which regularises Railway Commissioners and traffic facilities, the present Act being revised on the lines of the English Railway and Canal Traffic Act of 1888 so as to permit of the Railway Commission always being in season."

The next point I wish to bring to the notice of Committee is this. The complaints which I would divide into various heads might be heard by this Commission which I propose should be created by the Statute. The complaints would be first of all from commercial and trading firms with regard to rates and with regard to preference which might be given, and in that the commercial community of this country is very much interested. With regard to this complaint it is not unknown that sometimes preference is given and therefore it would be much more satisfactory if any such complaints were made to the Commission which would be an independent tribunal and it would hear both sides, namely, the railway company or those representing the company and the complainant.

The second item which might be considered is passenger's complaints. With regard to passenger's complaints, it is a very well-known fact in India that there is a great deal of overcrowding, which is visible to any casual traveller at any station when travelling, and that is a matter which requires very careful attention and it ought to be put right. Then there are many other matters such as ventilation, lighting, sanitation, and particularly the refreshment rooms.

Thirdly, the question of public safety may be considered. When accidents happen, as far as I have been able to make out, Government have merely the railway officials and somebody representing the Government or the police. Those are the two bodies who have any voice in the matter of inquiring into any railway accident. It is desirable in the case of any serious accident to have some non-official representative at the inquiry. There might be a punch, or there might be one or two citizens who should be associated with the railway authorities, and they should have a voice in the inquiry in the case of any serious accident. At present, the inquiry is made by the railway authorities and nobody else practically.

Fourthly, the question that is of great importance is in regard to the railway employees. In such a case an independent tribunal or commission should be appointed to inquire into this matter.

* Not reproduced.

Therefore it is absolutely essential that there should be some machinery of tribunal by which these cases can be dealt with, and that should be a body which will hold the scales even between the railway company and the employees. There should be a statute for such complaints in India to satisfactorily deal with.

I would submit that in all these matters, not only these complaints and grievances put forward should be investigated by a proper body constituted under the statute, but the reports of the proceedings should be submitted to the Legislative Assembly.

There are some of the points which are such as require very careful consideration and that the Indian Railways Act of 1890 needs urgent modification and revision in these respects.

33. The chronic overcrowding of third-class passengers and putting them up in goods wagons in the trains still continues. The condition of the Indian third-class passengers from the moment of their attempt to purchase tickets up to the time they alight somewhere and hand over their tickets is very miserable. The manner in which tickets are issued to them in almost all the stations is pitiable in the extreme. Tickets are issued only a few minutes before the arrival and departure of trains. At present the interests of passengers are not much cared for. The third-class fares are to be lowered. It must be brought down to 1½ pies per mile throughout. On every railway the rates should be made uniform and reasonably low for third-class passengers. Even in the United States of America, which has got company management of railways, passengers are always styled patrons, thus indicating that the railway companies take every possible care to treat them with courtesy, and not with utter disrespect and indifference as is the case in India. The system known as the Zone system introduced by the State-managed railways of Hungary in 1880 resulted in reduction of passengers' fares by 50 per cent., giving a stimulus to cheapness for travelling purposes in an unprecedented degree. Mr. Thomas Robertson institutes a comparison between the fares and rates in England and America on the one hand and in India on the other, and says, having regard to the cost of construction and the cost of working, Indian rates are excessively high when compared with the rates in those countries. If he had taken the purchasing power of money in these three countries into account he would have found that the rates and fares in India are much higher than he found them to be.

One of the pressing reforms needed in the law relating to railways in India was to insure a more considerable and sympathetic treatment and better convenience of Indian passengers in the lowest class of carriages. Overcrowding and want of closet accommodation for men and women have formed subjects of constant complaints on almost all the lines. The invariable observance and effectual prevention of infringement of these rules must still depend, almost entirely, upon the degree of efficiency of inspection of the passenger traffic at all stations. No failure on the part of the station authorities is more apparent and frequent than that of the performance of this part of their duty of firmly preventing overcrowding of the lowest class of carriages. It is not easy for the higher railway authorities to exercise effectual control in all matters over their subordinate establishments which are scattered over vast areas along the lines without some extraneous aid from Government and public. In addition to a system of constant inspection by responsible officers, a complaint book should be made available at each station in which any public-spirited passenger or visitor, seeing these rules infringed, may be able to note down the fact with sufficient clearness so as to facilitate further inquiry, stating the steps he took to bring the same to the notice of the station authorities concerned. It is to be hoped that with this new specific law on the subject and with the adoption of means necessary for its due observance, we may hear less frequently of its infringement without impunity.

34. The carrying capacity especially of the Bengal-Nagpur Railway and Great Indian Peninsula Railway is deplorable. Since the year 1909 there has been a chronic complaint for short supply of wagons for manganese trade. Numerous complaints have been made by me during the years 1912 to 1920 to the railway authorities, the Railway Board and the Local Government through the Commissioner, Nagpur Division, and the Director of Industries, Central Provinces, but to no avail. As I had already said, neither the Railway Board nor the Government has any control over the railways in India. Appendices C to E herewith attached will give you an idea how the Bengal-Nagpur Railway Company especially treated me in regard to wagon supply from the year 1912 to 1920. The whole trouble is that Bengal-Nagpur Railway Company does not care for any traffic if it is a short distance and Great Indian Peninsula Railway Company says that it is Bengal-Nagpur Railway Company who should supply wagons at the stations in their jurisdiction. One company wants to throw blame on the other and thus tried to shirk off their responsibilities. It is for this reason that I suggested that the effect of consolidation of all railways would be to reduce charges and that the total abolition of company management shall have beneficial results. It is, therefore, necessary to amalgamate all the companies into one system to avoid the doctrine of short and long distances in the interests of trade and commerce of the country.

35. The change advocated by me is not less peremptorily called for in the interests of trade. The need of it in this country is greater. There are differences in rates that cannot be justified for a moment. There is the absence of the right principle in fixing them. Rates for raw exports are more favourable than rates for finished articles; rates for foreign imports are more favourable than rates for indigenous articles and for inter-provincial trade. There is no doubt that a Central Classification Committee which fixes rates, but notwithstanding that, there are these anomalies, and these would certainly be avoided and corrected if the State took over the management of all railways in its own hands and put an end to the competition between the various companies. I would also draw the attention of the Committee to the admirable and instructive series of articles published in "The Empire," of Calcutta, by Mr. R. D. Mehta, C.I.E., of Calcutta, pointing out a number of anomalies and flaws in the methods followed by Indian railways, especially those connected with rates for the carriage of goods. Sir F. S. P. Lely, in his book entitled "Suggestions for the better governing of India" observed:—"The traffic manager wields an irresponsible power over the country commanded by his railways which should not be entrusted to any man, least of all to one who rightly from his own point of view regards nothing but his master's dividend under certain wide limits set down by Government. By a slight readjustment of rates he can, and sometimes does crush, a rising home manufacture in favour of a foreign customer.

An amended code of civil procedure occupies for days and months the wisest of the land, but is of less practical consequence to the people of a district than the local goods tariff book." This is the opinion deliberately expressed by a very high Government official who spent the best years of his service in India, moving in the district and watching the needs of the people.

Another aspect is that rates fixed hitherto were often influenced by rival doctrines and rival policies between Chambers of Commerce in India. My belief is that Indian railway management has not yet been affected by general public opinion at all; but to a very limited extent only by Chambers of Commerce. In Prussia and some other countries they have advisory boards to work along with the Minister for railways, representing every industry, such as agriculture and mining The representatives form together advisory boards. The Minister of Railways works with the latest and freshest ideas, even in public interests, and the result has been stated to be in the highest degree satisfactory.

In working the Indian State Railways, all idea of making a profit must be eliminated. The working should be so arranged as to meet all requirements of the public with efficiency and economy, special regard being paid to the industrial development of India. This foremost object has unfortunately been sacrificed in the past in order to develop the export and import traffic. Indian railways often refuse to make a reduction in their rates in order to develop local industries, especially where they are likely to lose their import or export traffic, which gives them a longer lead, though with a lower rate per maund per mile. They give very little consideration to the extra work involved in a longer haul, and prefer long-distance traffic to or from Calcutta or Bombay to local traffic to or from a mile in the interior of the country. This is directly against the true interests of India.

Indian railways are, to a very large extent, responsible for the killing of Indian industries and consequent poverty among the people. This poverty can be cured by a revival of Indian industries, which is only possible with a strong support of the Government, including the working of Indian railways in the true interests of the people. Such working can only be assured when the railway management is entirely in the hands of the Government.

Professor Stanley Jevons, of the Allahabad University, and the great Indian economist Mr. N. M. Mazumdar condemned the system of railways in India and their management in no measured terms. In the view of Professor Stanley Jevons, " Indian railways are not managed in order to meet the convenience of the public." Railways in this country do not exist for the public, but the public exist, and specially the third-class passengers, for keeping the railways going. What do the railways stand for, if not to meet the convenience of the public. The bane of the whole thing is that the railways are under the management of companies and the authorities have the question of paying fat dividends to the shareholders abroad uppermost in their mind. So the consideration of the profit overrides all other considerations, even those of justice and equity. Professor Jevons refers to the scandalous overcrowding of third-class carriages, the pilfering of fruit in transit, and the inordinate delays of goods trains. For years the Indian press and the platform have been crying over the pitiful woes of third-class passengers, who contribute the bulk of the revenue to the coffers of the Indian railway administrations, but are usually packed like sardines and are deprived even of the ordinary amenities of life. I wonder if there is any other country in the world where third-class passengers travel under conditions which beggar descriptions and are little removed from those forming the attendant features of the transportation of animals. The inordinate delays of goods trains furnish another feather to the cap of the railway authorities, standing seriously in the way of development of internal trade. The wagon difficulty is another matter over which merchants and traders of my type have set up a loud and persistent wail. There is no knowing whether this difficulty will ever be solved. But the chances are that while European merchants will feel the pinch to a very small extent, Indian merchants will be kept out of the enjoyment of wagon facilities to the incalculable injury of their business. Railways being a monopoly ought to be in the hands of the State. I think that the belief that company management was economical is a misconception—sliding scale and traffic carried by a longer route was certainly far from economical. Dividend interests caused by separate management stood in the way of common classification and uniform rates and fares. I am afraid, in the matter of railways India is ill served and is ages behind the times. Will the Railway Committee be able to do anything to remedy the thousand and one defects tainting Indian railway system and to keep it abreast of the times by meeting the growing wants and the real convenience of the public? This can only be achieved by the State management of Indian railways.

PART III.

STATEMENTS REGARDING INCREASES IN LAND REVENUE DUE TO CONSTRUCTION OF RAILWAYS.

LETTER NO. 596, DATED 10TH MARCH, 1921, FROM THE GOVERNMENT OF MADRAS, REVENUE DEPARTMENT.

I am directed to state the revision of assessment at resettlement is based on the variation in the recorded prices of the staple grains of the tract; and it is quite impossible to specify what proportion of the increase in prices is due to improved railway facilities and what proportion to other causes.

The assessment is, however, not usually increased to the full extent justifiable by the rise in prices, a more modest percentage enhancement being prescribed which varies according to the economic condition of the tract. As the construction of new railway projects tends to the development of the tracts thus opened up, it follows that Government would feel justified in treating such tracts less leniently than others which cannot boast the same advantages. At the same time I am to state that it is quite impossible to furnish precise figures and illustrations showing the increase of revenue due to the construction of Railways.

With reference to paragraph 2 of your letter, I am to add that if information had been given as to the district or taluka referred to by the witness, it might have been possible to throw some light on the particular instance specified.

LETTER NO. S.T. 273, DATED 25TH FEBRUARY, 1921, FROM THE SETTLEMENT COMMISSIONER AND DIRECTOR OF LAND RECORDS, BOMBAY.

I have the honour of reporting on the advantages in respect of Land Revenue secured by railway development. In Bombay our land revenue was assessed almost before the railway was thought of, and it was then assessed with reference to what was vaguely termed " the profits of agriculture." Actually what was taken was such share of the rental value as it was estimated, on the rough data at first available, the land holders could " reasonably afford." With every decade since the earliest surveys, far more accurate information, both as to the prices of produce and rental and sale values of land, and also as to other subsidiary circumstances affecting the prosperity of land holders (*i.e.*, the rental value) has accumulated. When we now revise a settlement, we take into consideration all those multifarious things which are summed up into rental value. Just as the Income Tax Assessor determines all the income of the assessee, but would find it hard to say how much of his income is due to the fact that he had had a college education, and how much was due to the fact that his father bequeathed him a promising business and goodwill; so too, it is difficult to analyse rental value into its elements. Some of it is due to the improved values of agricultural produce and increased pressure of population leading to greater demand for the land and its products. Then again, new crops, new methods of husbandry, better supplies of manure, all these tend to make a tract more valuable, and send up the general level of rents. The opening of new high roads, still more of a new railway, brings the tract within the reach of markets from which it was before separated by heavy cost of transit. This will also send up the rents and increase the number of people willing to settle on the land and encourage them to apply capital and enterprise to its development.

2. But the problem is, can we give any specific instances in which railways have sent up rents and therefore have justified the enhancement of revenue? Just as one would be perfectly prepared to maintain that decent education was bound to improve any man's income, so, too, I would say *a priori* the construction of a railway was certain to increase the rental value of land within reasonable reach thereon. But on the other hand, it is not easy to disentangle factors, and to say that in such and such an instance it has definitely caused a rise of so many rupees. The best I think I can do is to select certain tracts in which originally there was no railway, and subsequently a railway went through part of the tract, and then see whether the increase in revenue in the part traversed was greater than in the part not traversed.

3. Let me take first Bijapur District. The railway (Hotgi-Gadag) was opened in 1884. The district had suffered terribly from famine in 1876-77; so much so that it was almost depopulated, and not enough people were left to recommence cultivation in 1877-78. Most of the ploughing in that year was done by human beings yoked to the plough, there being no cattle. That was before the Bombay Famine Relief Code and System had been adequately developed. It was the first big famine in which famine relief was seriously attempted.

About 1884 several talukas were resettled, just before the railway was opened, though in the settlement proposals the fact that the railway would be there was taken into account. For instance, Bagalkot, though its settlement was revised just after the big famine, the revenue increased 27·9 per cent., from Rs. 79,819 to Rs. 107,114. Again this taluka was resettled in 1914, thirty years after the opening of the railway and a further increase of over 23 per cent. to Rs. 138,217 was sanctioned.

4. Take the similar case of Badami. Just before the railway was opened in 1884 it was raised from Rs. 51,289 to Rs. 58,989, a rise of 15 per cent. Thirty-two years later a few more villages were included in the taluka, and the revenue was raised in 1915 to Rs. 87,742, a further increase of 10 per cent.

5. Now let us consider talukas not affected by the railway. Sindgi adjoins Bijapur but has no railway. It was first settled in 1874-76, just before the famine. It was revised in 1907, and was found to be still very poor and no increase in the rate was recommended. Again Muddebihal, another taluka of Bijapur without a railway. The assessment settled in 1876-79 was revised in 1908, and for the 124 villages again no increase was found possible.

6. Let us turn to Dharwar District. The railway was opened through Gadag taluka in 1884, and 22 years later the assessments were revised. In the case of those villages which were reasonably near to the railway the increase in the assessments was 27·8, 27, and 24·6 per cent. In the case of those villages not affected by the railway the increase was 12·6 per cent. Ron and Karajgi are also talukas affected by the M. & S.M. Railway. Here in Ron the assessment was revised 22 years after the railway was opened and an increase of 80·8 per cent. was obtained. In Karajgi they were revised 23 years after, but the increase obtained was 18·5 per cent. only; a substantial part of the taluka lies a very long way from the railway. About the same time the two talukas of Hangal and Kod also were revised. These are also so far from the railway as practically to be quite unaffected. Only those groups which are fairly near to the railway were enhanced appreciably; but over the whole taluka the increase in Hangal in 1910 was 4·13 per cent. and in Kod 9·94 per cent. We may take these differences as very strongly indicating the great difference which a railway makes; though I should not of course be prepared to affirm that the whole of the difference was exclusively due to the railway.

7. We have similar examples in Satara district. Here the railway was opened in 1886. The taluka of Koregaon was revised in 1891-92. Those villages formerly rated at Rs. 2½ per acre near which the railway passed were raised to Rs. 3½ (maximum rate) while those through which the railway did not pass, formerly assessed at Rs. 2½ per acre were raised to Rs. 3 only.

8. There are of course instances in which tracts quite unaffected by a railway have been substantially enhanced. But many causes may contribute to this. Sometimes at the original settlement the tracts were exceedingly poor, depopulated and unpromising. The rates imposed were so low as to be almost nominal. Thirty years later it was found that great development had taken place, and although there was no railway still, a very large increase in the assessment was justifiable. Instances of this might be found in the Satpuras, a long way north of the G.I.P. Railway, in Khandesh. Again there were other tracts which were hit in exactly the opposite way. When first assessed they seemed exceedingly prosperous and able to bear almost any rate that might be imposed. As a matter of fact they were not so prosperous, and although intersected by a railway, still after thirty or forty years it has been necessary actually to propose decreases, or if not decreases, at any rate very much smaller increases than other talukas. Instances of this will be found in Kaira district, Matar taluka. In Olpad taluka of the Surat district where the railway competes with the former sea coasting trade, and where the railway embankment is said to have injuriously affected the drainage of considerable tracts, I think it might positively be shown that the railway in this limited length and in a restricted area had almost reduced the rental value of the land. I do not by this mean to imply that this would happen in other cases. The conflict between railway and sea carriage at and about Broach is familiar to railway critics.

9. In Khandesh, taluka Erandol, at the first revision the Settlement Officer says, that the taluka has been greatly advantaged by the proximity of the railway (para. 20, page 4, Selection CCXXXIX), and the revenue of this taluka was raised by 32·6 per cent. At the second revision, another branch railway had come right through the middle of the taluka and again the assessment was raised by 33⅓ per cent., so that the original revenue of Rs. 221,652 became ultimately Rs. 334,648. But we cannot say that these increases were solely due to the railway. Chopda taluka, which is lying just to the north and has no railway at all, had almost identical increases. The truth is that these talukas were originally far too lowly assessed, and owing to the existence of a rule limiting enhancements to 33⅓ per cent. at intervals of 30 years, it is very likely that the assessments in Khandesh will never catch up to the rental value at all. I have instances in which in two apparently similar talukas, one with a railway, and one without, the increase in the taluka without railway has been even greater than the other taluka with the railway. But these apparent anomalies can best be explained in the light of the opening paragraph in which I have explained that where there are a number of considerations or factors entering into the assessment, and also there is the 33⅓ per cent. limit upon enhancements, you may get curious results, in which it is very difficult to disentangle afterwards all the causes which have led to the increases or decreases in rental values. Not a small cause of disturbance is the fact that the principles of settlement have not even yet been reduced to anything like a formula. But although there are many trees in the wood, still there is no doubt that, as a broad principle, the advent of a railway is universally admitted to justify substantial increases in the rental value; and the more accurate and formulated our method of settlements becomes, the greater the influence of these considerations will probably be.

NOTE, DATED 16TH MARCH, 1921, BY MR. C. A. H. TOWNSEND, DIRECTOR OF AGRICULTURE, PUNJAB.

I have had the following figures collected; the enquiry has been hasty and not as thorough as it might have been had more time allowed. Every district in the province of which the "tahsils," or subcollectorates, form the component posts, is reassessed to land revenue every 20 or 30 years.

Number of tahsils in the province in which the increase in land revenue at the last reassessment was 10 per cent. or less, 9. In none of these had there been any extensions of railways in the intervals between the two assessments.

In 18 tahsils the corresponding increase land revenue between the two last assessments was over 10%, but less than 20%; in 5 of these, railways had been extended in the interval; in 13 this had not happened.

In 29 tahsils, the corresponding increase was 20% to 30%; in 10 of these, railways had been extended in the interval; in 19 this had not happened.

In 22 tahsils, the increase was between 30% and 40%; in 9 of these, railways had been extended in the interval; in 13, this had not happened.

In 3 tahsils the increase was from 40% to 50%; in one of these, railways had been extended in the interval.

In 25 tahsils the increase in assessment was over 50%; in all of these, save one, railways had been extended in the interval.

So far as these figures go, they certainly show that improved communications send up prices, thus causing the agriculturist to get a better price for his produce, and to pay a heavier assessment to Government. This is indeed a commonplace of revenue administration and reassessment in the Punjab, of which I have reassessed a district myself.

It would, of course, be a mistake to think that all the increase in assessment is due to better communications; many other factors contribute to this increase, of which far and away the most important in the Punjab is the extension of canal irrigation, which has made great strides in the last thirty years, and added greatly to the wealth of the Province. The tahsils which show increases in assessment of over 30% are generally those to which canal irrigation on a considerable scale had been extended in the interval. In itself this is a far more important factor in deciding what assessment land can pay than are improvements in railway facilities. But the latter comes high on the list of these factors.

LETTER, DATED 12TH MARCH, 1921, FROM KHAN BAHADUR ADARJI MANCHERJI DALAL, B.A., PRESIDENT, DISTRICT LOCAL BOARD, BROACH.

I have now the honour to enclose the remaining statement showing the progress made by the talukas through which the Broach-Jambusar Railway is passing during the last 10 years. I may state that the Broach-Jambusar Railway was opened in 1913-14 and it taps the talukas of Jambusar, Amod, Wagra and part of Broach. In all departments a noticeable and healthy advancement is made such as Income Tax, Excise, Stamps, Land Revenue and area under cultivation, although the last two on account of the land revenue Survey settlements being fixed for a number of years are not variable but even in these heads some improvement is noticeable. (*Vide* footnote in the Statement.) I am indebted to the Collector of Broach for his courtesy in supplying me with the information from his Head and Taluka Offices.

2. In regard to relieving distress during famines and scarcity years comparative statistics are not available but as I have been associated with campaigns of relief measures since 1877-78 I can emphatically say that had this Railway not been built the severe famine conditions of 1918-19 would have resulted in an appalling mortality of cattle and human beings which was wholly absent by the facilities of transporting grass and fodder for cattle and food for human beings in this tract. I may also state that this tract in this district is liable to periodic vicissitudes of the freaks of the monsoon and has earned a notoriety for frequent scarcities and famines.

3. In regard to vital statistics and sanitary improvement, reliable data are not available, but the improvement in the economic condition of the people by facilities of quick locomotion have taught the people to avail themselves of medical relief for which there is a dispensary in each taluka, *viz.*, Jambuar Town, Kavi, Amod, Dehej, Wagra. Except the unprecedented mortality in 1918 by influenza, the death rate has decreased and the District Sanitary Association has been able on account of the facility of the Railway to reach the inland villages and talukas to disseminate sanitary knowledge by demonstration, lantern lectures and shows.

ENCLOSURE.

STATEMENT SHOWING THE REVENUES DERIVED FROM LAND REVENUE, STAMPS, INCOME TAX, EXCISE, DURING THE LAST TEN YEARS FROM 1910 IN THE BROACH DISTRICT THROUGH WHICH THE BROACH JAMBUSAR RAILWAY PASSES.

—	Land Revenue.				Income Tax.				Area under Cultivation.			
	Name of Talukas				Name of Talukas.				Name of Talukas.			
	Broach.	Jambusar.	Amod.	Wagra.	Broach.	Jambusar.	Amod.	Wagra.	Broach.	Jambusar.	Amod.	Wagra.
1910	585,332	—	—	276,873	1,738	—	—	—	132,957	—	—	130,157
1911	585,352	459,641	278,516	277,074	1,738	3,310	902	—	132,957	158,279	93,428	130,249
1912	595,596	456,593	278,539	278,066	1,781	3,601	1,138	—	132,959	158,772	93,431	130,613
1913	600,170	462,741	279,048	278,174	1,760	3,364	1,147	—	133,127	159,013	93,432	130,571
1914	602,742	461,385	279,257	277,547	2,100	3,344	1,539	—	133,938	158,830	93,432	130,193
1915	592,302	459,977	278,934	277,451	2,174	4,556	1,401	501	134,476	158,406	93,421	130,019
1916	652,329	458,612	275,559	281,543	2,972	3,609	1,672	529	185,693	157,754	93,042	129,951
1917	645,526	491,958	275,572	282,506	5,569	4,396	2,221	531	108,151	158,575	93,031	129,825
1918	645,526	505,022	276,026	282,636	6,036	3.816	2,771	503	108,195	159,946	92,767	130,028
1919	616,626	469,004	276,126	282,267	10,717	7,208	4,355	548	160,409	160,369	93,039	130,105
1920	582,516	471,308	276,177	281,950	6,889	7,735	5,047	127	160,409	161,238	93,098	139,120

	Stamp Revenue.				Excise Revenue.			
Talukas.	Broach.	Jambusar.	Amod.	Wagra.	Broach.	Jambusar.	Amod.	Wagra.
1911	—	—	6,079	8,416	40,830	17,230	13,010	6,870
1912	—	—	6,243	8,825	41,290	19,990	15,170	7,490
1913	—	—	5,858	10,764	32,970	14,570	12,600	6,440
1914	—	20,426	6,563	9,878	39,480	23,040	19,570	10,000
1915	64,352	18,992	6,007	7,887	48,910	40,420	26,800	15,240
1916	62,123	18,917	6,279	9,162	46,770	35,100	25,720	14,570
1917	67,269	20,194	6,861	8,429	43,800	37,230	27,140	14,560
1918	77,348	23,631	7,575	8,330	63,090	59,870	40,780	22,100
1919	89,253	21,519	7,916	10 119	95,410	75,860	53,480	41,500
1920	99,630	20,767	9,188	2,526	78,510	70,760	49,290	22,100

NOTE.—After the commencement of the Broach-Jambusar Railway, considerable increase in the fluctuating revenue has been effected, which fact will be verified from the figures in the statement above as well as the percentages noted below—

	Broach.	Jambusar.	Amod.	Wagra.
	—	—	—	—
Stamp	40	16	30	11
Excise	135	340	311	485
Income tax ...	511	118	349	nil.

The two items, viz.: land revenue and area under cultivation are fixed and not liable to variations. Even then there is a fair rise in the revenue and also an appreciable increase in area under cultivation is noticeable during the years 1919 and 1920.

LETTER DATED 10TH MARCH, 1921, FROM THE AGENT, ASSAM-BENGAL RAILWAY.

In continuation of my letter No. 1449, dated the 29th January, 1921, and referring to paragraph 14 of my oral evidence before the Railway Committee, I now beg to forward certain revenue statistics for the districts of Bengal and Assam through which this railway passes. These statements show the revenue figures for each civil district ten years prior to and ten years following the opening of the railway in each district.

2. Graphical illustrations accompany the statistics for each district and abnormal variations in the revenue curves have been explained as far as possible from information available in the Official Gazetteers of Bengal and Assam. There is also a statement showing the total annual revenue (from 1892 to 1906) of all the districts through which the railway passes. An examination of the graphs for Chittagong, Noakhali and Tipera districts, which are the most important of those through which the railway passes, indicates a distinct rise in the revenue curve following the opening of the railway; for the Sylhet and Cachar districts this rise is particularly noticeable and also in that of the Sibsagar district; for the districts of Kampur and Nowgong the revenue curves have been rendered of little value owing to great variations in the revenue brought about by the ravages caused by Kala Azar, a virulent fever which overran these districts in the years following 1892.

3. The value of the curves showing the total revenue of all the districts mentioned is depreciated owing to the inclusion of the figures for Kampur and Nowgong and also to the fact that the period for which the figures are shown does not extend to the years prior to the construction of the railway. When starting these enquiries I asked the Governments of Bengal and Assam for the revenue figures for the ten years prior to and ten years after the opening of the railway in each district. If I were starting the investigation again I should like to have the figures for twenty years each way and I feel sure with these figures all curves would show a much more

decided rise after the advent of the railway, but rather than delay submitting the figures to the Railway Committee I send them forward as they stand. In looking at these diagrams it must be remembered that the districts in Assam are very sparsely populated and any very rapid growth of revenue is hardly to be expected, but still in the Sylhet, Cachar and Sibsagar districts the improvement in revenue is very marked.

4. The curves throughout would, I am sure, still more emphasise the point I raised if I had been able to obtain the figures for posts, telegraphs, customs and salt. These, I regret, I was unable to get at district by district.

LETTER, DATED 21ST MARCH, 1921, FROM THE GOVERNMENT OF THE CENTRAL PROVINCES, SURVEY AND SETTLEMENT DEPARTMENT.

I am directed to acknowledge the receipt of your letter 13/P.C., dated the 9th February, 1921, in which you ask for the information of the Indian Railway Committee, for specific instances of increases of land revenue due to the opening of new railways in the districts.

2. In reply, I am to say that the reports of recent settlements show that the main causes which contribute to the increase in the revenue of a district are generally three, viz., (1) the rise in the prices of agricultural produce, (2) the extension of occupation over waste lands during the currency of a settlement, or (3) the imposition of "arrears" of an enhancement foregone, at a previous settlement, for administrative reasons. Of these three causes, the extension of occupation, which sometimes follows the construction of a railway, often occurs owing to natural increases of population. This has happened to a most striking extent in the remotest land locked tracts of the Sironcha tahsil in the Chanda district. In regard to the rise in the prices of agricultural produce, this as a matter of course always follows the opening up of a district by rail which may therefore be responsible to this extent for the increase in revenue. It may, however, be pointed out that an enhancement over a district in this province is rarely as high as 70% of the demand, and with a system of 30 years and subsequently of 20 years settlements and of moderate enhancements it has not been possible to raise the land revenue in any way proportionately to the increased value of the agricultural produce and of the land, and consequently even if the precise figures required by the Railway Committee were attainable, they would not show very striking quantitative results. Some increase in the revenue derived from privately owned forests can no doubt be directly attributed to the opening of railways, but the figures bear too small a proportion to the total revenue of the districts concerned to make them worthy of special mention. It is not therefore possible to estimate accurately the increase in the land revenue of a district which may safely be ascribed to the advent of a railway.

NOTE, DATED 11TH MAY, 1921, FROM MR. D. M. STEWART, DEPUTY COMMISSIONER, GORAKHPUR DISTRICT, UNITED PROVINCES.

This note deals with the western portion of the district of Gorakhpur in the United Provinces which along with neighbouring tracts recently came under settlement. It is of course difficult to analyse exactly how much of the recent enhancements of revenue can be put down to railway development particularly as my inquiries were not specifically directed towards this end and the revenue settlement of this tract presented peculiar features owing to the existence of concealment of rents of the most widespread and flagrant description which makes the analysis of figures of rise in rents peculiarly difficult.

The tract consists of three tahsils, Bansgaon, Gorakhpur and Maharajgang, the first-mentioned being the southern and the last the northern of the three. The railway communications consist of the main line of the Bengal and North Western Railway, opened in 1885 very shortly before the last settlement, running east and west through the centre of the central tahsil with a length of about 30 miles; the Uska loop line opened in 1886 with a length of about 13 miles in the central tahsil and a length of about 23 miles in the south-western corner of the northern tahsil and the Narkatiganj branch opened in 1907 with a length of about 13 miles in the central tahsil and 18 miles in the eastern portion of the northern tahsil.

Prior to the construction of railways here the district must have depended mainly on rivers for its external communications. The principal rivers are the Ghogra which forms roughly the southern border of the tract and the Rapti which forms roughly the south-western border of the northern tahsil, flows through the central tahsil and forms the eastern border of the southern tahsil through a corner of which another navigable stream, the Kuano, also flows on the south-west side while the Gandak river touches a corner of the northern tahsil on the east side, but this part is extremely unhealthy so that it was not favourably situated for the purposes of trade. It is therefore clear that prior to the advent of railway communications the southern portion of the tract possessed a distinct advantage over the northern part and it was largely on this account though also on account of disadvantages of climate that the northern part of the district was much less opened up than was the southern. It is to a large extent the advent of railways with concurrent improvement in communications which has now led to a closer assimilation of the two tracts.

It is true that the northern portion of the district was so undeveloped and the pressure of population on the southern portion was so great that there would probably have been considerable development in any case as in the northern portion there were at last settlement large areas

INDIAN RAILWAY COMMITTEE, 1920-21.

VOLUME IV.

QUESTIONNAIRE.

Note.—The following questionnaire, which was issued by the Government of India before the Committee assembled, and to which many of the written statements bear references, is reproduced here for ready reference.

Part I.—The management of railways owned by the State.

Question No. 1.—Do you consider that railways owned by the State should be managed directly by the State, or by companies on a profit-sharing basis?

Please give reasons for your reply, mentioning the systems of management of which you have had personal experience, and the nature of that experience (*e.g.*, whether as a member of the commercial community, of the travelling public, &c., &c.).

Question No. 2.—If you advocate the continuance of any one of the existing systems of management, would you propose any, and, if so, what modifications in it?

Question No. 3.—If you advocate management by companies, do you recommend that such companies should be domiciled in India, or in the United Kingdom? Please give your reasons for your opinion.

Question No. 4.—Do you consider that the existing system of allowing the working compaines an interest in the undertakings entrusted to them, by allowing them to hold a relatively small share of the capital and to receive a proportionate share of the net earnings, is a suitable and sufficient method of giving them an interest in the undertaking; or what alternative would you suggest?

Question No. 5.—With regard to management by companies domiciled in the United Kingdom it is sometimes urged that the Directors are out of touch with Indian conditions and requirements, and that undesirable delay sometimes occurs in settling references. If you recommend management by such companies how do you meet this criticism?

Question No. 6.—In the event of railway companies being domiciled in India how would you suggest that the Boards of Directors should be constituted? How do you suggest that the paramount interest of Government in the railways should be safeguarded?

Question No. 7.—Do you consider that there will be any lack of continuity in a Board domiciled in India? Do you consider that sufficient continuity would be secured by a permanent Chairman nominated by the Government skilled in railway work? Do you consider that the other Members of the Board need be skilled in railway work?

Question No. 8.—In the case of companies domiciled in India, is it necessary to consider the possibility of otherwise suitable Directors being so actively interested in particular industries or areas as to prejudice their impartiality?

Question No. 9.—What is your opinion of the suggestion that the systems of management by companies domiciled in England and by companies domiciled in India, might be combined? If you consider this idea practicable and desirable please indicate the broad outlines of the scheme by which you think it might be carried into effect.

Part II.—The Railway Board, and the Government of India's control.

Question No. 10.—Do you consider the system of control by means of a Railway Board satisfactory; if not, what alternative do you propose?

Question No. 11.—If you consider that control by means of a Board is desirable, how do you consider that that Board should be constituted; and have you any recommendations to make as regards the Board's subordinate officers?

Question No. 12.—With regard to the functions exercised by the Board, do you consider that the exercise of these in practice is satisfactory or extends either to sufficient or to unnecessary detail? Please give reasons and instances in support of your views.

Question No. 13.—Do you consider that the Railway Board possess adequate powers of control over railway administrations to enable them to deal effectively and expeditiously with matters relating to the requirements of the travelling public and of trade?

Question No. 14.—Do you consider that the powers of control in such matters already possessed by Government have been sufficiently exercised in the public interests?

Question No. 15.—Do you consider that the powers entrusted to the Railway Board need enlargement or modification in any direction not already indicated in reply to preceding questions?

Question No. 16.—Do you consider that the present status of the Railway Board vis à vis the Government of India is satisfactory; and if not, what changes do you suggest?

Part III.—Railway Finance.

Question No. 17.—Do you consider that the supply of funds for railway purposes has hitherto been adequate? Please distinguish, if possible, in your reply between the provision of funds for (*a*) new construction, and for (*b*) the maintenance, and (*c*) the improvement, of existing railways.

Question No. 18. Do you consider that the policy hitherto adopted of devoting the greater part of the capital funds to the improvement of equipment and rolling-stock of existing railways, and of devoting a relatively small portion to the purposes of railway extension, has been satisfactory, and is sound in principle?

Question No. 19.—If you are of opinion that funds are required on a larger scale than hitherto provided, what in your opinion is the approximate amount that should be provided annually for capital purposes?

Question No. 20.—Do you consider that the capital funds required should be raised both in India and in the United Kingdom?

Question No. 21.—As regards borrowing in India; do you consider that the existing arrangements for supplementing, by means of the Branch Line Terms,* the Government of India's resources for railway construction are adequate; if not, what modified, alternative or supplementary provision do you suggest?

Question No. 22.—Assuming that new methods of raising capital for railway purposes must be sought, what do you think of the suggestions that they should be raised:—

(*a*) by means of ordinary or preference share capital;
  (i) of working companies;
  (ii) of subsidiary companies associated either with the main working companies, or with the State in the case of lines directly worked by the State.

(*b*) By means of railway debenture capital raised:—
  (i) by the working companies, or
  (ii) by the Government of India.

(*c*) By terminable bonds?

Question No. 23.—Can you suggest other methods of supplementing the existing system of providing funds for railway purposes?

Question No. 24.—Can you give an estimate of the amount that could be raised by any of these methods in India or England respectively?

Question No. 25.—Please indicate your views as to the probability of borrowing by these methods interfering with the success of ordinary Government borrowings?

Question No. 26.—The Railway Capital Programme depends on the power of the Government of India to provide finance either by borrowing or from its balances; similarly, the general revenue position of the Government of India exercises some influence on the allotments for expenditure on Revenue Account.

(*a*) Do you consider that this has been, and is, detrimental to railway improvement and development?

(*b*) In view of the increased rate of interest at which capital can be raised, do you consider that railway rates should generally be raised, if necessary, so as to prevent railways from being a burden on the general taxpayer? Can you give a rough estimate of the percentage by which rates and fares might be raised, if so required?

Question No. 27.—The following statements indicate the results secured by State-owned and managed, and by State-owned but Company-managed, railways, respectively, during recent years:—

I.—State-owned and managed.

Year.	Nett Earnings.	Percentage of nett earnings on capital.	Interest and other charges against nett earnings.	Clear profits to Government.	Percentage of nett profits on capital.
	(Rs. lakhs.)		(Rs. lakhs.)	(Rs. lakhs.)	
1916–17	808·24	5·18	566·73	241·51	1·55
1917–18	1,029·41	6·39	593·05	436·36	2·71
1918–19	913·73	5·58	596·82	316·91	·93

II.—State-owned but Company-managed.

Year.	Nett Earnings.	Percentage of nett earnings on capital.	Companies' share of surplus profits.	Other charges (for interest, etc.).	Clear profits to Government.	Percentage of nett profits on capital.
	(Rs. lakhs.)		(Rs. lakhs.)	(Rs. lakhs.)	(Rs. lakhs.)	
1916–17	2,489·58	6·34	115·57	1,483·25	890·76	2·27
1917–18	2,726·91	7·01	149·16	1,523·49	1,054·26	2·71
1918–19	3,004·30	7·70	189·63	1,514·93	1,299·74	3·33

Do you consider these results satisfactory to the State and to the public?

At what additional figure, if any, would you estimate the indirect advantages to Government, attributable to railways through the development of areas served by them?

Question No. 28.—Have you any criticisms and recommendations to make with regard to the existing annual budget system; under which, funds being allotted to each railway for expenditure within a particular year, any such sum as is not actually expended during that year "lapses" to Government notwithstanding the fact that liabilities may definitely have been incurred (*e.g.*, stores may have been ordered but not paid for owing to deferred delivery), with the consequence that a first claim is established upon the grant made for the following year.

* *See* Railway Administration Report, 1918-19, Volume II, Appendices 32 *et seq.*

(*N.B.*—In answering the question please bear in mind the recorded opinion of the Indian Railway Finance and Administration Committee of 1907, who noticed that in deciding on the allotment to be made in any year for railways the Government take account of any improvement in the financial position owing to the occurrence of "lapses" in the preceding year, and that consequently any lapsed grant is really, even if not manifestly, re-allotted. The Committee observed that:—

> "The whole arrangement works back to the fundamental principle that the Government of India provides as much in each year as it possibly can, all things considered, for expenditure on railways, and distributes that money in the way which it conceives to be most advantageous for the country as a whole.")

Question No. 29.—Do you consider that the existing arrangements for regulating expenditure in England, with reference to the grants allotted, are satisfactory, if not, what modifications do you suggest?

Part IV.—Government Control of rates and fares; Settlement of disputes.

Question No. 30.—Do you consider that Government exercise adequate control over railway administrations in respect of rates and fares?

Question No. 31.—Do you consider that the powers in this respect delegated to railway administrations have been wisely used in the interests of the public; if not, quote instances to the contrary? In case of dissatisfaction with the action of railway administrations, please quote specific instances mentioning whether these have been referred, with a view to rectification:—

(*a*) to the railway administrations concerned, or

(*b*) to the Railway Board,

and, if so, with what results.

Question No. 32.—Do you approve of the machinery provided by the Indian Railways Act (Chapter V) for the appointment of Railway Commissions to settle disputes between railway administrations and traders; if not, what alternative do you suggest?

Question No. 33.—Have you any recommendations, not directly covered by the foregoing questions, bearing on the relations between the public and the railways.

Part V.—General.

Question No 34.—Is the carrying capacity of the various railways in your opinion, adequate to the requirements and needs of the various industries served by them? If not, what, in your opinion, is the reason of the failure and what means would you suggest to remedy this defect.

Question No. 35.—Please add any other remarks which you think called for in respect of the subject matter of the Committee's enquiry.