

Speech by the Hon'ble Sir Austen Hadow, Chief Commissioner of Railways, in presenting the Railway Budget for 1928-29 in the Council of State.

INTRODUCTORY.

SIR,

I rise to present to the Council a statement of the estimated expenditure and revenue of the Governor General in Council for the year 1928-29 in respect of railways.

2. As an introduction to a more detailed explanation of the budget I think it is desirable that I should give a brief description of our railway property in order to present a more comprehensive picture to the Council and will quote a few figures. At the commencement of this financial year, *i.e.*, on April 1st, 1927, our mileage of railways opened to public traffic was 39,049, which means that in the year 1926-27, 421 miles of new lines were added to our previous total. Of this total the State owned 28,004 miles, Companies and District Boards 6,001, and Indian States 5,044 miles. The capital at charge of the State-owned railways on the same date was 701 crores out of a total capital of 789 crores. There was a reduction in the mileage of railways owned by Companies and District Boards in that year, this being due to the purchase by the State of the Delhi-Umbala-Kalka Railway, which was effected in the year 1926-27. By the end of March next, that is the end of this financial year, it seems likely that the total mileage of railways in India will have risen to close on 40,000; I shall deal more at length with our new construction programme presently.

3. I would remind the Council that, although the State-owned mileage amounted to 28,004 miles, four only of the big railway systems, namely the North Western, East Indian, Great Indian Peninsula and Eastern Bengal Railways are managed directly by the State; six others in which the State is the predominant partner are worked by Companies under contract with the Secretary of State, and there are others worked by Companies in which distinct parts are owned by the Government and the Company. The Budget figures are arrived at, therefore, not only from the earnings and working expenses of the four State-managed lines mentioned above, but also from the results obtained on those railways in which Government is a part owner. Moreover, there are yet other lines owned by Companies, etc., on which Government has guaranteed a certain return to the owners and is entitled to a share of surplus profits, when earned; many such lines also are worked by the big railway administrations on behalf of the owners for a fixed proportion of the gross receipts; the results of all these affect the Budget in some measure. It is hardly possible to enter into a more specific definition of the varied contractual relations between the Secretary of State and such owners without wearying the Council with details, and my object is merely to show that there is a very small mileage of railways in India which does not affect the Budget figures in some degree, and the calculation of these figures is consequently a somewhat complicated business.

4. It must also be realised, as was pointed out by Sir Clement Hindley last year, that the responsibilities of the Railway Department are not limited to the administrative and financial control, the extent of which is illustrated by the Budget figures, but are largely augmented by their obligations in regard to the safe and efficient working of all railways and by questions of a technical nature which require a reference to the Government of India.

5. The members of this Council will shortly have in their hands a mass of information about the Budget and the financial position of the railways at the present time, but I will now proceed to explain briefly the main features of our revised estimates for the current year, so far as they are available up to date, and our anticipations for the year 1928-29. I may add that we have a considerable mileage of strategic lines on the North West Frontier of India, which form a part of the North Western Railway system and are treated distinctly in the accounts, as the interest on the capital cost of them and the loss on their working are met from the General Revenues. The distinction between the commercial lines and strategic lines is followed throughout the Budget papers, and for the purpose of my explanatory remarks I shall deal generally with the commercial lines only.

6. As a preliminary, I will refer to the final results for the year 1926-27. A year ago, when the Budget for the current year was put forward, it was anticipated that it would be necessary to withdraw 7 lakhs from the reserve in order to pay the contribution to General Revenues. The last few weeks of the financial year 1926-27, however, gave us unexpectedly good earnings; as a result of this, and of a large saving in working expenses, as compared with our revised estimate, we were able not only to fulfil our obligations to the General Revenues without drawing upon our reserves, but were able to add to our reserve fund about $1\frac{1}{2}$ crores of rupees, bringing that fund up to a total of well over 11 crores. I should like to invite the attention of the members of this house to the Report on Indian Railways for the year 1926-27 which has lately been published, which contains much matter for thought and study by those who have leisure and desire to understand something of the activities of the Railway Board apart from the intricacies of the Budget.

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Revised Estimate, 1927-28.

7. After a disappointing year in 1926-27 which, in spite of a bright finish, yielded total gross receipts about half a crore less than the previous year, the current year has shown very much improved results. Throughout the year, so far, except for four weeks in July and August, when the railways in Guzerat and Orissa were seriously affected by floods, our earnings have been consistently higher than last year, and all descriptions of traffic have contributed to the improved results. We still have a few weeks of the current financial year to run, but on the latest information available it is anticipated that our gross receipts from commercial lines will amount to nearly $103\frac{1}{2}$ crores as compared with 100 crores, the figure anticipated in the Budget for the current year which was prepared twelve months ago. This figure of $103\frac{1}{2}$ crores for gross receipts from commercial lines compares with a figure of $98\frac{1}{2}$ crores for the year 1926-27, an increase of 5 crores, and is a considerably higher figure than our previous record year Rs. 99.96 crores in 1924-25.

8. As already stated the increase is well spread over all descriptions of traffic, and it is, moreover, shown in the results of almost every individual railway, in fact there is only one railway, the Bombay, Baroda and Central India Railway, which does not show an appreciable development of traffic. For the first seven months of the year, that is up to the end of October last, we carried 361 million passengers or $7\frac{1}{2}$ million more than in the same period of the previous year; the corresponding figure for passenger miles, 12,050 millions, is an increase of 6 per cent. on the previous year. This increase can no doubt be partly attributed to the stimulus given by certain reductions in fares in the last 2 years. Under goods traffic there was an increase of nearly 400 million ton miles in these first seven months, and for the full year it is anticipated that the increase will be 700 million ton miles over 1926-27. The improvement appears under nearly all commodities as shown by the figures of

wagons loaded, some particulars of which will be found in the Budget Memorandum.

9. Turning to working expenses, it will be seen that our working expenses are expected to exceed those of 1926-27 by Rs. 8 lakhs only in spite of the large increase of traffic. Now one of the items which make up the working expenses total is the annual contribution to the Depreciation Fund, and this contribution gradually rises with the increasing capital value of the railway property, so that in 1927-28 it will be 49 lakhs higher than it was in the previous year. If, therefore, our revised estimate works out as we anticipate, we shall be carrying the large increased traffic of the current year for an actual expenditure, apart from the increased provision for depreciation, 41 lakhs less than the carriage of the smaller traffic of 1926-27 cost us, a result from which we are, I submit, entitled to derive a good deal of satisfaction. In two directions the detailed figures will, I hope, be of much interest to the Council. With the better equipment, and more particularly with the better methods, which have been introduced in our workshops, our bill for the repair and maintenance of rolling stock of all descriptions is showing a most gratifying decrease. In the current year arrears of repairs have been caught up on a larger number of our important railways, and we are able to suggest in the revised estimates that the cost of repairing and maintaining locomotives will be over 25 lakhs less than in 1926-27 and about 33 lakhs less than we budgetted for, the repair and maintenance of coaching vehicles will be 7 lakhs less than the previous year and 21 lakhs less than we expected last February, and the repair and maintenance of goods vehicles will be 15 lakhs less than last year and 37 lakhs less than the Budget figure. These reductions represent a real improvement in the cost of keeping our rolling stock in good order, and I hope the Council will agree with me that they reflect very great credit on the Mechanical Departments of the various railways who deserve to be congratulated on the success of their strenuous efforts. We have an equally welcome reduction in operating costs to show. Here I think it is sufficient to mention a reduction of nearly half a crore in the cost of fuel. This is of course to a considerable extent due to the fall in the price of coal, but it is also to be attributed to the effect of the measures which we have taken in recent years to secure more economical coal consumption. Of our other charges I need only mention in this brief review a rise of 152 lakhs in interest, due of course to the large capital expenditure which we are now incurring on the improvement and expansion of Indian State Railways.

10. We arrive then at an anticipated total of 90 crores 67 lakhs for the total charges, and in the result the Revised Estimate shows that the difference between the gross receipts and total expenditure on commercial lines for the whole year 1927-28 is expected to yield a net gain of 12½ crores or nearly 4 crores in excess of the Budget, and that after deducting the loss on working strategic lines and paying the required contribution of Rs. 6.36 crores to General Revenues we shall be able to add a sum of nearly 4½ crores to our Reserve Fund. If these anticipations are realised, we shall have a total of over 16 crores in our Reserve Fund at the end of this financial year as well as a total of 9 crores or so in our Depreciation Fund, and we, therefore, considered it incumbent on us to take stock of our position. In connection with the question of our Reserve Fund I should like to invite the attention of members of this Council to the remarks made by Sir Clement Hindley a year ago. He remarked that we have to learn by experience what amount we require in our reserve and pointed out that in that year 1926-27 we had to face a set-back in earnings. Now the set-back experienced in 1926-27 was not a serious one; it could not be classed as a really bad year for Indian Railways, and the possibility of having to meet a series of really bad years must always be borne in mind. Nevertheless, after a careful examination of our position, not forgetting that

our contribution to General Revenues will increase with our capital expenditure at the rate of about Rs. 25 lakhs a year, and remembering that on a good deal of our capital expenditure we cannot expect an immediate adequate return, we consider we can face an appreciable reduction of some of our rates and fares.

11. We anticipated some months ago that we might be able to face the initial loss of making some reductions in rates and fares, and consequently the ground had been prepared by making a preliminary investigation last August in order to determine the general lines that should be followed. More recently the matter has been examined in more detail, and our conclusions will be found in the Budget memorandum. It will be recognised that discrimination was necessary because we could not at once afford an all round reduction and had to determine in what directions the first benefit should be given. I will now mention briefly the reductions we are making. First there is our friend and good client the third class passenger; he will be saved $\frac{1}{2}$ a pie per mile on journeys of over 50 miles on the East Indian, North Western and Great Indian Peninsula Railways. There are certain Company-worked railways also, which we hope may be prepared to effect some reductions in fares, but the negotiations with them will at any rate delay their introduction somewhat. This, with the abolition of the distinction in Intermediate and Third class fares between mail and ordinary train, which will be effected on the East Indian and Great Indian Peninsula Railways, is estimated to cost us 122 lakhs on a full year with the existing traffic, but I hope a large increase in travelling will be the response to this reduction. Next, affecting our receipts from other coaching traffic, we propose to take in hand the present parcels and luggage rates, which are very much higher than they were at the end of the war. These are to be reduced by about 15 per cent., and the method of charging is also to be changed to the advantage of the trade, and we hope particularly of the retail trader. A revised scale for horses, live stock and motor cars is worth mentioning, especially as the big Delhi Horse Show is fresh in all our minds; as an example of the effect of this I may say, that, whereas it would cost Rs. 118 to bring a horse to Delhi from Sargoda under the existing scale, it will only cost Rs. 88-8-0 under the new scale. Then there are very substantial reductions of rates for kerosine oil, manures and oil cake, jaggree, petrol, as well as certain reductions on the East Indian and North Western railways for grains, pulses and seeds, and the removal of certain anomalies in rates, which have existed on the enlarged East Indian Railway system since the old Oudh and Rohilkhand Railway was made a part of it. The commodities mentioned are those selected as most likely to respond quickly to a reduction in rates; it is clear that this is the criterion from which to judge whether present rates tend to hinder the development of traffic, and our first aim has been to reduce such rates. The most important of these are the reduction on kerosine oil and the removal of anomalies in rates on the enlarged East Indian Railway system; the latter is estimated to take away 33 lakhs from our earnings but is clearly the right thing to do. It has been calculated that these reductions in rates and fares taken together would cost us over 3 crores on a full year's working if we failed to obtain from them the increased business which we confidently expect.

Budget Estimate, 1928-29.

12. If we turn now to our anticipations for next financial year, it will be seen from the tabular statement in paragraph 26 of the Memorandum that, as compared with our estimated total receipts of just under 103½ crores in 1927-28, we have assumed receipts of under 103¼ crores next year. That figure is arrived at as follows. It has been estimated that, if we were not to reduce rates and fares as we propose, these total receipts in 1928-29 might amount to 105.19 crores, calculating on a rather smaller increase of earnings than the average because 1927-28 has been such a favourable year. From this total

then we must deduct a figure representing the effect which the reductions I have just mentioned will have on our earnings of next year. I have said that on a full year the reduction of earnings would amount to 3 crores, if no immediate development followed on them, but, although some of the reductions can be introduced with immediate effect, there are others of which due notice will have to be given and they can hardly come into force before June next. Allowing for this and for the expectation that some of the loss will be quickly made good by the stimulus that will be afforded to travelling and to trade, we have assumed that our net loss in 1928-29 will be about 2 crores. We have, therefore, estimated in the Budget for gross receipts from commercial lines of 103.19 crores.

13. Turning now to our estimate of expenditure next year we have put this at a little over 92½ crores as compared with 90½ crores in the current year. Working expenses are practically identical in total with the current year, and the only important increase in expenditure over 1927-28 is under interest charges, which go up by 1½ crores owing to the expansion of capital. As regards working expenses it is worth mentioning that an increase of ½ crore in payments to the Depreciation Fund due to increased capital assets, and a small increase under Administration will, we hope, be both covered by further economies in repairs and maintenance. Although we expect to carry more traffic, we anticipate that the operation expenses of transportation can be kept down to slightly below our Revised Estimate for the current year.

As regards strategic lines, there is little to say; we hope for a small increase in gross traffic receipts and anticipate that the net loss in working these lines, which has to be borne by General Revenues, will be slightly less than in the current year.

14. To sum up briefly then the Budget shows a drop of 24 lakhs in gross receipts as compared with our Revised Estimate for the current year, an increase in expenditure of 1.88 lakhs, nearly all due to expanding interest charges and a larger provision for depreciation, giving a surplus from commercial lines of rather more than 10½ crores. Out of this estimated surplus over 1½ crores will be used to meet an anticipated loss on strategic lines, our contribution to General Revenues will be about 5½ crores and, if our anticipations are approximately correct, there will be a balance of 3½ crores to credit to the railway reserve.

Capital Expenditure, 1927-28.

15. I turn now to our Capital Budget. Our capital expenditure during the current year is expected to amount to Rs. 30 crores, as compared with a Budget figure of 25 crores. Perhaps I ought to explain that, although twelve months ago it was estimated that the capital expenditure would be 25 crores, railway administrations were allowed to include works involving expenditure of 39½ crores in 1927-28 in their approved programmes.

This latter figure was what they had asked for, but in the light of the experience of the previous years we believed that the spending capacity of our organisation would limit their progress to the Budget figure of 25 crores. Since the advantages to be expected from the works in question will not be realised until they are completed, it is satisfactory to be able to report that railway administrations now seem likely to make better progress than was anticipated. Of the total figure of 30 crores shown in the Revised Estimate about 21½ crores represent the probable amount to be spent on open line works and rolling stock, and 8½ crores on new lines, the latter figure being nearly 2 crores over the amount spent on new lines in 1926-27.

16. As regards new lines, I have mentioned that by the end of March we expect our open mileage of railways in India to approach the figure of 40,000, that is, an increase of over 900 miles during the current year. But this new

mileage is not entirely on the State Railways, as something like one-third of it will have been constructed at the cost of Indian States and others. The latter includes the important north to south connection in His Exalted Highness the Nizam's territory from Balharshah to Kazipet, which will shorten very appreciably the distance of the journey from Madras to Delhi and the north of India; some portions of this connection are already open, and it is hoped that the remainder will be opened by the end of this financial year.

Capital Expenditure, 1928-29.

17. Though Railway Administrations have, as I have said, made better progress this year than we anticipated, they have still a large number of works uncompleted, and we want them to spend next year very largely in pushing on with these works, so that the capital employed in them may quickly become productive. For this reason, that is to say, because a larger proportion of their programmes than in recent years will consist of schemes already in hand, the initial delays to the inception of which have been already overcome, we find it unnecessary to make so large an over-allotment of funds to them as in the last few years. We are estimating, therefore, in the coming year for an expenditure of 15 crores on the open lines, but are only allotting $2\frac{1}{2}$ crores more than this figure, showing in the aggregate of the programmes $12\frac{1}{4}$ for works and $5\frac{1}{4}$ for rolling stock. A good deal of information in regard to open line works and rolling stock is given in the Budget Memorandum, and the details of allotments for all the larger works are given in the pink books which show the programme of each railway separately. For reasons I have given there are in our programme only a very few large schemes which we find it necessary to commence in 1928-29, the only individual new project which I think it necessary to mention here being the reconstruction of Erode station on the South Indian Railway. Of other items I should like to point particularly to the provision of 3 crores for the improvement of track and strengthening of bridges, the object of this expenditure is the economical and efficient movement of increasing traffic in heavier train loads with more powerful locomotives, and it is clear that for this purpose the work on track and bridges has to be co-ordinated on the various sections of each railway in order that the best results may be obtained. The large electrification schemes in progress in the vicinity of Bombay are responsible for nearly all the expenditure, over 2 crores, allotted under the head electrification, but it has recently been decided to electrify the South Indian Railway suburban services in Madras, so a small provision is made for the commencement of that work. The anticipated expenditure on rolling stock amounts to nearly 9 crores, but about $3\frac{1}{2}$ crores of this is a charge to the Depreciation Fund, so that the capital expenditure will be about $5\frac{1}{2}$ crores. This includes provision for 549 additional units of coaching stock, each bogie carriage being reckoned as 2 units, and 860 additional metre gauge wagons.

18. For our new construction projects, including those that are already in hand, we have distributed over 11 crores and have estimated that we shall actually spend about 9 crores. Although we have 50 projects already sanctioned, this number is expected to increase to 90 in 1928-29, and of these I hope that at least 20 will be opened in the course of the year. Taking a reasonably cautious view I think we may hope to add nearly 800 miles to our open mileage in the course of the next financial year.

19. Of these new lines which are already in progress, one of the most important, which has been known as the Central India Coalfields Railway and links up Daltonganj with the western end of the South Karanpura line at Barkakhana, is expected to be opened next year, and I hope also the branch

from Anuppur to Karimati, which will eventually be linked up with the former, though this is not proposed immediately. Other lines of some importance which will, I hope, be opened throughout in 1928-29 are the Villupuram-Trichinopoly (108 miles) and the Dindigul-Pollachi (75 miles) in South India, and a part at least of the Kangra Valley Railway. The Assam Bengal, Eastern Bengal and other railways have been busy with short branches, and a number of these are likely to be opened next year. Other projects of major importance, which are in hand but will not progress quickly enough to be opened next year, are the Calcutta Chord Railway including the bridge over the Hooghly at Bally, the Lucknow-Sultanpur-Jaunpur, the Chiniot-Khushab cross connection in the Punjab, the Kalabagh Bridge at Mari Indus, the Raipur Vizianagram, the Sagaing Bridge and Minbu-Pakokku project in Burma both recently sanctioned, and the Trichinopoly-Manamadura Chord in South India.

20. A complete list of the new lines, some already in progress, which are included in next year's programme, is given in Appendix I of the Budget Memorandum. The more important of those which have not yet been commenced are the Dacca-Aricha and Sainthia-Berhampore-Halsa connections in Bengal, the Diva-Dasgaon and Nasik-Belapur-Sheogaon Railway in Bombay, the Lyallpur-Chananwala cross connection in the Punjab, Sind Left Bank Feeder Lines (163 miles) in Sind, the Megna Bridge at Bhairab in Eastern Bengal, and the Salem-Attur-Vridachallam Chord in South India. It must be remembered, however, that some of these new projects have not yet been sanctioned, and in one or two cases it may be found on completion of the survey investigations that the anticipated earnings will not justify construction. Last year Sir Clement Hindley explained at some length the steps we had been taking in organising a programme of new construction work, and I do not propose to go over this ground again. We are still actively pursuing the same policy, and the different large Railway Administrations are continuing their investigation into all possible schemes of development in collaboration with the Local Governments respectively concerned. I might mention that the procedure laid down for obtaining the assistance of the Local Governments in framing programmes for new construction in the various provinces was found to be defective in one particular, and steps have been taken to rectify this.

Recently we have found it advisable to depute one of our senior Civil Engineers to make a tour of inspection of the new lines which are being constructed in certain areas with the object of framing a report on costs and methods of construction in different parts of India. We think it probable, that such a report will open up the possibility of effecting appreciable economies and will be of value to us in carrying on the large programme which we have on hand.

It may be of interest to some members of this Council to hear about the two main trunk routes, which were referred to a year ago, namely, the Bombay-Sind and Agra-Karachi connections. As regards the former, investigations are now well on towards completion, and we now have two senior officers working directly under us on a re-examination of the cost and prospects of the latter. Until we have arrived at a better appreciation of the advantages to be obtained from the construction of either of these links, we have considered it premature to enter them in our construction programme, for both of them are dependent for their financial justification on the development of long distance traffic, a large proportion of which will be taken from lines already in existence.

21. There is one very important figure in the Capital Budget to which I have not yet referred, namely, an item of 4 crores for the purchase of the Burma Railways. Notice has recently been given to the Burma Railways Company of the termination of their contract, and the system will come under

State management from 1st January 1929. It has been estimated that as a result of the purchase, we shall increase our net annual revenue by about half a crore.

General Remarks.

22. Before I close I should like to assure the Council that the activities to which Sir Clement Hindley referred in the concluding part of his speech, delivered 12 months ago, continue to receive our attention. Amongst these I may mention the prevention of fraudulent travelling, publicity, recruitment, the technical question of Bridge Design, and Workshop Reorganisation. As regards the latter, I have previously mentioned the economies which have been effected in our costs of repairs and maintenance of rolling stock, and we hope for yet further improvement in this direction. I refrain from dealing at length with any of these matters, as I think I have already taken up too much of the time of the Council.

23. I must, however, make a brief reference to our standardisation policy which is being energetically pushed on. The various Standing Committees have met at intervals during the past year, and satisfactory progress has been made. The standard designs of locomotives now comprise 8 types for the broad gauge and 6 for the metre gauge, but the work of designing all the details of these engines, which is being done by our Consulting Engineers in England, is taking longer than we expected, and the first consignment of new standard engines has only recently been received. New standard designs of wagons and underframes are also being proceeded with. As regards wagons, I might mention that we have had under investigation for some time the possibility of introducing higher capacity stock with a view to reducing operating costs. The question of the supply of special wagons to meet the requirements of mechanical loading at the collieries is also being considered. Other Committees are dealing with the standardisation of permanent-way fittings, signalling and interlocking details and engineering structures of various kinds. We have also established recently a new Standing Committee to draw up and revise, where necessary, standard descriptions and specifications for the many classes of materials and stores in use on railways. This Committee, which is composed of the Controllers of Stores of the four State-worked Railways, has just held its first meeting.

24. As I explained at the beginning of my speech, four of the principal railway systems, including the two largest, are under direct State management, while the State owing to its financial interests has to take a considerable part in the control of all or practically all the other important lines. The results of that management during the year, which is coming to a close, and our forecast of what the result should be, if fortune is ordinarily kind to us, next year, are now before the Council. I hope the Council will admit that they prove Indian State Railways to be a live organisation, alive to the need for development of railway communications, alive in the introduction of modern improvements in their workshops, and ready to adopt any changes in operating methods or in standards which are likely to make for efficiency and economy both. They have been enabled and encouraged to follow this forward policy by the greater freedom which they now enjoy in managing their own finances; and for this greater freedom they have the separation of railway finances from general finances to thank.