

Speech by the Hon'ble Sir Guthrie Russell, Chief Commissioner of Railways, in presenting the Railway Budget for 1933-34 in the Council of State.

Sir,

I have the honour to present a statement of the estimated revenue and expenditure of the Governor-General in Council for the coming year in respect of Railways. In these times the presentation of such a statement is bound to be rather depressing, but I shall endeavour to show the Council that depressing as the figures which I shall give them may appear on the surface, a detailed examination of the position will show that the finances of Indian Railways, though they cannot be said to be flourishing, are at least sound, and that when better times return there is little doubt that the Railways will react to these and again show an appreciable profit to their shareholders, the taxpayers of India.

2. Following the precedent of previous years I shall give a short account of the results of the year 1931-32, and our estimates of the final results of the year 1932-33. These are based on the latest figures of traffic available, but it must be understood that they may very easily be upset by circumstances over which we have no control. They are merely an estimate based on the information available, and on the analogy of the movement of traffic in previous years. Finally I shall present to the Council our budget estimate for the year 1933-34. If, as I have explained, there are difficulties in forecasting the results of a year which has only 6 or 7 weeks to run, the Council will realise that these difficulties are considerably increased when we endeavour to forecast what is going to happen a year hence. I know I have the sympathy of the Council and that they realise the difficulties in making a forecast which is susceptible to a change in world conditions quite independent of local conditions in India. I shall also endeavour to show that though of necessity certain of our activities have had to be curtailed, these, with few exceptions, have not been abandoned altogether and that machinery is there to start up again as soon as times improve. Further, that despite shortage of money, essential works have not been neglected and the property has been maintained in good condition.

To summarise the results of the year 1931-32. These can be discussed in a few words as they are already well known to the Members. When I last addressed the Council, I anticipated that there would be a loss in commercial and strategic lines combined of 9.47 crores and that to meet this it would be necessary to absorb the full balance in the Reserve Fund of 4.95 crores and to borrow 4.52 crores from the Depreciation Fund. The actual result was we found we had over-estimated our loss by 27 lakhs so that we had to borrow only 4.25 crores from the Depreciation Fund. This left a balance in the Depreciation Fund of 14.87 crores, or nearly a crore more than at the end of the previous financial year.

3. I now turn to the current year. When I placed the Budget Estimate for the year before the Council I stated that though we had allowed for no increase in traffic we anticipated a small increase in earnings on account of certain increases in rates and fares which had been brought into force during the year. On this assumption we placed our gross traffic receipts at 87.65

crores. As regards our working expenses, we estimated these at 60·81 crores, including our contribution to the Depreciation Fund. How far have our anticipations been justified by results? Despite the increased rates and fares our gross revenue has fallen short of our anticipations by 2·45 crores, and we expect that our working expenses will exceed by 12 lakhs our estimate. This increase is entirely due to the fact that owing to the rather meagre data at our disposal we estimated the cut in pay would save us 230 lakhs, whereas in the result the saving was only 185 lakhs, or 45 lakhs less. It will thus be seen that apart from the cut in pay we have reduced our working expenses by 33 lakhs compared with our budget provision. Allowing for credits on returned material, interest on Depreciation Fund, etc., we arrive at the result of a total revenue of 86·20 crores against total charges of 93·52 crores, giving a deficit of 7·32 crores. To this has to be added the loss on strategic lines of 2·02 crores. This gives a total deficit on the year's working of 9·34 crores, which, as last year, we propose to meet by a temporary loan from the Depreciation Fund. Our contribution to the Depreciation Fund under the present system for this year will be 13·75 crores, against an expenditure of 5·60 crores which in normal circumstances should have increased our balance in the Fund to 8·15 crores, but as I have already explained it will be necessary to borrow 9·34 crores from the Fund to meet our charges, so in the result our accumulations in the Depreciation Fund will be reduced by 1·19 crores, leaving, however, still a substantial balance of 13·68 crores in the Fund.

4. Finally I come to the most difficult part of my task—estimating the results of the coming year 1933-34. This task is difficult at all times, but I am quite sure the Council will agree with me that it has seldom been more difficult than to-day. I do not want to be unduly optimistic, nor yet unduly pessimistic. During the past few weeks we have had on several occasions to entirely recast our estimates. There have been times when it appeared that there were faint signs of returning prosperity and that the pendulum was beginning to swing in our favour, unfortunately on each occasion our hopes have been unfulfilled.

5. Despite this, however, we have, after considerable hesitation, decided that there are reasonably safe grounds for assuming that we have tided over the worst of the present period of economic depression, and that there are prospects of a very slight improvement in our railway earnings next year. On this assumption we place our gross traffic receipts from commercial lines at 86·92 crores. Our other receipts will be slightly less owing to the reduction in our balance in the Depreciation Fund during the previous year and we finally place our total receipts at 87·84 crores. For our ordinary working expenses we have budgeted for a further reduction of 41 lakhs, but this is offset by the reduction by a half of the emergency cut in pay. The net increase in working expenses on account of this amounts to 65 lakhs, making the total increase 24 lakhs. We thus arrive at the following results :

	Crores.
Total receipts from commercial lines	87·84
Total expenditure, including interest charges	93·64

showing a loss on commercial lines of 5·80 crores. To this has to be added the estimated loss on strategic lines of 1·97 crores, giving a total deficit of 7·77 crores. Our contribution to the Depreciation Fund will be 13·75 crores, and the estimated expenditure therefrom 5·95 crores, so that the difference between the contribution and the expenditure will exceed the amount it is proposed to borrow by 3 lakhs, and the balance in the Fund at the end of the year should

be 13·71 crores. It is interesting to note that if we had not had to adopt the temporary expedient of borrowing from the Depreciation Fund to meet our obligations, the balance in the Fund at the end of the year 1933-34 would have been 35·07 crores.

6. I am afraid the quotation of this mass of figures must have proved rather wearisome to the Council, and the tale of deficits must have made rather dismal hearing, but as I said at the commencement of my speech I shall endeavour to show that the situation is not quite so bad as it looks. Our net traffic receipts, that is total earnings less ordinary working expenses including our contribution to the Depreciation Fund, have in the past two years amounted to between 23 and 24 crores, and if we were a Board of Directors, meeting to decide what dividend we should declare to our shareholders, we would be in the happy position of, in these depressing days of railways earnings, being able to declare a dividend of about 3 per cent. on our capital of approximately 800 crores. This, after making a very generous contribution to the Depreciation Fund. Actually, during the years 1931-32 and 1932-33, the contribution to the Fund has exceeded the requirements for these years by about 13½ crores. This being the position, I feel quite certain that at least a proportion of this mythical Board of Directors would have advocated the increasing of our dividend and the reduction of our contribution to Depreciation. I know of few Railways in the world which are in this position today. I do not know if many of the Hon'ble Members of this Council make a habit of reading the reports of other railway concerns throughout the world. If not, I would urge them to do so, as it would certainly tend to make them take a more optimistic view of Indian railway finances. Even the Canadian Pacific Railway, which is looked upon by many as the premier railway of the world, shows a drop of earnings of 41 million dollars in 1931 over the previous year. The situation in the United States of America is even worse. A few days ago I saw a report by a firm of American brokers which states that the results of 1932 show that the United States of America Railways have as a whole earned only 75 per cent. of their fixed charges. The report goes on to state that unless there is an improvement in traffic a number of railways will have to face the possibility of Receiverships during the present year unless there is a large expansion of Government aid.

7. Encouraging though these figures may appear, I feel quite sure that many Hon'ble Members of this Council will desire an assurance, and rightly so, that, even though our house is in better order than the houses of some others, the Railway Administrations are not sitting back in their chairs and doing nothing to still further improve our position. How is this being done? There are only two methods by which our net earnings can be increased, either by an increase in our gross earnings, or by a reduction in our working expenses. Again, there are only two ways of increasing gross earnings, firstly by an increase in rates and fares. This, however, especially in these depressing times may prove to be a double-edged weapon, and if care is not taken the law of diminishing returns may begin to operate. The second way is to reduce rates to encourage traffic. I can assure the Council that possibilities in both these directions are being explored from day to day by the Railway Board and Railway Administrations throughout India.

8. Then as regards working expenses, I have shown that there has been a gradual reduction in these from year to year, but I must remind the Council that as the years go on these reductions must become less and less spectacular and though I do not say that even now every possible avenue of economy

has been explored in the direction of saving money, there is a very definite limit beyond which it is not safe to go.

9. I mentioned in my speech last year the work of the Railway Subcommittee of the Retrenchment Advisory Committee, and their recommendation that a small Committee of financial and railway experts should be appointed to undertake a full and detailed enquiry into the working of the various departments of the railway administration. I informed the House that it had not been possible to obtain suitable personnel for this enquiry, and the difficulty of obtaining a full representative committee of experts still persists. We are, however, extremely grateful to Sir Josiah Stamp, President of the London, Midland and Scottish Railway, for placing at our disposal during the present cold weather his economy expert, Mr. F. A. Pope, who has for some years past been engaged in analysing the work of many of the departments of the L. M. and S. Railway and showing how economies could be effected. Mr. Pope is now engaged on his investigation of our methods with the assistance of four of our senior railway officers especially selected for their intimate knowledge of the railway branches to which they belong. I feel confident that the enquiry will be of the utmost value; all the more so because Mr. Pope has associated with him four officers possessed of many years' experience of Indian Railways. Mr. Pope will give us the value of his expert knowledge, and the officers associated with him will, with their experience of Indian procedure, best be able to apply his system of analysis to the many branches of work done on our railways.

10. It must be realised as inevitable that any reduction in working expenses means a reduction in staff. During the year 1932-33 Government found it necessary to resume retrenchment of railway staff which, had, with minor exceptions, been suspended since July 1931. In all it was found that about 9,000 men were surplus, but to minimise hardship as far as possible it was decided to offer more favourable terms to encourage voluntary retirement, and I am glad to say that between four and five thousand, or about 50 per cent. of the whole, have already availed themselves of these terms. I think, moreover, it is probable that a good proportion of the balance will also do so as the terms of voluntary retirement have in certain instances been extended beyond the original time limit fixed, which was October 31st, 1932.

11. Retrenchment of staff has been inevitable but I do not wish the House to think that nothing constructive as regards staff has been done during the year. Though restricted by financial considerations we have made certain progress in matters affecting staff welfare. For instance, the Hours of Work Rules introduced originally on the North Western and East Indian Railways were extended to the Great Indian Peninsula and Eastern Bengal Railways; and other railway administrations, to which the regulations have not yet been statutorily enforced, have been instructed constantly to revise their hours of work where the latter are unreasonable, so as to bring them into conformity with the new rules, and the Railway Board are keeping closely in touch with this important question.

12. In my speech last year I also alluded to Staff Benefit Funds and Relief of Indebtedness among the lower paid staff and progress has been made in both directions. Staff Benefit Funds which were introduced on State-managed lines in 1931 have been, or will shortly be, introduced on all Company-managed lines, and a Lower Paid Staff Fund to relieve indebtedness among the lower ranks of the staff is now in existence on the East Indian

and the North Western Railways. Should the results of working show that it is a success, the extension of the principle will be recommended to other railways.

13. There is one factor which has undoubtedly had an effect on our railway earnings. I refer to motor competition. The House has doubtless seen allusions in the Press to an enquiry recently undertaken for the Government of India into the subject of co-ordination of the road and rail systems of transport of the country. As is well known, road development and motor transport have made considerable strides in India during the last few years and have been especially stimulated by the inauguration of the Central Road Development account which was the principal outcome of the Indian Road Development Committee. Much has been done to improve the standard of main trunk roads in India to make them suitable for motor traffic, and as many of these main trunk roads run side by side with railways, the public motor vehicles plying over them have to some extent been taking traffic from the railways, especially short distance passenger traffic. We have no reason to think that this process has developed very far in India, but in other countries competition between road and rail transport has grown to such an extent as to be wasteful and uneconomic, and it is important that we should learn by the experience of other countries and avoid their mistakes. This can probably best be done by adopting as early as possible a policy of co-ordinating the two systems of transport so that they become complementary and not competitive. With this end in view Government last year appointed a small touring committee who were instructed to visit all Provinces to consult Local Governments, Railway Administrations and public bodies on this important question. The Committee were asked to prepare a Report which has just been published and which will form the basis of discussion at a conference which Government intend to hold in April. Government propose to invite to this Conference not only the representatives of Local Governments and Railways, but also of unofficial bodies interested in the motor industry and road development. It is hoped that as a result of the deliberations of this Conference a well balanced policy will be formulated for correlating and developing the two forms of transport so as to give India the best and most economical transport system.

14. I must now once again enter the realm of figures while I give a short account of our activities on new works during the current year and place before the Council our capital and depreciation fund programme for the ensuing year. We have been pressed from many sides to undertake a large programme of new construction and rehabilitation with the object of stimulating trade and industry, and of being in a position to meet the trade revival when it comes. There is a certain amount of force in the arguments used, and we have not lost sight of these in framing our programme for the ensuing year. This has been designed to help trade and industry, to place the Railways in a position to meet any increase of traffic which can reasonably be expected, and to ensure more economical working. It may be considered that we have not gone as far as we might have done, but it must be remembered that though an increase in our works programme may give a temporary stimulus to trade and industry, unless there are very definite prospects that the works undertaken will be remunerative in the near future, the result will be the saddling of Railways with a load of debt which would require to be met with a further increase in rates and fares, a contingency which we are particularly desirous of avoiding as it must react on trade and industry and delay their revival. We believe our programme allows for all really essential works. For example, the construction of the Chambal and Sindh Bridges on the Great Indian Peninsula

Railway, which with the completion of the relaying beyond Jhansi, which it is hoped to undertake within the next two years, will enable heavy engines, with consequent heavier loads, to run between Bombay and Delhi. This will increase the capacity of the line and ensure more economical working. Then the replacement of 3,000 uneconomical wagons with 2,500 wagons of higher tare capacity will cheapen the cost of transport and maintenance. We hope that these 2,500 wagons are only a first instalment, and that we shall be able in succeeding years to continue this renewal policy, and if traffic justifies it, speed it up. I would also draw attention to the reconstruction of the Nerbudda Bridge on the Bombay, Baroda and Central India Railway. This will remove the last weak link on that Railway's main line to the north. The only other important works to which reference need be made are the remodelling of the Salt Cotaurs Yard on the Madras and Southern Mahratta Railway near Madras, and the remodelling of Hubli Station on the same Railway, both works overdue. As regards new construction, about 2/3 crore is being spent during the current year and 32 lakhs had been allowed for the year 1933-34. These sums have been provided to complete works already started during the more prosperous years, and no new projects are being undertaken. We have, however, not lost sight of the fact that when prosperity returns there will be a demand for new Railways to develop the country. For example, we have just completed a fresh engineering survey of the Bombay-Sind connection, and we are now undertaking a fresh traffic survey so that we may be in a position to start work on this very important work when and if traffic justifies. In the result our programme necessitates the provision of 5½ crores from the Depreciation Fund, and 3 crores of capital during 1932-33. This is to a certain extent offset by allowing for a reduction of 1½ crores in stores balances, giving a total expenditure from capital and depreciation of 7 crores during the year. During 1933-34 our expenditure on open line works under capital and depreciation is expected to amount to 10½ crores, of which 6 crores will be derived from the Depreciation Fund. Of this amount 1½ crores is required for work in progress, about 4¼ crores for track renewals, and 2½ crores for rolling stock. We anticipate a further reduction of about 1¼ crores in stores balances, so the net expenditure under capital and depreciation will amount to about 9 crores.

15. I would be failing in my duty if before I sat down I did not bring to the notice of the Council the valuable services which have been rendered to the country by the Agents, officers and staff of all Railways during the current year. This year, like its predecessor, has been a difficult one. In fact in many ways it has been more difficult than its predecessor in that whereas in that year the cut in pay only operated for 3 months, this year it has been in operation for the full 12 months. In addition various allowances have had to be reduced or withdrawn altogether. Despite this, generally everyone has shown the same devotion to duty and given the same loyalty as we have come to expect from our railway officers and staff. I must also make some reference to the changes which have occurred in the personnel of the Railway Board during the past year. We have lost the services of Sir Alan Parsons, Mr. Hannay, Mr. Brayshay, and Mr. Hayman, but I am glad to say the services of the first three are not lost to the country, and though Sir Alan Parsons may have gone to another Department of the Government of India he is at all times ready and willing to help the Railways in their problems. Mr. Hannay and Mr. Brayshay continue to render valuable services to the Railways of India, one as the Agent of a State-managed Railway, the other as the Agent of a Company-managed Railway. Mr. Hayman has, however, definitely severed his connection with Indian Railways. Mr. Hayman has

had a great career. Starting at the lowest rung of the ladder, he climbed to the top purely by merit. The vast knowledge which he accumulated in the various important posts which he has held and his outstanding ability were of immense value to the Railway Board and the Government of India, and his place will be difficult to fill. I am quite sure the Council would desire me to wish him success in his new sphere of activity. Also during this year we have lost the services of Sir B. N. Sarma, for close on 7 years President of the Rates Advisory Committee. During his tenure of office Sir B. N. Sarma has always had the confidence of the Commercial Community and the Railway administrations in the difficult tasks he has had to perform. His death is a great loss to India.