

THE
FUNCTION OF STATE RAILWAYS
IN
INDIAN NATIONAL ECONOMY

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Mr. Ramanujam's book on "The Function of State Railways in Indian National Economy" purports to be a comparative study of the origin and growth of the railway systems in India and elsewhere, outlines the evolution of State policy and contains a useful summary of the function of State Railways. The author has laid under contribution the main authorities on the subject and has further bestowed considerable thought on many aspects of the problem.

The labours of the Departmental Committee in England on Railway Agreements and Amalgamation and the progress towards closer co-operation amongst the railways have been sketched in detail and the impact of the last war on the railway services profitably analysed. The author has pointed out that the war of 1914-18 led, in America and Great Britain, to a very widespread control of the railway system by the Governments though with the object

of a return to private ownership after the war. The changes that took place in the Indian policy towards railways and especially in respect of the interdependence of the general revenues and the railway revenues have been described with special reference to the Acworth Report and the Indian authorities. Emphasis has been laid on the defects of the system prevalent in India including the small expenditure on renewals and the treatment as net revenue of what should have been treated as working expenses. After the end of the last war, although in Great Britain the railway system returned to private ownership, the Railways Act of 1921 gave very extensive powers in respect of the regulation of railways, railway charges and rates, conditions of wages and so forth, the British Act following in these respects the Transportation Act of America of 1921 which established an Inter-State Commerce Commission.

The author has outlined the developments of Indian Railway organization from the time when in 1924 the Indian Legislative Assembly separated the railway budget from the general budget. It is well-known that, in the first few years, satisfactory financial results were achieved and the railways earned enough not only to meet the interest on their capital charges but to make suitable provision for deprecia-

tion, to contribute to the reserve fund and nevertheless substantially to help the general tax-payer. But after the depression of 1929-30, a different state of things came into existence.

The accounts during the period from 1929 have been analysed under various headings until the period when in 1937 a practical moratorium was declared. The general reader must be indebted to the author for the study of the salient features of the Railway development in recent years both in England and in America. The very exhaustive scrutiny of the results of the American and German systems is instructive. The author's thesis is that important public utilities have, under present conditions, to be public monopolies so as to serve the interests of public convenience and necessity not only in regard to rates but from many other points of view.

Trouble has been taken to deal with the efforts made in France and elsewhere to nationalise the railway system, and I was specially interested to read what has been stated by the Co-ordinator of the American railway system, Commissioner J. E. Eastman, who has arrived at the conclusion after considerable research that while public ownership and operation have their evils yet, on the whole from the general point of view, they are outweighed by the

advantages. That Government ownership and Government control are really not very different from each other is also shown. Indian opinion is generally in favour of State ownership and that opinion will be strengthened by a perusal of these pages.

Chapter V of this treatise is, to my mind, the most interesting in so far as it describes the revolution that has been produced by the internal combustion engine and the consequent and inevitable competition between road and rail transport. All railways took a long time to realise what was happening and, in general, their policies were short-sighted. But many events including shortage of steel and other material, the commandeering of railway workshops, and the resultant shortage of rolling stock and the simultaneous shortage of rubber and all component elements of the motor vehicle have made it incumbent on the management of railway systems and traffic systems alike to pool their resources to supplement each other's activities. Even in England it was only after 1933 that it was recognised that it is the duty of the State to hold the balance even between road and railway. The Road and Railway Traffic Act of 1933 is felt not to go far enough and had a mixed reception in England. The main topics to be considered so far as India is concerned may be stated to be (a) the speedy nationalisation of rail-

ways, (b) definite and co-ordinated control over the transport system of the country as a whole including road, canal and backwater systems, and (c) the evolution of a policy by which cut-throat competition would be avoided and freights and rates would be so adjusted as to facilitate the paramount interests of internal, at least as much as external, trade and the encouragement of Indian industry and manufactures. None of these points have been missed in this volume.

It is with no small pleasure that I welcome this publication as a contribution to the study of a generally neglected but increasingly important subject.

(*Sd.*) C. P. RAMASWAMI AIYAR.

PREFACE.

The full title of this monograph should really be "Some of the Main Aspects of the Function of State Railways in Indian National Economy". This has three chief aspects; firstly, this is a *historical* study outlining the origin and evolution of Indian railways and railway policies from the very earliest times to the years immediately preceding the present world war. Such historical works are not uncommon in the bibliography on the subject. Secondly, this is a *comparative* study, attempting to show, at every stage, how countries like Britain, America, Germany and France tackled problems similar to those that arose in India. Such comparative approach is, one notices, rarer than the merely historical approach, among the existing studies on this subject. Thirdly, besides bringing to bear these two points of view, effort has been made to *critically* examine in a purely objective, scientific and constructive manner, the good and evil that India experienced as a result of the policies that the Government of India and the Secretary of State adopted from time to time.

It has been difficult to have access to a liberal supply of primary and secondary sources so far as railway policies abroad are concerned. The Indian sources have been, however, canvassed fairly fully,

and, to *everyone* of the sources used reference has been made in the foot-notes and the bibliography. Particularly useful for the earlier period was that splendid work by Horace Bell on Railway Policy in India. Fresh points of view have emerged as a result of the exhaustive scrutiny of the interpretation of the Theory of Fair Return and the Taxation of Railways, topics which have been examined from this angle in this monograph, for the first time among the Indian works on the subject. It is my hope and trust that these new tracks will stimulate further exploration by fellow-researchers. I am myself most keenly looking forward to take up the further study of the topic in the last chapter of this monograph, which is referred to by the distinguished author of the Foreword as "the most interesting of this treatise;" for, the elimination of unhealthy competition between and the establishment of a rational co-ordination among the different forms of transport is certain to have a very high priority in any post-war reconstruction programme, and will require the closest attention of all students of the subject.

May I thank the Travancore University for the grant that they have made in aid of this publication.

I am deeply indebted to the eminent Vice-Chancellor of the Travancore University, Sir C. P. Ramaswami Aiyar, K.C.S.I., K.C.I.E., for the Foreword that he has so kindly contributed.

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T. V. RAMANUJAM.

CONTENTS.

	PAGE.
FOREWORD• ..	iii
PREFACE ..	ix
CHAPTER I—EARLIER STATE POLICY TOWARDS RAILWAYS AND ITS RESULTS.	
SECTION I—The Nature of Beginnings Here and Else- where ..	1
„ II—Details and Effects of Early Contracts ..	9
„ III—Theory and Practice of Early State Regulation ..	42
CHAPTER II—CHANGES IN CONCEPTION OF STATE POLICY IN RECENT YEARS AND THEIR RESULTS.	
SECTION IV—The Position till the Armistice ..	59
„ V—Post-war changes ..	65
„ VI—The World Economic Depression and The Railways ..	83
CHAPTER III—THE THEORY OF FAIR RETURN AS APPLIED TO STATE RAILWAYS: AND CONCLUSIONS THAT EMERGE.	
SECTION VII—Main Lines of State Regulation ..	105
„ VIII—Synthesis of Current Views on Rail- way Returns ..	111
„ IX—The Difficulties in the Correct Inter- pretation of the Concept of the Fair Return ..	119

	PAGE.
CHAPTER IV—THE TAXATION OF RAILWAYS.	
SECTION X—The Bases of Taxation of Company Railways ..	133
„ XI—The Practice of Levying Transport Tax ..	146
„ XII—Indian State Railways and Taxation ..	154
CHAPTER V—THE REVOLUTION THAT THE INTERNAL COMBUSTION ENGINE CREATED IN TRANSPORT PROBLEMS: THE INCREASING NEED FOR STATE INTERVENTION.	
SECTION XIII—The Road — Rail Problems in Britain ..	166
„ XIV—The Attempts of the British State to solve these Problems ..	171
[These Five Chapters and XIV sections consist of 56 sub-sections].	
Number of Financial and Statistical Tables : 23.	
List of Books, Reports, Magazines and Journals used in the preparation of the monograph ..	179