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RAILWAYS AND THE BUDGET

BY

“ECONOMY”

WITH

AN INTRODUCTION

BY

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POONA :

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PREFACE.



The subject of railway finance and administration, considering its importance and vastness, has received very little attention in the past at the hands of our public men. In the peculiar circumstances of our public life—the small number of our public men, the variety of subjects demanding their attention and the absence of scope for effective criticism in railway matters—it could not have been otherwise. But the Reforms have materially improved the position and it is gratifying to see that not a few members of the Indian Legislature are evincing a keen interest in the subject. It is hoped that this pamphlet may be of some little use to them and also stimulate, in ever so small a degree, the interest of the general public.

This pamphlet is a reprint, with additions here and there, of a series of articles which appeared at intervals last year in the *SERVANT OF INDIA*, to whose Editor the writer is indebted not only for making its columns available to him but also for seeing this pamphlet through the press. The writer's special thanks are due to the Hon. Mr. V. G. Kale for the very kind terms in which he has introduced it to the public.

INTRODUCTION.



This collection of articles contributed by a valued friend to the columns of the **SERVANT OF INDIA**, on the administration of the Indian Railways, with special reference to its financial aspect, constitutes a highly commendable piece of work as a study and exposition. The articles deal only with one aspect of one branch of the vast and complicated subject of the history of the administration of Railways in India; but their search-light throws into prominent relief some of the vital points in railway management which are at the present moment engaging public attention in this country. The writer has taken great pains to collect and make sure of his facts and has built his criticisms and suggestions on firm foundations. He has drawn freely upon Railway administration and other reports published by Government and proceedings of the central legislature, and his references to his authorities will be of great assistance to readers. The test which "Economy" applies to the financial management of the railways and on which he bases his indictment of it, is the only one that must be adopted in such matters, viz., efficient, economical and nationally beneficent character of the working of the vast commercial concern. It is the fashion to sing the praises of the management of the railways in India. The following pages will show the other side of the shield.

The Railway Board was ushered into existence sixteen years ago with a fanfare of trumpets, and high hopes were roused in the public mind as to the work it was expected to accomplish. What are its achievements? Did it take large and broad views of the future of the splendid national asset that was placed in its hands? Did it initiate any new policy for the promotion of the good of the country? Did it place the

finances of the railways on a sound and profitable footing? Did it exercise strict control over the administration of the company-managed lines in the interest of the commercial and travelling public? Did it formulate and attempt to carry out a scheme for Indianising the superior railway services? Answers to these and other allied questions will be found to have been given with telling effect and with abundant proof, in the articles of "Economy". They will be read with profit at a time when the whole subject of the system of railway management and finance is under discussion. The fate of such problems as those connected with State *vs.* company management, the reorganization of the controlling authority at the Government headquarters, the creation of advisory councils and the separation of the railway budget from the general national budget, is hanging in the balance; and though it is not possible to agree to every view advanced by "Economy", his shrewd and penetrating observations based on sound reasoning and on facts and statistics, will prove suggestive and otherwise helpful to the public.

The whole series of articles on the Railways and Budget, expose the happy-go-lucky system of the work of the Railway Board and the distribution and management of railway finance, and merit a careful study. They will demonstrate how instead of managing the railways as a business and conserving and improving them as a valuable national asset, the Board and the Government of India have been only muddling through at the expense of the travelling public and the general tax-payer. In view of the proposed reorganization of the administration, control and finance of the railways, the criticisms and suggestions of "Economy" deserve to be seriously considered. The publication of the articles is opportune and is calculated to provide food for reflection to all those who take any interest in the question of railways.

Delhi. }
5th February, 1923. }

V. G. KALE.

RAILWAYS AND THE BUDGET.

A statement of the estimated annual expenditure and revenues of the Central Government, ordinarily known as the "Budget" is presented to both Chambers (the Council of State and the Legislative Assembly) of the Indian Legislature (Sec. 63, 67 A (1) of the Government of India Act 1919). The Council of State is at liberty to discuss the Budget as a whole or any question of principle involved therein, but has no right to refuse or reduce any item of expenditure (S. 2. 70). The Legislative Assembly, however, has the right both of general discussion and voting grants. The Budget debate accordingly passes through two stages in the Legislative Assembly : the first, that of general discussion of the Budget as a whole, or of any question of principle involved therein, and the second, that of the voting of demands for grants. (Rules 45 and 46 of the Indian Legis. Rules.)

The Budget embodies the proposals of the Government of India for the appropriation of revenue or moneys relating to the different heads of expenditure. These heads are divided into two classes. One class comprises items of expenditure which are not submitted to the vote of the Legislative Assembly, nor are they open to discussion, while the other class comprises items of expenditure which are submitted to the vote of the Legislative Assembly in the form of demand for grants. (Sec. 67 A (3)-(5) of the Government of India Act 1919.)

DEFECTIVE ARRANGEMENT OF DEMANDS.

The portion of the Budget for the current year submitted last March to the vote of the Assembly was made

up of 63 demands, the size of the different demands varying from the paltry sum of Rs. 8,000 for Baroda Cantonment Police to the huge sum of Rs. 73·92 crores for a part of expenditure under Railways. There was another demand under Railways of about Rs. 30 crores—the two together thus amounting to Rs. 104 crores out of a total grant of Rs. 164 crores.

It is ridiculous that while the expenditure of Rs. 60 crores should be spread over 61 demands, the expenditure of 104 crores involving varied questions of great magnitude and greater complexity should be offered in only two demands. It should be quite possible for Government to re-group and re-classify the heads so that the disparity in size between individual demands may not be so pronounced as it is now. The demands under Railways might then be split up somewhat as under:— Interest on debt; Interest on capital contributed by companies and annuities in purchase of railways; Surplus profits paid to companies, sinking funds, subsidized companies, and miscellaneous railway expenditure; General superintendence; Claims for compensation; Operating expenses; General charges, etc.; Ordinary maintenance; Unclassified expenditure including carriage of Revenue stores, rebate payments, etc.; Fuel; Revenue Expenditure; New lines; Lines in programme; Progress; Rolling stock; Staff quarters; Collieries; Additional trucks; Machinery; Other new works on open lines.

The order of precedence of the demands also leaves much to be desired, since out of the two demands regarding railways, while one comes on for discussion when the members are still fresh, the second, and in many respects the more important of the two, comes on towards the sag-end of the Budget discussion, when the patience of the Assembly is tiring out, and the risk of the

guillotine becomes more and more imminent. Under the present arrangement, the railway budget partakes so much more of the nature of a general discussion than of the voting of grants, that the real object of placing the demands before the Assembly is practically frustrated. The motion for the largest reduction is taken up first, the members in whose names the smaller reductions stand, raising their own points during the discussion on the first motion. The result is that members speak on a variety of subjects relating to railways, and it becomes impossible to focus the attention of the Assembly on any particular point or points, and at the end of this motley discussion few can remember exactly what was said on the different matters dealt with, and much less can they come to any intelligent judgment.

There is no department of Government which comes in contact with so large a portion of the population of the country, which spends or earns such a large amount of money, which exercises such an enormous influence on the moral and material well-being of the country, which touches life at so many points and which throws such a large liability for recurring expenditure on the general taxpayer—and yet the huge sum of 104 crores was voted away in less than 2½ hours. It is to the interests both of Government and the public that the activities of this department should come under closer and fuller scrutiny at the hands of the Assembly, and in order that this desideratum may be achieved it is necessary to look for any possible improvements in the present system conducive to the Railway Department receiving adequate and fuller attention than it did during the last Budget debate.

The number of days allotted for the voting of grants is too small and might with advantage be increased

from 5 days to 10 days, which will still be less than the statutory maximum of 15 days. With the demands regrouped and re-classified and the debate spread over 10 days, the disadvantage and disappointment due to the closure being sprung upon the Assembly, or to the guillotine having had to be applied under rule 47 of the Indian Legislative Rules will be minimised, while the monotony and strain due to the debate taking place on consecutive days might with convenience and comfort be relieved by arranging the debate on alternate days.

Having indicated some of the possible improvements in the arrangement of the demands, we shall now proceed to notice some of the matters which, on a scrutiny of the Railway Budget, suggest themselves for consideration.

UNPRODUCTIVE INVESTMENT.

The Budget provides for a loss of Rs. 85,000 in the working of the Aden Railway, apart from the interest charges on the capital cost of the line. There is no information available as to why this line was built at all. The fact, however, remains that this is one of those numerous railways in which money has been uncommercially invested by a commercial department. One gathers from the "History of Indian Railways"—a Government publication—that there are no less than eleven other railways in which Rs. 30 crores has been infructuously sunk, throwing a recurring loss on the taxpayer of about Rs. 80 lakhs every year. These railways are:—Jubbulpore Gondia Railway, Baran-Kotah Railway, Cawnpore Banda Railway, Trans-Indus Railway, Nilgiri Railway, Morappur-Hosur Railway, Tirupattur-Krishnagiri Railway, Assam-Bengal Railway, Thazi Aungban Railway, Ahmadpur Katwa Railway, Arakan Light Railway, Bankura Damodar Railway, Dasghara

Jamalpurganj Railway. There might also be several other such lines, but their earnings are not separately recorded and any attempt at the discovery of the true position of lines like the Gondia-Chanda Railway is thus rendered impossible. It is necessary that the unproductive investment in railways should be stopped, and for this purpose the Legislative Assembly, before voting any money for new railways, must assure itself of the direct remunerativeness of the railway proposed; and if it is proposed to construct any railway which is not likely to pay its working expenses and interest charges, as required by the principles laid down by the Secretary of State for India as far back as 1879 and repeated by the Parliamentary Committee of 1879, it must not be allowed to be constructed out of railway funds, unless the interests which will be directly served by it make up the loss. The dozen railways which are now working at a loss were probably all estimated to yield revenue at least sufficient to cover working expenses and interest charges, but the fact that these railways are working at a heavy loss shews bad estimating.

ONE WAY OF ECONOMY.

The Assam Bengal Railway is expected to bring in net earnings amounting to only about Rs. 29 lakhs against Rs. 60 lakhs due on account of interest charges on the capital invested, giving a net loss of about Rs. 31 lakhs. It has already cost the country Rs. 18 crores in capital cost and Rs. 9 crores in interest charges (vide Answer given in the Legislative Assembly on January 16 to Question No. 133). The line involves an annual recurring loss of anything from Rs. 30 lakhs to Rs. 40 lakhs. It is not understood why this line was not selected for dismantling during the war instead of the 7 lines mentioned in para. 9 of Chapter II of the Railway

Administration Report for 1920-21. In any case it is incumbent on Government to enforce every possible economy or retrenchment, however small, in the working of this railway.

One of the several departments of this railway which lends itself for such treatment is the Agency Department. The expenditure of this department is about Rs. 1,15,000 per year. The only other railway which spends anything like this amount on its Agency Department is the Oudh and Rohilkhand Railway (Appendix B to the Budget for 1921-22). One would imagine that the identity of the figure of Rs. 1,15,000 suggested a considerable degree of correspondence between the position of the two railways ; but it is not so. A glance at the figures published by Government shows that the position is far from being identical. The O. & R. Railway has a length of 1600 miles ; the Assam Bengal Railway has only 1000 ; the gross earnings of the O. & R. Railway are three crores, those of the A. B. Railway are only one crore ; the net earnings of the O. & R. Railway are 137 lakhs and of A. B. Railway only 19 lakhs. The O. & R. Railway brings in a gain to the State of Rs. 100 lakhs, while the Assam Bengal Railway not only does not bring in a gain of a pie to the State, but actually costs the taxpayer an amount of no less than 40 lakhs every year. With these facts it is obvious that it is commercially criminal to spend so large an amount as Rs. 1,15,000 on this one department.

So far we have shown the advisability and necessity of effecting a reduction, howsoever small. It will now be shown that such reduction is fully practicable. The Agent of a railway is like a Governor of that railway. The Governor of a province needs no special staff of his own to deal with questions going up to him from the different departments, and yet the Agent even of a los-

ing railway must have a large staff to deal with questions sent up by his departments ! The Governor of a province is at some distance from his departmental offices, the Agent of a Railway has almost all the offices under the same roof. Has the Viceroy a special office staff to deal with questions going up to him from the different departments ? Has even the Hon'ble Mr. Innes, who presides over three big departments, any special staff, except perhaps a couple of stenographers and a few peons ? No, none of these have any special staff. Where, then, is the necessity for the Agent of a small railway of 1000 miles, which is answerable for an annual loss of Rs. 40 lakhs, to have a special staff ?

So far as we can see there is absolutely no necessity. But let us consider how work is created for the staff of the Agent of a Railway. The Chief Mechanical Engineer finds it necessary to have a new foundry shop. He frames his own estimate for machinery and writes a letter to the Chief Civil Engineer asking for an estimate of the building required for the shop, and keeps a copy. The Chief Mechanical Engineer combines this estimate for the building on its receipt with his own estimate for machinery and sends up a combined estimate to the Agent, again keeping a copy. The Agent applies what scrutiny he can to the estimates framed by professional men, and writes up to the next higher authority, keeping a copy.

Thus, it can readily be imagined that in connection with one little estimate no less than three Departments keep copies upon copies as though these were to be handed down to posterity for future generation to make antiquarian discoveries like Asoka's works. These pieces of departmental handiwork are preserved from the trickeries of time by having copies of the same.

document in different offices, so that if one is lost, some other may be available for the future antiquarian researcher. It is not the object of our present discussion to reduce this large amount of red tape in all departments of a railway; we shall confine our remarks only to one Department *viz.*, the Agency Department.

The work which the Agent's office at present does can be done easily *for the Agent* by the department in which a question originates. The department of origin should, like the Government departments, collect all the information relating to a question from the other departments concerned, place the file with this information before the Agent for his orders and take it back with his signature to such orders as must issue under his signature. This system will do away with the necessity of the Agent having a separate establishment of his own and will make this proposition of a reduction of expenditure perfectly feasible.

II.

RAILWAY ACCOUNTS AND ARMY EXPENDITURE.

The votable demand on account of interest charges shewn at page 64 of the Statement of Revenue Demands for railways includes interest on half the proposed outlay of 70 lakhs of rupees during 1922-23 on the Khyber Railway. This railway is being built purely to meet military requirements at a cost of nearly two crores of rupees (p. 10 of the Railway Administration Report for 1920-21 Vol. I), involving liability of an annual payment on account of interest alone, of Rs. 14 lakhs, in addition to the present loss on account of strategic railways of Rs. 100 lakhs, making up an ever recurring charge of 114 lakhs per year. There appears to be

absolutely no reason why the whole of this debit should not be included in the Army estimates, so that this part of the true Army expenditure may, in justice to that part, be reclaimed from undeserved obscurity.

In the case of a department which (like the Railway department) is an essentially commercial department run on commercial lines, every service done by such department for another department, whether the latter is a commercial department, or a purely service Department, must be adequately paid for; only, that such payment should not include any margin of profit. There are, from the public point of view, far-reaching practical results flowing from the system at present in force under which the losses on the working of strategic railways are borne by the Railway estimates instead of the Army estimates. Strategic railways must of necessity be always built on purely military grounds, that is, they would never, at any rate at the time, have been constructed as a commercial undertaking. They are built only with a view to securing a more rapid movement of troops and stores to points of offence and defence. Previous to the coming of these railways into existence there usually exist roads built at the cost of the Army Budget; these roads are maintained at the cost of the same budget and the arrangements for road transport are also paid for at the cost of that budget. The construction of these railways, superseding as they do all the means previously employed for transport, gives a saving to the Army budget equal to the expense, both recurring and non-recurring, incurred in providing, maintaining and using those means *minus* what in the Army budget is charged for transport of troops and stores by railway. These savings may amount to anything from Rs. 3 crores to Rs. 5 crores. While, therefore, on the one hand, all such savings are quickly absorbed.

by the steadily increasing demands of the Army and the real extent of the increase in Army expenditure from year to year comes to be effectually obscured, the national debt is, on the other hand, inflated and a productive department (such as the Railway department) is saddled with an asset which is not only unproductive, but involves a recurring loss in interest charges and working expenses. This inflation of capital amounts to Rs. 23,35,57,000 and the total recurring loss comes to Rs. 1,06,70,357 per year in working expenses and interest charges (p. 716 of Council of State Debates Vol. II, No. 14). With the construction of the Khyber Railways at a cost of Rs. 2 crores, this annual loss may quite possibly increase to anything up to Rs. 125 lakhs. It will thus be seen that the present system amounts to the transfer of expenditure which was in some shape or other debitable to the Army Budget, to a thriving department in which the results of such transfer are not easily felt, and therefore not easily discovered. In other words, part of the Army expenditure saved appears as a loss in working expenses of another department, and part is capitalized and added on to the national debt. It is true that from the point of view of Government, all the funds come out of one and the same pocket and it amounts to unnecessary refinement in apportionment to transfer the loss in working a part of (railway) business, which in its entirety is managed by one (i. e. railway) department of the State, to another (i. e. Army) department in charge of quite another (military) business on behalf of the same State, the general rule observed in all Government departments being that expenditure is charged to the department in which the outlay is incurred without reference to the object of the outlay. But the public point of view is entirely different, as we have tried to explain above. We are aware that there

was recently a debate on this subject in the Council of State, but it appears that in the course of the debate the whole issue got confused, and where it was not so confused, the difficulties were magnified. There is no financial or accounts difficulty and yet it is proposed to refer the whole question to the Central Advisory Council. We can see no reason for doing this.

There appear to be four simple alternative methods of rectifying the present arrangement, and these are:—

- (i) Such railways should be owned by the Army Department and paid for out of non-railway funds. They should be worked by the Railway Department for actual cost for the Army Department, who will take all losses or gains, as is done in the case of some of the railways which are worked by main line companies for actual cost for Provincial Governments, private companies, Indian States and local bodies.
- (ii) Such railways should be taken over by the Railway Department as a going concern for an amount equal to the capitalized value of the estimated earnings, and the difference between this amount, and the amount actually spent in construction should be borne by the Army Budget.
- (iii) The Army Budget should make up any shortage in gross earnings necessary to cover interest charges and working expenses.
- (iv) The troops and stores should be carried at such enhanced rates as to produce earnings therefrom sufficient to cover interest charges and working expenses.

There are also other ways in which the Army Budget obtains relief at the cost of the Railways. Certain classes of Army officers and men are allowed to travel

by a higher class than that paid for, certain on payment of half ordinary fares, and certain others on payment of a single fare for return journey. (Appendix IX to Army Regulation, India, Vol. X). We wonder if it is the relatively low pay of the officers and men concerned that influenced the philanthropic Railway Board in granting all these concessions. The fact remains that the difference between the fares at ordinary rates and the reduced fares actually levied is borne by the railway administration concerned (answer given in the Legis. Assembly on 22-9-22 to question No. 569). Concessional rates are also charged for military traffic, both goods and passenger (appendix V to the Army Regulations, India, Vol. X). This means that out of every Rs. 100 of such difference representing the cost of the concessions, only Rs. 7 falls on the railway companies working State railways, and no less than Rs. 93 is borne by Government in the Railway Department.

The statistics published by Government shew the amount of earnings from the carriage of military stores, but not the amount earned from the carriage of troops. Out of the total earnings of Rs. 47,96,84,000 from goods traffic during the year 1920-21, Rs. 96,53,000 represents the earnings from the carriage of military stores (para 8, Chap. VI of the Railway Administration Report for 1920-21), so that if anything like the same ratio holds good in the case of passenger traffic, the earnings from troop traffic would amount to Rs. 82,21,000.

Now, assuming that for every Rs. 297 earned from troop traffic, the railway gives a concession to the value of Rs. 445 (answer given in the Legislative Assembly on 14-3-22 to question No. 298), the earnings foregone in favour of the Army estimates amount to Rs. 1,23,17,000.

As regards the carriage of military stores, the average rate charged to the public on broad gauge railways for carrying a ton of goods one mile is 5'37 pies. The average carrying capacity of a broad gauge four-wheeled wagon is 18 tons so that the average rate charged to the public for carrying a wagon load one mile comes to about 8 annas against only $4\frac{3}{4}$ annas charged to the Army Budget for the same service. The extent of the preferential rates in favour of the Army Budget then being Rs. 325 for every Rs. 475 received on account of military stores, we come to the conclusion that the earnings of Rs. 96,53,000 from the carriage of military stores at military rates were, as compared with commercial rates charged to the public, short by over Rs. 66,00,000. The Railway Department is a commercial department, and it is only right that its commercial character should not be vitiated in any manner for the advantage of another department.

III.

EXTRAVAGANCE.

The Railways in India spend anything from about $\frac{3}{4}$ of a crore to one crore of rupees every year in payment of compensation for goods lost or damaged. The amounts paid during the year 1919-20 were:—

	Claims.	Gross earnings.
Assam-Bengal Railway	19,000	1,04,21,000
Bengal Nagpur Railway	2,04,000	6,59,31,000
B. B. & C. I. Railway	25,08,000	6,67,13,000
Burma Railways	39,000	3,29,58,000
Eastern Bengal Railway	2,08,900	4,45,45,000
East Indian Railway	12,72,000	13,25,77,000
G. I. P. Railway	12,55,000	13,24,04,000
Madras & S. M. Railway	2,53,000	6,17,09,000
North-Western Railway	10,78,000	12,32,81,000
Oudh & Rohilkhand Railway	1,61,000	3,14,61,000
South Indian Railway	89,000	4,19,93,000
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	70,86,000	77,39,96,000

This is an item of expenditure where the Assembly should insist on constant pressure for reduction, and should insist on full information being furnished to enable it to do this. The B. B. & C. I. Railway Company alone pays as much as a quarter crore of rupees and maintains a close approximation to a "two power" standard of extravagance. In para 12 Chapter VI of the Railway Administration Report for 1920-21, it is admitted that the theft of goods in transit has in recent years shown an unfortunate tendency to increase. The cost of compensation paid for goods lost or damaged must by no means have been inconsiderable in previous years and it is poor comfort to know that the trouble is not peculiar to India. An explanation like this has become so hackneyed that it does not satisfy anyone. Another excuse which also has become hackneyed is the "peculiar circumstances" of India, her vastness and her distances. These explanations are so comprehensive that they can be made to cover any amount of loss to the tax-payer through the inefficiency of the railway management. It must be remembered that the abnormal system of risk notes in India—which indemnifies railways against losses of goods while in their possession as carriers, and covers a ground far larger than is the case in other countries—and the comparatively greater ignorance of the Indian consignees of their rights in their relation to railway administrations as carriers, serve, if anything, to understate the slackness of the railway administration in discharging their responsibilities to the public. The one bureaucratic remedy for all shortcomings is to increase the number of higher officers and to issue pious instructions and advice for effective co-operation between the railway traffic officials and the railway police officials. The real remedy must be sought in fixing greater responsibility on railway

officials in whose jurisdiction the losses occur. The existing staff of officers must be made to show better results, or must be made to feel that they stand to lose when their districts show less satisfactory results than others. Railway Administrations must be encouraged to emulate the example of those that shew less losses, and the railway traffic officials on each individual railway must be made to do likewise amongst themselves.

ACQUISITION OF LAND.

The cost of land provided for in pages 69-70 of the Statement of Revenue Demands for railways shows an increase of over 300 per cent. over previous demands. Large amounts have been provided for. Five railways among them absorb Rs. 14 lakhs, namely, the Bagmara, the Talcher, the Manoharpur, the Tranquebar, and the Hardwar-Dehra Railways. There has been no expenditure on practically any of these five railways during the last three years. What has led to these large demands suddenly coming up in a year of deficit? They either represent demands for new railways, or they are due to accumulated arrears. They cannot be for new railways, for the Hon'ble the Finance Member has already announced that there is no new construction. From page 72 of these Statements of Demands the Manoharpur and the Talcher Railways appear to be still in the survey stage, so that there can yet be no question of their construction. If, however, these lands are required for new railways, the Government should explain the discrepancy between the fact and the announcement.

If, however, the demand is due to accumulated arrears, one is entitled to know how and why these arrears occurred, of all others, in these particular railways; and for what specific works the lands are required. These lands are given to railway companies free of

charge, and it is necessary to see that these demands are not only fully justified, but represent the absolute irreducible minimum. Another question that arises in connection with this portion of the Revenue Demand is why the cost of these lands should be met from current revenues instead of from borrowed funds. It is, strictly speaking, a capital charge, since railways cannot be built in the air, but must be built on land. Land is an integral portion of railway property, and there is no reason why a part of this property should be charged to current revenues, while the remaining portion is charged against capital. The present arrangement is a most unbusinesslike one, specially in a department professedly commercial. One was not a little surprised to learn on the 22nd September, 1921, from the head of the biggest commercial department of Government, that the cost of these lands was not debited to the capital accounts because it did not represent the capital outlay *by the company* (answer given in the Legislative Assembly on 22-9-21 to question No. 570). But it could be very easily shown against the capital account of Government, for there is no known statutory limit to the number of heads that a Government capital account may have.

The expenditure on these free gifts for capital purposes to the end of 1920-21 amounted to Rs. 233 lakhs.

All this expenditure should be written back to capital, and the future outlay debited to the same account.

EXPENDITURE WHICH CAN BE DEFERRED.

In pages 72-76 of the Statement of Revenue Demands for railways, provision is made for 35 different surveys at a cost of 13 lakhs. All surveys except those in connection with coalfield railways are a pure waste in present circumstances. The amount of waste that has already occurred will be apparent from the enormous

length of the list published annually by Government of projects which await materialization. These projects, on the investigation of which over Rs. 2 crores has already been spent, will take several generations to materialize, and there can be no object whatever in adding more surveys to the lists. Are Government working on any basis? From the heavy demands made by Government on account of these surveys for expenditure from revenues year after year, and particularly this year, one would imagine that all these projects, numbering nearly 500 and costing about three hundred crores, would materialize in five or ten years and that Government, having a plethora of money and not knowing how to put it for better use, was getting new railway projects examined and ready on hand for immediate execution. On the one hand, we are told that the money we can get will for many years to come be absorbed in making up arrears on existing lines ; on the other, we are adding 35 projects every year to the appalling number of those still awaiting fruition, on the investigation of which over two crores of rupees has already been spent out of the revenues of the country. The expenditure of a single pie in present circumstances on the survey of a single project which is not designed to serve the coalfields is absolutely unjustifiable.

IV.

ROBBING REVENUE TO PAY CAPITAL.

The Railway Budget for 1922-23 contains a charge on the revenues amounting to Rs. 503.62 lakhs representing annuities payable during the year in discharge of liabilities incurred by the State on account of Railways purchased from companies. During the course of the debate on the demand for Railways, Mr. Jamnadas

Dwarkanadas made a proposal to transfer the amount to capital (page 3124 of the Legislative Assembly debates Vol.II.)—a proposal as eminently reasonable on grounds of principle as it was on grounds of expediency in the present financial difficulties. The East Indian, the Eastern Bengal, the Sind, Punjab and Delhi, the Great Indian Peninsula and the Madras Railways have been purchased by the State from old guaranteed companies. The purchase price was fixed at £69,788,430 representing the companies' stock *plus* a premium of as much as £28,041,387, or a total of £97,829,817 (Pages 15 and 32 of Vol. II of the Railway Administration Report for 1919-20.) The premium payable by the State represents at the time of purchase, the inflation in the market value, of the companies' stock brought about by the high rate of interest guaranteed by the State itself to those companies during the currency of the contract. (Page 241 of Indian Railways by Rai Sahib Chandrika Prasada Tiwari.) Out of the purchase price of £97,829,817 a sum of £ 15,985,652 has been paid off by creation of debt and the balance of £81,844,165 is being discharged by a terminable annuity at the rate of £ 3,094,029 per annum, so that the annuitants will have received at the end of the period the full value of £ 81,844.165 plus about £100 million, on account of interest on capital payments deferred. (Page 284 of the Finance and Revenue Accounts of the Government of India for 1920-21.)

The liability on account of Railways purchased from companies is discharged by these principal methods either singly or in combination:—

- (a) Direct purchase by cash.
- (b) Purchase by payment in form of India Stock specially issued for the purpose.

(c) Purchase by means of terminable annuities
(Para 2, Chapter II of the Railway Administration Report for 1920-21.)

When a Railway is purchased by cash payment, as in the case of the Tarkessur, the Dacca, the Ranaghat Krishnagar, the Kalka-Simla and the Nilgiri Railways, the amount involved is recognized as a capital charge. (Pages 276,277,279 and 280 of the Finance and Revenue Accounts of the Government of India for 1919-20.) Again, when the purchase price of a Railway is paid by the issue of India Stock, as in the case of the Oudh and Rohilkhand, the South Indian, the Indian Midland and the Bombay, Baroda and Central India Railways, this amount also is admitted as a charge to the Capital Account. (Page 284 of the Finance and Revenue Accounts of the Government of India for 1920-21 and Para 2 Chapter II of the Railway Administration Report for 1920-21.) When, however, the purchase is effected by means of annuities as in the case of the Railways mentioned above, the amount involved is, for some occult reason of finance, not included in the capital account. (Vide foot-note on Pages 276, 277, 279, 281 and 289 of the Finance and Revenue Accounts of the Government of India for 1919-20.)

The broad principle adopted in commercial or productive undertakings in admitting a charge to capital is that the expenditure must represent a material asset, the cost price or the market value of which is not less than the amount of the expenditure involved. It is in pursuance of this principle that the cost of constructing new railways or new works on existing railways and interest during the period of construction is charged to capital. The same principle demands that the cost of purchasing railways should also be charged to capital, for whether you construct a railway yourself or get

it ready-made, as in the case of railways purchased, is absolutely immaterial to the question of the allocation of the amounts concerned, as already shown before. The Government follow this principle when the purchase price is paid in actual cash down or by the issue of India Stock, and one would have thought that annuity payments made in purchase of Railways were also debited to capital; since, no matter what method you employed in discharging your purchase obligations, it could not shift the liability from one head to another any more than it could from one person to another in a private transaction; *i. e.*, whatever the method adopted for payment of the price of a purchased article the debtorship remains unchanged. But not so where Government, or rather their accounts, are concerned.

Let us see what the Hon'ble the Finance Member has to say on grounds of principle to the proposal put forward by Mr. Jamnadas Dwarkadas. He said that out of Rs. 503'62 lakhs, Rs. 336'62 lakhs represented interest and was obviously a charge against revenue, while as regards the balance of Rs. 167 lakhs, being in redemption of the capital, it was in the nature of a sinking fund and according to all commercial practice would be rightly discharged by revenue (page 3129 of the Leg. Assembly Debates Vol. II.). We do not at all admit that interest is always a proper charge against revenue: when a new work is under construction the charge for interest on the sum spent is a legitimate charge to capital (Indian Company's Act, 1913, VII of 1913, Section 107); and in the case of the railways purchased, until the payments towards the liability incurred by purchase cease, the interest paid should form a capital charge. But even; admitting for a moment that this interest would not be a legitimate charge against capital, we hold that the general re-

venues have fully discharged their liability for all payments on account of interest. As stated before, the liability for interest amounts to £100 millions (equal to Rs. 100 crores at Rs. 10 to the pound) while the general revenues have up to the end of 1921-22 already paid over Rs. 158½ crores and are entitled to a refund of at least Rs. 58½ crores. (See figures in Appendix 7 to "Indian Railways" by Rai Sahib Chandrika Prasad Tiwari and in Budget for 1922-23.) This disposes of the claim made by the Hon'ble the Finance Member for Rs. 336.62 against the general revenues of the year 1922-23 and also for any further payments in subsequent years.

ANNUITY PAYMENTS.

We shall now turn to the bill for Rs. 167 lakhs preferred against our clients—the general revenues—during the year 1922-23. This bill is still more easy to dispose of in favour of our clients. This payment is admitted by the Hon'ble Finance Member himself to be in redemption of capital. It is also described in Government Accounts as being in discharge of capital obligations. (Vide foot-notes on pages 276, 277, 279, 281 and 283 and headings of the Statement on page 284 of the Finance and Revenue Accounts of the Government of India for 1919-20.) To say, therefore, that the amount of Rs. 167 lakhs is a proper charge against revenue is a contradiction in terms. This portion of annuity is an instalment towards the liquidation of a productive debt and all productive debt is an indisputable charge against capital. This has often been admitted by Government themselves in their annual Administration Report on the Railways in India. For instance, in para. 4 of the Report for 1910, it is stated, "The financial result to the State during 1910 of the working of State Railways... was a net gain of Rs. 298.75 lakhs (£1.99 million).

This result, however, is arrived at after inclusion in the charges against revenue of a sum of Rs. 13·108 lakhs (£ 874,000) representing the portion of annuity payments in redemption of capital. Omitting this item, *which is not properly a revenue charge* (Italics ours) the true result for the year is a net gain of Rs. 430 lakhs." This statement we find almost substantially repeated in at least two subsequent years and in others there have been mere verbal variations of the same statement. A previous Finance Member of the Government of India, Sir William Meyer, also has, towards the end of para. 67 of his speech introducing the Financial Statement for 1914-15 in so many words already admitted that *annuity payments are really of a capital nature*, amounting as they do to the discharge of debt. (Italics ours). Again on page 4 of Vol. I of the Railway Administration Report for 1916-17 occurs the following passage; "The net working profit from State Railways... would have been more had it not been that certain Annuity.....payments *which really go to the discharge of debt* are included in the Railway Revenue Account." (Italics ours).

Further, in paragraph 7 on page 278 of the Government of India Finance and Revenue Accounts for 1920-21, it is stated, "The payments on account of Annuity are really of a composite nature. The portion which represents payments of interest is clearly of a Revenue nature, whilst the remaining portion ... partakes of a Capital nature."

We have thus disposed of the theory that annuity payments in purchase of railways are not a capital charge but are really chargeable to revenue. As regards the contention that the sum provided annually for redemption of the capital is in the nature of a sinking fund and that according to all commercial practice it

will be rightly discharged by revenue: we have never heard of such funds being created to wipe out the original cost from capital which would undoubtedly be the actual result of the present system as stated in the evidence given by Mr. H. W. Badock, formerly Deputy Accountant General at the India Office before the Committee on Indian Railway Finance and Administration of 1907 (answers to questions Nos. 3068-3072). This procedure, while it lasts, leads to an understatement not only of capital but also of the net working profit to Government from railways (para 6 Chapter VII of the Railway Administration Report for 1920-21). And when the annuity payments cease and the original cost of the railways is wiped out from capital, the net working profit to Government from their railway property would come to be overstated.

In this connection we may quote another eminent authority, viz., Sir Henry Kimber, who in his evidence recorded on page 146 of Volume II of the report of the Indian Railway Committee of 1920-21, stated: "The principle of converting debt into terminable annuities . . . is quite legitimate and a good plan for any nation to adopt as regards its National Debt, but it is quite otherwise if you apply it to writing off a valuable asset. It is writing off so much from the value of your property in your own ledger as if it were a loss, or was less than its cost or its value."

SINKING FUND.

The term "Sinking Fund" has never been used in Government accounts in connection with annuity payments and the Hon'ble Sir Malcolm Hailey adopted it in his speech in that connection only in the course of justifying these payments being made out of revenue. There, however, are sinking funds specially created by the Government and actually described as such in

Government accounts, which are used for the identical purpose of wiping out the original cost of a commercial asset from the capital account. Out of the purchase price amounting to £50,151,051 on account of the East Indian, the Eastern Bengal, and the Sind-Punjab and Delhi Railways, £12,735,652 (page 284 of the Government of India Finance and Revenue Accounts for 1919-20) has been paid by the creation of India Debt of the value of £13,026,143 (p. 315 *ibid.*) while India Stock of the value of £148,478 (p. 284 *ibid.*) has been issued in exchange for the 4% and 4½% Debenture Stocks in the Eastern Bengal and the East Indian Railways of the value of £126,922 (p. 315 *ibid.*). The India Stock amounting to £13,174,601 (£13,26,123 *plus* £148,478) is redeemed by sinking funds from revenue at the rate of £395,898 per year (p. 284 *ibid.*). The money ear-marked for credit to these funds is straightaway used in the purchase or cancellation of the India Stock (note (b) at foot of p. 27 *ibid.*) and the funds always show a debit balance equal to the liability remaining unredeemed. The budget for 1922-23 contains a provision for the contribution of Rs. 45·82 lakhs from revenue. The objections which we have urged against annuity payments being made out of revenue apply with, if anything, greater force in the case of this and similar future contributions. The question in this case is not complicated by any portion of these contributions representing interest charges. The whole of the amount involved is in redemption of liability purely capital. The debt which is being redeemed out of revenue is not, so far as we can make out, a terminable loan, so that there can ordinarily be no obligation or necessity to repay it by any given date. It is all India Stock and represents a productive debt which in virtue of its being covered—and more than covered—by valuable tangible assets, cannot

be regarded as indebtedness to be avoided or relieved at all cost. There might have been some justification for the course if it were the case that the unproductive debt of the country which, after all, is the only real debt, was so wholly incommensurate with its revenue resources as to affect its credit adversely, but we have it on the authority of the Government themselves that the total national debt (not only unproductive but both unproductive and productive) constitutes a national indebtedness which in comparison with the resources of the country is very much smaller than that of most other countries (p. 1 of the Guide Book for Investors in the Government of India Securities). The unsoundness of the practice becomes all the more pronounced when it is remembered that the repayment has to be made during 1922-23 not out of an income accruing by a process of normal expansion of revenues, but out of an income forced up by new taxation all round. In all these circumstances, fairness and justice to the taxpayer and also the commercial character of the railway concern require that the representatives of the country should not only resist the present and future contributions from revenues to wipe out the capital charge, but also to obtain relief to future revenue as and when needed.

V.

DIVIDENDS NOT HONESTLY EARNED.

The Budget for 1922-23 proposes to distribute Rs. 60 lakhs as surplus profits to companies working State railways. This is the smallest amount ever paid to companies as surplus profits during the last eleven years. The wonder, however, is not that the amount is so small, but that anything should at all be held to be payable to companies as surplus profits for the year

1922-23. During the six or seven years succeeding the outbreak of the war, the railways were not able to spend money on ordinary maintenance and renewals owing, principally, to the great difficulty or impossibility of obtaining the necessary material from England. In consequence, the net earnings were swollen to a very much larger figure than would otherwise have been the case (para. 6468 of the minutes of evidence given before the Indian Railway Committee of 1920-21). The whole of this windfall profit was appropriated by the Government and the companies in proportion to their respective shares and interests in the capital of the undertaking, without deduction, or even the least allowance being made for deferred renewals and other upkeep (para. 6506 *ibid*). It is the invariable practice with all honest promoters of every commercial undertaking, before starting a concern, to estimate, first, its gross earning capacity, then the cost of actual operation, the amount of interest on borrowed capital, and the cost of making good the depreciation of the asset put into service, and with these two estimates to assess the remunerativeness of the business. Similarly, when the concern is actually going, every sensible Board of Directors, in addition to paying all the current expenses, necessarily makes a certain money allowance on account of depreciation of the asset, puts this money into a reserve fund to meet outlay on making good the depreciation which it is impossible to incur *de unno in annum* and then distributes the balance as profits. Commercially speaking, therefore, the appropriation of the windfall profit by the Government and the companies between themselves was a wholly illegitimate transaction. In so far as the moneys that are received by the Government in this manner are concerned, the transaction, although highly irregular, does not involve a loss to the country; in the case,

however, of the moneys paid to the companies, the amount has already left the country and gone past the Government into the pockets of the shareholders or the reserve funds of the companies, almost all of whom moreover, neither belong to, nor are resident in this country. A few of the companies had, no doubt, made proposals in the direction of obviating such a result, and it must be said to their credit that their conduct was highly moral. What, however, we do not understand is that these proposals were rejected by the Government who are so profuse in their protestations of solicitude for the interests of the tax-payer and of the necessity of running their railways on commercial principles. Our Government, in season and out of season, make so much of the railways having to be run on commercial principles, e. g., when they have to propose an increase in railway rates and fares (para. 24 of the Hon'ble the Finance Member's budget speech of the 1st March, 1922); when they have to put up a defence for the large employment and maintenance of the European staff and for the higher rates of their salaries (p. 3109 of the Legislative Assembly Debates, Vol. II); when they have to uphold the practice of employing the revenues of the country to write off a valuable asset (p. 3129 *ibid*); when they find it convenient to deprecate discussion in the Legislature regarding the losses inflicted on railways by the failure to end economic strikes by prompt and sympathetic action (pp. 2983-4 *ibid.*); when they want to rebuke a legislator who, in a discussion on the proposal to spend Rs. 150 crores as railway capital expenditure in five years, ventured to refer to the policy hitherto pursued by the Government in regard to railway finance (p. 3761 *ibid.*). But when it comes to doing any real solid good to the tax-payer or the railway traveller, whether by economising ex-

penditure or by securing larger profits, or by improving the conditions of travel—the commercial principles vanish into thin air.

An idea, though inadequate, of the extent of the loss inflicted on the country by the uncommercial procedure adopted by the Government may be formed when it is realised that the gross receipts of the State railways for the years 1901-2 to 1913-14 amounted to Rs. 529,27,70,000 out of which Rs. 7,92,32,000 was paid to companies as surplus profits; while during the period 1914-15 to 1921-22 the gross receipts amounted to Rs. 562,59,98,000 and the companies' share of the surplus profits to no less than Rs. 11,26,10,000. On the basis of the figures of the earlier period the surplus profits for the latter period should have been only Rs. 8,42,20,000 against the Rs. 11,26,10,000 actually paid—a difference of as much as Rs. 2,83,90,000. It is, however, wrong to conclude that Rs. 2,83,90,000 represents the whole extent of the gains thus irregularly put by the Government in the pockets of these English companies. This figure is arrived at on the assumption that what was paid as surplus profits in the earlier period taken for the purposes of our comparison was wholly legitimate. As admitted by the Government, the policy of undue postponement of revenue renewals is of long standing and the situation was only accentuated during the war period (answer given in the Legislative Assembly on 20 September, 1922, to starred question No. 342). Evidently this system of over-payments has been going on for a long series of years, and the actual amount overpaid in this manner to date may total up to anything from Rs. 300 lakhs to Rs. 2,500 lakhs. The Government are, therefore, clearly entitled to demand on behalf of the tax-payer a refund from the companies of at least Rs. 300 lakhs. We do not know how far a re-

fund is within the sphere of practical politics from the point of view of the contractual or legal obligations of the companies, but there certainly is a strong case for such a refund from the point of view of business morality. In this connection we notice from the History of Indian Railways that the South Indian Railway Company could obtain from the Government a refund by the revision of the surplus profit statements from 31st March 1915 to 31st March 1919, and that the East Indian Railway Company also could obtain from the same Government, for their deferred annuitants, compensation on account of income tax. This being so, we take it that a refund from companies of the profits paid to them in excess of their actual dues is possible for the Government to obtain.

We have so far dealt with the past transactions only. The immediate future still remains to be dealt with. It is always to the interest of the companies, more especially towards the expiry of their working contracts, to spend as little as possible on maintenance and renewals, and to inflate the net earnings, so that they may earn larger profits (Cf. para. 626 of the minutes of evidence given before the Indian Railway Committee of 1920-21). The contract with the East Indian Railway Company expires on 31st December, 1924, and taking this railway as an instance, we shall try to see what a heavy legacy of undischarged liabilities will come to be quietly transferred to the shoulder of the Government. According to the figures given by the Agent, East Indian Railway Company, on page 67 of Vol. IV of the Report of the Indian Railway Committee of 1920-21, the Railway was on 31st March, 1920, in arrears with regard to renewals to the extent of 403 miles of permanent way, 81 engines, 2431 waggons and 123 bogie coaches, involving an expenditure of at least Rs. 628'13.

lakhs. These figures are, for the most part, based on the normal annual programme of renewals as given by the Company; and if, as is probable, this programme was drawn up more with reference to the amount held, in 1912, to be normally available, and the capacity of the Railway to spend it, than with reference to the renewals actually falling due, these figures will, if anything, turn out to be a serious understatement. As already stated, the East Indian Railway Company's contract expires on 31st December, 1924 *i. e.* $4\frac{1}{2}$ years after the above arrears, even as they are estimated, accrued, involving a further expenditure of Rs. 820·80 lakhs or a total of Rs. 1448·93 lakhs. Against this all that will, even if all goes well, have been spent by the time the East Indian Railway Company are, according to the present contract, due to retire from the office of Managing Agents of the Government, will be :—

Rs. 1,03,98,000 during 1920-21,
 Rs. 1,17,02,000 during 1921-22,
 Rs. 1,73,06,000 during 1922-23,
 Rs. 1,73,06,000 during 1923-24, and
 Rs. 1,29,80,000 during the later nine months
 of 1924,

making a total of Rs. 696·92 lakhs. This means that when the depreciated property reverts to the Government for management by themselves or by any other agency, the new managers will have a legacy entailing an undischarged liability amounting to at least Rs. 752·01 lakhs, after the old managers having been allowed to pocket a portion of the capital as profits, or as Sir William Acworth would put it, after the old managers having been allowed to live on the people's capital. But even this figure does not represent the whole extent of the total liability which the Government will have

helped the Company to transfer unshared. The items on which the calculation has been made represent only a part of the multifarious items which constitute the railway property, such as stations, buildings, fences, machinery, plant, bridges, etc., etc., (answer given in the Legislative Assembly on 15th September, 1922, to starred question No. 328). It will, therefore, not be wide of the mark to place the total liability on account of this one Railway alone at, say, Rs. 1000 lakhs. The contract with the Great Indian Peninsula Railway Company is also due to expire on 30th June, 1925, and another Rs. 1000 lakhs may be taken on account of this Railway. It is a physical impossibility to ensure that the amount of renewals during the remaining years of the contracts shall be pushed forward to the extent of overtaking the existing arrears (answer given on 18th September, 1922, in the Legislative Assembly to starred question No. 333). The Legislature must, therefore, press urgently for the stoppage of any further division of moneys as surplus profits and obtain a refund of the profits which, as Sir Lawless Hepper said in effect, were not honestly earned (para. 5607 of the minutes of evidence before the Indian Railway Committee of 1920-21).

VI.

CATERING EXPERIMENT.

The B. N. Railway Company is apparently the only Railway company which has a catering department managed by itself. We take it that this department is not run for profit since hotel-keeping is not a legitimate business of carriers, but we must at least know how much it spends and how much it earns ; we must also know how much of this business is done in the interest of Indian passengers. In fact, until this new institution

is established in the public confidence, there must be some place where an account of the working of this department can be found. We believe that the department has now been in existence for some years, and in so far as none of the other Railway companies has adopted this system of catering by itself, the experiment is yet either incomplete or a failure. The public is entitled to full information but one looks in vain for any really useful information in that railway miscellany called the Administration Report on the Railways in India, which this year has been written up in a manner more in accordance with the traditions of a Publicity Bureau than with a view to setting out the results both bad and good, and drawing legitimate conclusions therefrom.

STATE ENTERPRISE IN COLLIERY OWNERSHIP AND WORKING.

Page 36 of Appendix B to the Statements of Demands shows the provision of a manager on Rs. 1200 per mensem, or Rs. 14,000 per annum, for the working of the Mohpani Colliery. We notice from Appendix 15 to the Railway Administration Report for 1920-21 that the State has been persistently losing on this enterprise anything from about Rs. 1½ lakhs to Rs. 4½ lakhs a year during the past 5 years, and possibly ever since its purchase in July 1904. We take it that this recurring loss is exclusive of the loss in interest charges on capital sunk in the colliery. Out of the seven collieries acquired by Railways no less than five appear to be losing concerns and there is no reason why some steps should not be taken to get rid of the properties which throw a recurring liability on the taxpayer of anything from Rs. 2 lakhs to Rs. 7 lakhs a year, exclusive of interest charges. We gather from the preface to the Railway Administration Report for 1920-21 that the report in question has

undergone "an important change from the procedure hitherto adopted" with a view to "conveying to the public a true appreciation of the railway position in India and the important significance attaching to the statistical results of working" by including in it "a short explanation or survey of the existing position supplemented by a summary bringing together in a convenient form the main or more important facts to be deduced from the figures" from the volume full of statistics appended to the Report.

In the light of this preface we turned over the pages of the main Report, but all the illuminating information we find is contained in paras. 12 and 13 which merely give the amount of capital outlay on the railway collieries and of their output, but do not say a word about the losses incurred from year to year in the working of these collieries.

BRANCH LINES.

A large number of private owned lines is worked by the State Railway Administrations or by companies working State railways. A large number of lines owned by branch line companies, subsidized companies, District Boards, Indian States, Colonial (French) Government, etc. are worked and stocked by the State Railway Administration or by companies working State railways (col. 4 of Appendix 2, and col. 10 of Appendix 4 to the Railway Administration Report for 1920-21). There are no less than 1850 miles on the 5'-6" gauge and 620 miles on the 3'-3 $\frac{1}{8}$ " gauge of such lines which are equipped with engines and rolling stock out of Government funds, the owners of the lines paying a small percentage of their gross earnings for the use of the engines and the rolling stock. We have grave doubts of the adequacy of the percentage realized, but we have graver doubts still of the soundness of the policy under which the State

finds rolling stock for these lines out of its limited supply of funds. The capital cost of equipping lines aggregating 1150 miles on the 5'-6" gauge, and 600 miles on the 3'-3" gauge may be taken at Rs. 8 crores. On this interest charges amount to over Rs. 30 lakhs a year depreciation charges to Rs. 25 lakhs a year, and maintenance and repairs to Rs. 20 lakhs a year—making an aggregate of Rs. 75 lakhs a year, against which only about 16 lakhs per annum is realized on account of the use of the rolling stock supplied by the working agency.

STAFF QUARTERS.

The demand for money required for expenditure chargeable to capital in respect of railways includes a provision of Rs. $1\frac{1}{8}$ crores for staff quarters alone during the current year, the total estimate for these quarters amounting approximately to Rs. 6 crores. It therefore follows that the grant of Rs. $1\frac{1}{4}$ crores commits the Assembly to a certain extent to a further expenditure of Rs. $4\frac{1}{8}$ crores in capital expenditure, and Rs. 40 lakhs in interest charges. We believe quarters for railway servants who have to live on railway premises in the interest of work are provided free of rent, while in the case of others the rent realized does not come up to anything like the interest payable on the capital sunk in these piles and piles of buildings. Money is at present so dear to obtain that it is necessary to exercise on capital expenditure a watchfulness with even greater jealousy than it is necessary in connection with revenue expenditure. We must avoid every avenue of capital expenditure which is not likely to yield a return at least equal to the amount of interest charges. The provision of quarters on this enormous scale appears to be one such avenue. It may pay the railways to grant house rent to those employees whom it is proposed to provide

with houses on considerations other than that of the necessity of their living on railway premises. We are not aware whether the difference between the rents realized and the amounts of interest and maintenance charges on quarters is charged to the legitimate head of operating expenses, but if this is not done it is eminently desirable in the interest of commercial accounting that this should be done.

UPPER CLASS TRAFFIC.

We notice that it is proposed to place on the lines upper class carriages at an estimated cost of Rs. 60 lakhs, and for this purpose provision to the extent of Rs. 30 lakhs has been made in the Budget for 1922-23.

Considering the 1st and 2nd class traffic offering, or actually carried, the railways are already abnormally oversupplied with 1st and 2nd class carriages: and no more carriages of those classes need be added or even renewed for a long time to come. Taking the Great Indian Peninsula Railway, the surplus of 3rd class carriages over the traffic offering or actually carried is 46%, that of the 2nd class carriages 80% and of the 1st class carriages 87% (para. 149 Vol. II of the Railway Administration Report for 1919-20. This useful information has been omitted from the latest report, i. e. for 1920-21). Until, therefore, the surplus of 1st and 2nd class carriages comes down to normal, it is absolutely unnecessary to add to the existing number at heavy capital cost. The supply of coaching stock is in defect to the extent of no less than 8,150 coaches (answer given in the Legislative Assembly on Feb. 27 to question No. 221). The whole burden of this huge deficiency falls entirely on the most paying customer, the third class passenger, and all the money that can be made available for vehicle stock should be used in overtaking these arrears.

Another interesting matter revealed by the statistics published last year with the Railway Administration Report is the comparative smallness of the net earnings obtained from the 2nd class traffic. Taking the Great Indian Peninsula Railway, the railway wrings a profit of 83 pies per coaching vehicle per mile from the 3rd class passengers; the 2nd class passenger traffic gives a profit of only 20 pies per vehicle per mile; while in the case of the 1st class passengers, we charge them below cost price, that is, actually incur a loss to the extent of no less than 19 pies per vehicle per mile (page 153 Vol. II of the Railway Administration Report for 1919-20). This useful information also has been omitted from the last report, i. e., for 1920-21.

Commercial working demands that no traffic should be catered for, which does not pay even working costs. These losses are due to more carriages being built and hauled than there is traffic for, more accommodation being provided (such as for sleeping) than is actually paid for, and lower rates being charged than are commercially leviable.

In these circumstances, we not only oppose the addition of any more 1st and 2nd class carriages to the existing available supply, but consider that the fares for 1st and 2nd class passengers should be increased to the full extent necessary to make that traffic pay at least as much as the third class traffic pays.

We are fully aware of the theory of fixing rates and fares on the basis of "what the traffic will bear", but we contend that this theory is being worked to the undue preference or advantage of 1st and 2nd class passengers, and to the disadvantage of the over-burdened 3rd class passenger. The theory of "what the traffic will bear" applies to the maximum rate to be fixed; but there must,

in commercial working, also be a minimum limit below which a rate must not be fixed, and Government's own statistics prove that while there is perhaps an appearance of the first condition being acted up to the second has been completely ignored in the case of the upper class traffic.

First and second class carriages are fitted with electric lights and fans, and passengers who elect to travel in these classes should pay for this and other conveniences in the shape of higher fares (answer to question No. 220 put in the Legislative Assembly on February 15, 1921).

VII.

THE INDIAN RAILWAY COMMITTEE.

The importance of bringing up to a proper standard of efficiency the magnificent railway property which has been built up at great cost cannot be overstated at any time ; much less can it be so at a time when there is ahead of us an era of rapid industrial advancement, and it is beyond question that of all the departments of public activity there is not one department on which this advancement is dependant to a greater extent than the department of transportation. Railways are the arteries through which the life blood of the nation runs, since it is useless to manufacture or produce articles which cannot be carried to places of demand.

STATES *vs.* COMPANY MANAGEMENT.

Of all the questions dealt with by the Acworth Railway Committee the most important and fundamental from the public point of view is that relating to the State *vs.* Company management of railways. The Indian public have all long been in favour of State

management and it is no little satisfaction to us to find that the opinion of independent British members and Indian members of wide, comprehensive and purely national outlook on public affairs is identical. The taxpayer owns quite six-seventh of the total mileage of the railways in British India, and has the right to decide what agency he will employ in managing his own property. Ordinary intelligence would dictate that railway companies and men associated with them necessarily give an opinion influenced by an inevitable unconscious bias because of the amount of self-interest involved, and we are entitled to ignore the opinion given by such parties and to regard the well-nigh unanimous opinion given in favour of State management, supported as it is by five out of the six independent members on the Committee. There need therefore be no question but that Company management must cease as soon as the State can take over the management. Company ownership and management came into India not as a matter of choice but as a matter of necessity in the circumstances of the time. As circumstances changed, the ownership of railways was gradually taken over by the State and the question before us now is not whether Company management is better than State management, but whether the circumstances now existing make it absolutely necessary any longer to employ the agency of Companies for the management of railways. In other words, the owners themselves have got to decide whether they will manage their own railways or not. If India were not under a foreign bureaucracy, there is no doubt that the question would have been solved by a master-statesman with a stroke of the pen, but in India the decision lies in the hands of men who cannot free themselves from their leanings towards people beyond the seas.

FAILURE OF RAILWAY BOARD.

The question that comes next in importance is that of the machinery designed to control the administration of railways. The whole race is being run for more highly paid posts; the whole treasury of India is at their beck and call; and the only difficulty is to find out appropriate high-sounding designations. When the Railway Board came into existence, great hopes were raised and people thought that in respect of railways at any rate, the Government was going to bring heaven on earth. But this machinery has proved a hopeless failure. In fact, the control has been so bad that it is worse than no control. The Railway Board was brought into existence to run the railway business of the Government of India on commercial principles. There are administrations with mileages varying between the Rohilkhand and Kumaon Railway with its 500 miles and the North-Western Railway with 5000 miles. The administrative machinery for both is practically the same, and the pay of heads of Departments has little relation to the extent of the charge of each. Have the Railway Board done anything to adjust the pay to the charge or the charge to the pay? Have the Railway Board ever studied their own statistics to find out which items of traffic pay and which do not? Have they adjusted rates and fares so as to make non-paying traffic pay and paying traffic pay still more? Have they exercised any control over the innumerable concessions granted by railway administrations? Have they transferred the charge for strategic railways from their railway budget to the Army budget? Have they given a definite lead to railway administrations in the Indianization of the services? The statement showing the number of Indian officers on railways appended to the report of the Committee (page 98) is a sad com-

mentary on what the Railway Board have done, or omitted to do, in this matter. Leaving aside the technical departments, there are the Agency, Stores and Printing, Traffic and Audit departments. Why should not some of these departments be entirely Indianized and others to a very much larger extent than at present? What have the Railway Board done to improve the conveniences and comforts of their most paying customer, the third class passenger? We could multiply these questions *ad libitum*. In fact, the Railway Board have done nothing worth the name these sixteen years. It appears to us that it is the railway administrations who have controlled the Board and not the Board the railway administrations, and the Government of India have been supine. We wonder what supervision the Government of India have exercised on this inactive body to see how far it is approximating to the desideratum. We condemn the Railway Board right enough, but we condemn the Government of India still more. Have the Government of India ever questioned the Railway Board as to why particular lines earn so little and how their earnings compare with anticipations formed by a body of experts called the Railway Board? Have the Government of India or the Railway Board had any occasion to take railway administrations to task for bad workmanship or bad results in working? Have the Railway Board made any use of the statistics they compile and initiated any reform as a result of a study of those statistics? Have the Government of India ever reviewed the annual Administration Reports issued by the Railway Board in the same way as the Provincial Governments review the reports of Jails, Police, and other departments? What is really wanted is not only a sense of responsibility on the part of the member of any organisation that may be set up for the management of

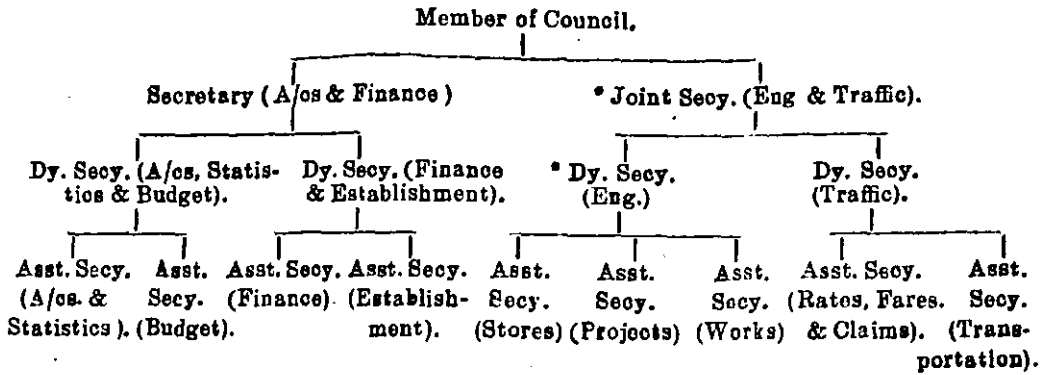
railway affairs, but some one or more at the top with a clear idea of what is expected of a sound management, who will from time to time judge how the body created has approximated to those expectations. Any body that is created must be subjected to close supervision as no system can be devised which can make men work, as well without supervision as with it.

NEW ADMINISTRATIVE MACHINERY.

Having shown that the present machinery, in spite of its enormous cost, has proved inefficient, we shall now proceed to consider what should be set up in its place. We readily agree that there should be one department in charge of all means of communication, and that at the head of each department there should be a member of the Executive Council. This member should be an Indian, as no European can take that national view in respect of this department which an Indian can. The Committee have themselves recognised that it is not necessary that this member should be a railway man by profession. We do not see what material difference there will be between the duties of the member of Council for Communications and the Chief Commissioner recommended by the Committee, in so far as the Railways are concerned. We therefore see no reason for the appointment of the Chief Commissioner. So far as we can make out, the Committee's recommendation is that the Commissioners and their staff should be at the headquarters of the Government of India and that they should go on tour from there in their respective geographical areas. This is an arrangement which cannot by any means be regarded as businesslike. We have no faith in technical experts remaining at headquarters only to advise the head of the Department in administrative matters, neglecting the actual field of their work. The three

Divisional Commissioners suggested by the Committee should have their headquarters, say at Bombay, Lahore and Calcutta, instead of on the hill-tops of Simla. They could of course visit the central administrative headquarters periodically, but to make them part and of the central machinery is not advisable. For the staff at the headquarters of the Central Government we would not spend more than, or for the matter of that as much as, what is spent at present. When we look at the list of the head-quarters establishment given at the beginning of the classified list published half-yearly by the Railway Board, we are surprised at the inadequacy of the staff provided. The reason obviously is that no less than Rs. 1,50,000 being spent in payment of salary to the three members of the Board, little is left for the provision of an adequate Secretariat staff. For instance, the traffic side has all along been poorly represented at the head-quarters of the Government of India, at any rate until the recent appointment of Mr. A. M. Clark; while the Financial and Accounts side has been represented by staff responsible to the Finance Department; and it is to remedy this latter defect that the Committee have recommended, and in our opinion rightly, that the Railway Department should have an Accounting staff responsible to itself. We would therefore propose that the central organization should be as in the chart given below :—

THE DIVISIONAL COMMISSIONERS.
 We shall now deal with the local administrative arrangements. The arrangement of parcelling out the railways amongst three Commissioners in the manner



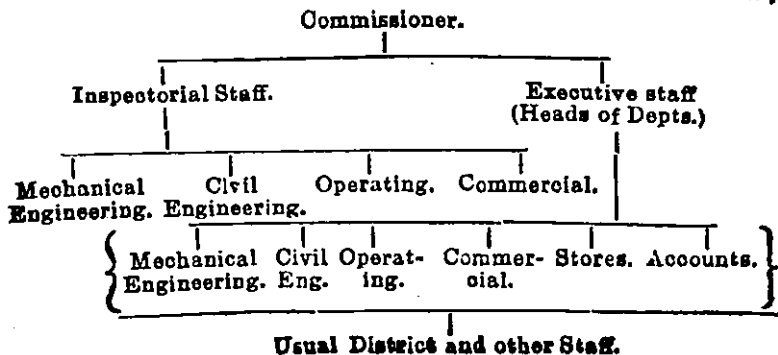
* One of these to be a Civil Engineer and the other a Mechanical Engineer.

suggested by the Committee is most unsatisfactory even as a basis. What we would prefer is that the whole of the railways be divided into three convenient groups, the Southern comprising the Bombay railways and the Madras railways ; the Eastern comprising the Calcutta railways and the Railways in Assam and Burma ; and the Western comprising the Karachi railways, the Oudh railways and the metre-gauge railways in the North, like the B. & N. W., the R. & K. railways and those in the West like the J. B. railway. There are at present in India no less than thirteen railway systems, each having its own agent drawing anything from Rs. 2,000 to Rs. 4,000, with a large staff of subordinate officers in what is technically called the Agency department, involving an annual expenditure estimated at close upon Rs. 25,00,000. There are in other countries railway systems embracing a mileage of 10,000 to 22,000 under a single management. The business done by these managements is immensely greater in volume than an Indian system of the same mileage at present does or is likely to do for a long time to come. Such railway systems are to be found in Canada. If it is possible in other countries for one administration to manage railways having these lengths and this vast amount of business, it ought certainly to be possible in India for at least an equal mileage with a far less amount of business to be worked by a single administration under the direct control of a Divisional Commissioner. In several other countries, *e. g.*, England steps are at present being taken to regroup railways into big, and yet manageable, units with a view to securing a large saving in overhead charges. The need for drastic economy in India is just as great as, if not greater than, in other countries ; and there appears to us to be no reason why the charges of the Commissioners should

not be based on such eventual grouping of the railways in India. When Company management ceases, it would be possible, with such a scheme in view, to abolish the existing Agency Departments and thus effect a saving of Rs. 25,00,000 per annum. The heads of Departments like the Civil Engineering, Mechanical Engineering, Transportation, etc., could then correspond direct with the Commissioners of the Divisions. The idea of an agent is necessarily associated with Company management and, as his name indicates, this individual and all his staff can be doing little which is not for the most part mere post office work. The scheme we have outlined would, of course, involve the delegation of larger powers to the executive heads of departments.

The Committee have proposed a large number of Directors in charge of the different departments. We are against this big Directorate of no less than six all-India officers touring perpetually right round India and Burma. Instead we would give, as assistance to each territorial Commissioner, four Inspectors who will be what may be called the eyes and ears of those Commissioners. We see no necessity for a whole-time touring officer in charge of Accounts, whether as an all-India or territorial officer. The Inspectors' duties will be to inspect the railways in their Divisions and report to their Commissioner. They will have no executive powers over the railways, such powers being exercised solely by the Commissioners on the reports of the Inspectors.

We give below a chart showing the local arrangements of the staff under the scheme we have advocated ;



VIII.

INDIAN RAILWAY ADVISORY COUNCILS

In introducing the subject of Advisory Councils, the Indian Railway Committee, in paragraph 139 of their report, remind the public that the administrative machinery of railways must continue for some years to be worked mainly by non-Indian officers. Evidently the public is here invited to accept this statement and the position it involves and, as a corollary, to regard with special gratitude their scheme of creating Advisory Councils, so as to secure to the Indian public the precious right of having a *voice* in the management of their own railways. This statement and the position it involves cannot, by any means, be accepted by Indian public opinion as the final word in the matter and that opinion must demand that the entire Indianisation of the administrative machinery must be accomplished almost at once, say, in five years in so far as non-technical departments like the Agency, Stores, Printing, Audit, Accounts and Traffic are concerned, and in technical departments, like Engineering, Medical, Colliery and Marine, within a definite period of, say, ten years at the outside. Important as this matter is, it is not the purpose of this article to press on Government's attention the necessity of Indianisation of the Railway Service, but to treat the scheme of railway councils propounded by the Committee as an independent proposition.

The Committee recommend a body or bodies which will be only *advisory*, which will exercise only "great influence," but which will have absolutely no power of control, the ostensible reason advanced being that "control in the strict sense of the word, power, that is, to give orders to the Railway Executive" Indian public

opinion can only exercise through its constitutional mouthpiece, the Legislative Assembly at Delhi. It is easy to understand without necessarily accepting the argument in its entirety, that the Central Railway Council must be advisory in view of the existence of the Legislative Assembly, but it is beyond ordinary intelligence to understand how the existence of the Legislative Assembly makes it unnecessary to have local railway councils with powers of control. The Indians are not to have any control from *inside* because of the complacent dictum that the railway administrative machinery must be worked mainly by non-Indian officers, while control from outside, in so far as the interest of the public are concerned, must be left to the Legislative Assembly. This beats the logic which Æsop has credited the lower animals with in his fables. The grant of power of control to the Central Railway Council need not necessarily trench on the province of the Legislative Assembly. So far as the non-official machinery goes, the Central Railway Council will be complementary to and not in duplication of, that Assembly. There are physical limits to the details of a particular subject to which even members of the Legislative Assembly, able men as they are, having a variety of subjects to deal with, can at any time devote themselves, and these limits become still more narrow when we realize to what extent the members are overworked and how hampered they feel in the proper, full and effective discharge of their duties for want of a regular office of their own. If the argument of the Committee was at all to be considered of any validity, we would have opposed the formation of a Central Council altogether or alternatively proposed the constitution of the Central Railway Council from amongst the members of the Legislative Assembly by their own election. But we consider that

there is plenty of scope for the labours of a small council consisting of members outside the Indian Legislature devoting itself entirely to one subject. The results of the labours of such a Council will always be of great help to members of the Legislative Assembly desiring to take up matters relating to railways.

The Committee suggest, following the Prussian model of "a carefully planned system of railway councils, a single national council, and a number of local councils," having "no power" and yet having "great power." They suggest how the different interests should be represented on these councils, what the number should be and where they should meet. Nowhere, however, do they suggest to what extent and in what manner any advice given by the majority of a council is to be given effect to and who is responsible to see that such advice is not ignored in so far as giving effect to it is concerned, without the strongest ground for not acting on the advice. We are told that in Prussia "the railway administration, so it has been reported, very rarely acted except in accordance with the views expressed by the councils in all matters within their competence." We are not so sure, as the Committee appear to be, that the Prussian experience is likely to be repeated in India in view of the fundamental difference in the conditions in which the administrative machinery of Indian Railways works; the Committee no doubt refer to the example of the Boards of Communications in the Punjab and the United Provinces and speak of the satisfactory information of the success of these Boards, but they do not disclose the details of the information which has led the Committee to conclude that the Boards are a success. We have therefore no means of knowing to what extent the Prussian experience has been realized in respect of these Boards.

The proposed advisory councils are more or less a copy of the Morley-Minto Legislative Councils. In those days we had what in effect were grand dignified advisory councils, or more correctly, debating societies in the shape of Legislative Councils, not only for railways but for all departments of Government together, and in the experience we have had of these advisory councils there is nothing to warrant the conveniently optimistic assumption that the railway administrations will very rarely act except in accordance with the views expressed by the councils in all matters within their competence. This being so, we are not surprised to learn from the Committee that "All the railway officials to whom we put the question expressed themselves as ready and willing to work with Local Advisory Councils and endeavour to make them a success." We do not know what special effort is needed to make such councils a success. As the name indicates, the councils will merely have the right of giving advice to be accepted or rejected as the executive may in their wisdom think fit. The success cannot be judged merely by the quantity or even the quality of advice given; the one measure of success we know of is: how far the will of the representatives of the interests affected will prevail. We are strongly of opinion that some measure of power must be given to these councils. If, however, these councils must remain advisory for a time, an executive officer who finds it necessary to take no action on advice tendered by the council must be bound to give his reasons to his next higher authority, and in the case of the Central Council such report must be submitted to the whole of the Executive Council of the Government of India. We would provide that when a copy of the proceedings of the meeting of a Local Council is sent to the railway executive and the

latter considers it necessary to reject a proposal made by a majority of the Council, that executive should be bound to report its reasons in writing to the next higher executive authority and to the Council simultaneously, the Council being at liberty to place their case before the Central Council. In the case of the Central Council a decision by the executive to reject such a proposal must be taken as the order of the Governor-General in full Council.

We observe that the Committee have not laid down, even by way of suggestion, a definite limit as to the maximum proportion of the official element on the Central Council. In our opinion, this Council should not consist of more than 5 officials, 4 representatives of Indian commercial interests, one of European commercial interests and 13 representatives of the travelling public elected by the local railway councils.

The Railway Department is a Department of the Central Government controlling many thousands of miles of railway and many varied interests. Its earnings amount to anything from 70 to 90 crores, its capital expenditure to anything from 15 to 30 crores, and its revenue expenditure to anything from 30 to 70 crores.

“ The Government railways,bring in one-third of the total Government receipts. Their working expenses amount to about one quarter of the total Government expenditure. In the budget statement, however, the railways occupy a much more modest position.” (Para 89 of the Indian Railway Committee's report).

“ The estimate for the current year enumerates ten ‘principal heads’ of revenue. The total amount estimated to be obtained under these ten heads by the Central Government is Rs. 69½ crores. Of the principal heads six bring in less than one crore. Down below the principal heads in the Statement from the railways, their net receipts are stated at Rs. 27½ crores. Customs estimated to yield Rs. 37½ crores, forms the only item in

the Budget exceeding the Railway net revenue in importance. We give this as an illustration, for it appears to us typical." (Para 90 *Ibid.*)

It is, therefore, impossible for the Legislative Assembly to give to this Department of baffling vastness and complexity that close examination, well-informed and intelligent criticism and useful control which that body can give to the other Departments of the Central Government. The scrutiny and control which the Assembly can exercise can at best be extended only to principles and main items of expenditure. It is essential that there should be some machinery by which peoples' representatives can make up the deficiency by extending the scrutiny and control to details which, as we have seen, are beyond the physical capacity of the Legislative Assembly to undertake. We are strongly of opinion that the Railway Council will be the best machinery for this purpose, and that as such these Councils must be given at least a small measure of power. We do not propose that the powers of control should extend, at any rate in the beginning, to such matters as:—

- (1) orders for stores of foreign manufacture, whether placed in India or elsewhere ;
- (2) proposals for double lines ;
- (3) increases in carriages and waggons ;
- (4) accommodation at stations for passengers and goods ;
- (5) extensions to railway works ;
- (6) claims for compensation paid ;
- (7) re-organization of staffs entailing increased expenditure ; and
- (8) grievances of the staffs of a general nature.

In these matters it will be enough if these are merely offered for criticism and advice of the Councils. But it is absolutely necessary that they should be in a position to exercise control over such matters as—

- (1) changes in timings, trains, rates, fares, seating accommodation in carriages ;
- (2) proposals for surveys and construction of new railways ;
- (3) diversion of funds from one work to another ;
- (4) concessions to passengers and merchants.

It is also advisable to provide that in cases of serious accidents involving damage to life and property, at least two members of the Council should have the option of accompanying railway officials to the scene of accident immediately it occurs, and that these members should have a seat on any committee of enquiry in connection therewith.

In the case of matters offered for mere criticism and advice we would provide that, when a copy of the proceedings of the meeting of a local Council is sent to the Railway executive and the latter consider it necessary to reject a proposal made by a majority of the Council, that executive should be bound to report its reasons in writing to the next higher executive and to the Council simultaneously ; the Council being at liberty to place their case before the Central Council. In the case of the Central Council a decision by the executive to reject such a proposal must be taken by an order of the Governor-General in full Council. We observe that the Committee have not laid down, even by way of suggestion, a definite limit as to the maximum proportion of the official element on the Central Council. In our opinion this Council should not consist of more than 4 officials, 8 members elected by the non-official members

of the Legislative Assembly from among themselves, and 3 similarly elected by the Council of State.

As regards the local Railway Councils, we are in favour of having one at each of the important centres. In the case of centres, where more than one Railway have an entry, joint Councils might be formed. None of the local Councils need be larger in size than, say, ten, consisting of the Agent of a railway administration, a representative of the local Government, one representing Indian commercial interests, one representing European commercial interests, three non-officials elected by the non-official members of the local Legislative Councils, and three representatives of the travelling public. We deprecate the idea of the Agent of a railway administration being ex-officio President of such Councils. We would much rather leave the appointment to be made by the members themselves by election.

All the councils taken together will have a membership of over 250 and if these members were to be paid double railway fares and a heavy fee, it would involve considerable expenditure. We would therefore suggest that these members should be given a free pass for their journey with a daily allowance of not more than, say, Rs. 10. There should be no fees paid of any kind.

IX.

THIRD CLASS RAILWAY FARES.

"Those who have studied the past history of railways in India must be aware of the difficulty which Government has experienced in inducing the railway companies to lower their rates," so said Sir G. L. Molesworth in July 1916. In the light of recent experience one would now be inclined to say, "How easy is it as between Government and the railways for each to induce the other to

agree to a rise in rates to any extent and in any manner!" During war it became necessary to reduce the number of passenger trains on account of the impossibility of obtaining railway material from England and therefore in 1916 and again in March 1917 the Railway Board decided to raise the third class fares on all the broad gauge railways to three pies per passenger per mile, and on the other lines where the ordinary fare had been two pies, an increase of 25 per cent. was sanctioned. It was also decided to arm the railway administrations with full powers to raise, at their discretion, the already enhanced rate of 3 pies to 4 pies for mail and fast trains, while as regards the first class fare option was given to raise it to a rate not exceeding 24 pies per passenger per mile. (Page 24 of the Railway Administration Report for 1916-17). This action on the part of the Government was then described as a war measure, and in reply to a debate which took place on the subject in the Imperial Legislative Council in March 1918 the Hon'ble Sir George Barnes affirmed, on behalf of, the Government of India, that the enhancement in the fares was made only on account of the difficulties created by the war.

The first inkling of the probability of a further increase came through the report of the Acworth Committee, in Para 72 of which it is stated :—

" Indian railway . . . fares have always been among the lowest, if not actually the lowest, in the world. They have only been advanced in the last few years very slightly as compared with the rest of the world. A general and substantial increase is overdue. Witnesses from all parts of India have agreed in recognising that . . . fares should be increased, and saying that they will be ready to pay the increases, provided a reasonably efficient service is given in return."

Para 6 Chapter VI of the Railway Administration Report for 1920-21, which was issued about six months

later, attempted a statistical justification for an increase in the fares in the following words :—

“ During the year under review . . . passenger fares have on some lines been increased to a very small extent . . . but nothing in the way of a general increase has been made. India is alone among all the nations of the world in having escaped so far a general and extensive rise in railway rates, and it is impossible, if railways are to continue to be worked on sound business principles, that an increase in rates commensurate with the increased cost of working can be avoided. So far as passengers are concerned, the service given is the cheapest in the world as the following statement showing the average receipts per passenger per mile in different countries will demonstrate :—

Statement showing average receipts per passenger per mile by railways of different countries calculated in cents (American).

	1918 or 1917-18 receipts per passenger per mile.
U. S. A.	2.45
Holland.	2.27
Canada.	2.10
South Australia.	1.44
Norway, 1916-17.	1.42
Switzerland.	1.33
New South Wales.	1.21
Japan.	0.67
India.	0.515

The probability of a further increase in passenger fares became a certainty on the 1st March last, when the Hon'ble the Finance Member in explaining the revenue side of the budget for 1922-23 said, “On one point, however, there can, I imagine, be no room for diversity of opinion, namely, that the railways must pay their own way. The estimates which I have just given already take account of a substantial increase in goods rates in substitution of the existing sur-tax. The only remaining course, therefore, is to effect a material increase in passenger fares. An increase averaging about 25% will, we estimate, produce an extra 6 crores of revenue.”

Further on, in dealing with the measures to be adopted in order to establish budgetary equilibrium, he remarked, "I submit, therefore, that there is no escape from the conclusion that it is imperative to take every possible step to increase our revenues. We can do this in two ways. Firstly, by ensuring that our Commercial Departments shall, at any rate, not be a burden upon the tax-payer and shall, if possible, yield a profit; secondly, by increasing taxation. As regards the first method, I have already indicated that we propose to increase the railway receipts to the extent of about 6 crores by an increase in passenger fares." (pp. 2659 and 2665 of the Legislative Assembly Debates, Vol. II).

The enhanced fares have since come into effect. An examination of them reveals the fact that while the total increase since 1916 in first class fares is only 48 p. c., in the case of the third class fares, it is 70 p.c.

There does not seem to have been sufficient justification for this large enhancement in the third class fares. The result which it was designed to achieve could easily have been secured by other means without inflicting any hardship on anyone. The railway revenue account at present bears a charge of about $5\frac{1}{2}$ crores on account of annuities in purchase of railways and sinking funds. This is a wholly illegitimate debit to revenue. The amount spent is in discharge of *capital* liabilities and as such is a charge to capital to which it should be transferred. There is a further equally illegitimate charge to revenue of Rs. 16 lakhs on account of the cost of land bought by Government but supplied free to railway companies for railway *capital* purposes. It is proposed to spend Rs. 13.10 lakhs during 1922-23 on railway surveys, most of which are apparently not of immediate urgency and might have been postponed. These three items alone between them give a saving of not less than

Rs. 5 $\frac{3}{4}$ crores. Besides, during the period of the war, repairs and renewals at the cost of revenue had to be suspended to a very considerable extent. To that extent railway companies received, through the division of profits, larger amounts than they would otherwise have received, and now they will also share in the profit which the increased fares may bring in.

The argument advanced in support of the increased fares, to the effect that Indian railway fares have always been among the lowest, in the world, and the service given is the cheapest in the world, states only a half truth, undoubtedly convenient for those who use it, but equally fraught with great hardship to those who have to bear the consequences of its practical application. In this connection we cannot do better than make a present of the following independent opinions recorded by railway experts :—

“The average fares charged in America in 1902 were :

	cents.	or	pies.
For Pullman car, per passenger per mile	2.48	or	14.88
For ordinary car.	1.98	or	11.88

The average fares charged in India in 1902 were.—

	pies.
For 1st class passenger per mile.	12.86
For 3rd class passenger per mile.	2.33

It will be seen, therefore that the fares actually charged for both these classes are very much lower in India than in America.

The rate of wage in America for unskilled labourers averages \$ 1.25 or 750 pies or Rs. 3-14-6 a day. By the expenditure of one day's wages such a man can travel over 63 miles. By the expenditure of a month's (30 day's) wages he could travel 1894 miles. The rate of wage (not average) in most parts of India for the same class of worker is 2 annas or 24 pies a day. By the expenditure of one day's wages such a man could not travel more than ten miles and his whole month's wages would only carry him three hundred miles. While therefore the fares charged to the lowest class of passengers are actually lower in India than

in America, in effect they are much higher." (Paras 199-200 of the Report dated the 30th December 1903 on the Organisation and policy of Railways in America by Mr. Neville Priestley.)

"The fares.....charged in India judged from the standpoint of the actual money payment made are considerably lower than those charged in England . . . If like is compared with like, I think it will be found that the fares . . . in India should broadly speaking be only about one-sixth of those charged in England. Before, therefore, the fares . . . in India can be regarded relatively as equal to those in England, the former would require to be lower than the rates now charged to passengers by about from 18 p. c. to 40 p. c." (Paras 191-193 of the Report of 1903 by Mr. Thomas Robertson).

Although since 1902-3 and particularly since the outbreak of the war in 1914, there has been some improvement in the wages in India, nevertheless the conclusions of Messrs. Robertson and Priestley are as correct to-day as they were in 1902-3. For, owing to the lack of organisation, the Indian wage-earner has not been able to improve his prospects as well as his fellow-workers in England or America ; as a matter of fact his effective income has been reduced on account of the abnormal rise in prices.

The burden which falls on the third class passenger in India is unequal not only in comparison with the lowest class passengers of other countries, but also in comparison with the higher class passengers in India itself. As stated in para 168 of the report of the Indian Railway Committee the third class passengers have to suffer a lot of inconvenience and discomfort owing to :

- (a) Overcrowding, to the extent at times of double or even more than the double the approved carrying capacity ;

- (b) Inaccessibility and insanitary condition of W. C.'s in third class carriages for long distance journeys ;
- (c) Dirty condition of third class carriages ;
- (d) Inadequate water supply on station platforms ;
- (e) Inadequate food supply arrangements ;
- (f) Inadequate waiting sheds or waiting rooms ;
- (g) Insufficient booking office facilities ; and
- (h) Uncivil treatment by railway staff.

The first class passengers have no such grievances. They have ample accommodation, electric lights and fans, cushioned seats, clean and commodious bath rooms, dining cars, richly furnished waiting rooms, up to date railway hotels, and numerous other facilities. One would therefore think the railways earned a return from first class passengers, at least as good as that from the third class passengers. But what do we actually find ? Taking the broad gauge railways, the average profit earned during the year 1919-20 of working a third class carriage one mile was 55.28 pies, while the working of a first class carriage, far from yielding any actual profit, involved a loss of 3.02, pies (cols. 82 and 85 of Appendix 13 to the Railway Administration Report for 1919-20). This means the profit earned on a first class carriage per mile is less by 58.30 pies than that earned on a third class carriage. The gross income from first class carriage per mile is 29.86 pies (Col. 56 *ibid.*), so that for every 29.86 pies received from the working of first class passenger traffic, the under charge amounts to no less than 58.30 pies. The actual income from this traffic during 1919-20 was Rs. 128.8 lakhs (Col. 4 of Appendix 6 to the Railway Administration Report for 1919-20). It therefore follows that the under charge on this traffic as compared with 3rd class traffic comes to Rs. 251.47 lakhs. We are fully aware of the theory of fix-

ing rates and fares on the basis of "what the traffic will bear", but we contend that this theory is being worked to the undue preference or advantage of first class passengers and to the disadvantage of the overburdened third class passengers. The theory of "what the traffic will bear" applies to the maximum rate to be fixed but in every commercial undertaking there will also be a minimum below which a rate must not be fixed and the Government's own statistics prove in the case of the upper class traffic, that while perhaps appearing to act up to the first condition, the second has been completely ignored. The third class affords, in fact, in India the backbone, if not nearly the whole body, of the coaching receipts, the other classes might, as far as profit is concerned, be abolished; indeed, on most lines their removal would be a positive gain and it is not many years ago that a leading railway manager in India stated it would pay him to give every first class passenger twenty rupees to stay away (Pages 189-90 of "Railway Policy in India" by Mr. Horace Bell). But how can the supply of first class carriages be completely withdrawn or even reduced when it is, generally speaking, the European and Anglo-Indian community which uses such accommodation? (Para 28 of the Railway Administration Report of 1901). Railways are undoubtedly overstocked with first class accommodation and yet when the question of increasing intermediate class accommodation was raised the reply was that it could be done only by reducing third class accommodation. (Answer given on 21-3-1921 in the Legislative Assembly to question No. 509.)

Let us now see how the passenger traffic—the main body of which is third class—is treated in relation to goods traffic particularly with regard to the number of vehicles provided for the accommodation of the two

classes of traffic. In 1905 the number of passengers carried was 248,157,000 and the number of coaches was 22, 143 (p. 2062 of the Leg. Assembly Debates, Vol. II, No. 25). Thus each vehicle carried on an average of 11,622 passengers per annum. In 1915-16 the number of passengers carried rose to 464,381,000 for which at the average rate of 11,622 passengers per vehicle there should have been a total supply of 39,957 coaches, whereas the actual supply available was 31,199, or a shortage of 8,758 coaching vehicles.

As regards goods traffic, in 1905 the total tonnage hauled was 54,936,000 and the number of wagons was 121,135, giving an average of 454 tons per wagon. In 1915-16 the tonnage rose to 82,499,000, which at the average of 454 tons gives a requirement of 181,716 wagons against an actual supply of 198,139. This means that the railways were overstocked to the extent of 16,423 wagons. The net result of the first ten years of the regime of the Railway Board (now likely to be perpetuated under the more imposing name of Railway Commission with more imposing salaries) has been a surplusage of 16,423 goods vehicles and a shortage of 8,758 coaching vehicles! This is the difference in treatment accorded to goods traffic and the third class passenger traffic—the inanimate traffic and the animate traffic. The inanimate traffic has always received preferential treatment both in the supply of accommodation and the cheapening of rates; while in the case of animate traffic the fares are kept up at high levels and discomfort upon discomfort and inconvenience upon inconvenience are piled up on that milch cow, the third class passenger.

We notice that at the end of para. 3 Chap. III of the Railway Administration Report for 1920-21 it is stated, " It is, therefore, evident that railways have certainly not stood still in this matter of supply and to the

extent to which the complaints of the public are justified they indicate that the needs have increased faster than the stock combined with the capacity to handle." We can quite understand that it has not been found possible between 1914-15 and 1920-21 to increase the stock and the carrying capacity of the lines in proportion to needs, owing to the circumstances created by the war. But what we cannot understand is why a proper relation between supply and demand was not, as we have endeavoured to show, maintained during the normal times preceding the year 1914-15. The needs did certainly not increase at a faster rate than could be anticipated by the decennial statistics quoted in para. 5 Chap. VI of the Railway Administration Report for 1920-21. We give below the actual increases and their percentages, from which it will be seen that on the whole the needs have not increased at a rate faster than could be anticipated, and the public are entitled to the conclusion that the needs of rolling stock in general and the passenger coaches in particular received scant attention.

Years.	Number of Passengers.	Increase over previous year.	
		Number.	Percentag.
1871	19,283,000		
1881	54,764,000	35,481,000	184
1891	122,855,000	68,091,000	124
1901	194,749,000	71,894,000	59
1911	389,862,600	195,113,600	100
1920-21.	559,246,100	169,383,500	43

The results of the last few months have already shown by the falling off in earnings the hardship inflicted by increasing the fare. The law of "Increasing Returns" has been defied and the natural retribution has followed. This falling off is a silent inevitable form of

protest from the millions and millions of the third class customers of the railways. But it must be remembered that this is a protest of the weak and like all such protests of the weak its duration cannot be otherwise than temporary.

In the peculiar circumstances of India there are special reasons which operate to make the duration temporary. Of all the monopolies in the world there is none so far-reaching and cruel in its scope and operation as the railway monopoly and nowhere so complete as in India. There exists in this country a hybrid system of State ownership and company management; it is without a precedent or contemporary parallel in the rest of the world; it combines within itself the vices which are inherent in either of the two systems of private or State ownership and working. The companies work the railways, but do not own them. The Government owns the railways but does not work them. Government controls the companies, in theory, the companies control the Government in practice. Both the Government and the companies being foreign in personnel, fail to enter into the feelings and needs of the railway customers, much less appreciate or provide effectively against their difficulties. The result is that the evils of railway monopoly have far greater play in India than in other parts of the world. The full weight of these evils naturally falls with the greatest severity on the poorest (that is, third class) passengers, majority of whom travel by railways under absolute necessity. They travel third class because there is no fourth class. The comforts and conveniences which a third class passenger gets at present are few or nil, and no ingenuity can devise a lower class with less comforts and conveniences. The present falling off in earnings can, in these circumstances, only represent journeys postponed.

ed for the time being. In a short while people will recover from the first shock of the rise in railway fares, reconcile themselves to the inevitable, resume their deferred journeys under the stress of necessity, and fill the coffers of the Government by stinting themselves in other directions.

We have not referred to the second class passenger fares, since the arguments against the preferential treatment accorded to first class passengers apply with equal force to this class also.

X.

THIRD CLASS RAILWAY PASSENGERS.

Mr. N. M. Joshi, the nominated representative of Labour interests in the Assembly, whose speech on the resolution relating to the improvement of the third class passenger service, appears in a recent issue of the *SERVANT OF INDIA*, has done a distinct service to a class of travelling public hitherto unbefriended by our public men and the Government alike. The resolution which was carried against Government opposition by a large majority, reflects no less credit on the non-official members than on the mover of the resolution. It is, as rightly pointed out by Mr. Joshi, difficult to remember a single important committee which considered this question in its entirety. Apart from the inquiry made by the late Mr. Thomas Robertson who was sent out by the Secretary of State for India in 1901 as a Special Commissioner for Indian Railways, the Committees which, within living memory, have inquired into railway matters, were the Select Committees of 1878-79 and 1884, the Committee on Indian Railway Finance and Administration of 1907-09, the secret Inchoape Conference of 1911-12 and the Indian Railway Committee of 1920-21. None of these enquiries however, so far as we can re-

member, dealt exhaustively with the requirements of the third class passenger, although even to the limited extent they dealt with these requirements the recommendations made have not been carried out with anything like the thoroughness or even the seriousness they deserved. For instance, Mr. Robertson made the following recommendations affecting the interests of the third class passenger :

(i) Third class accommodation on trains should be increased.

(ii) Third class carriages should be provided with latrine accommodation.

(iii) Means of communication between passengers and the train staff should be provided on all trains.

(iv) Lighting of trains should be improved by substituting gas or electricity for vegetable oil.

(v) Native refreshment rooms should be provided at convenient stations.

(vi) The number of booking offices should be increased.

(vii) All the booking offices should be opened sufficiently early.

(viii) Third class passengers should be afforded reasonable protection from intimidation and harassment by the police and the railway staff.

(ix) Third class carriages should be run through to the final destination of through trains.

One of the recommendations of the Special Commissioner was the abolition of the Railway Branch of the Government of India Secretariat and the institution in its place of a small Board composed of men enjoying freedom from local traditions and prejudices and specially qualified by railway experience to manage the

railways in India on commercial principles with regard both to economy and public convenience. This Board was duly constituted early in 1905 and it was expected that it would carry out, among others, the few but very sensible and overdue improvements in the facilities provided for the third class passenger. This recommendation, which excels all others in importance and urgency, is that relating to the adequate provision of third class coaches. It will, therefore, be our endeavour in this article to see how far this important improvement has been carried out, particularly during the pre-war years, when the difficulties produced by the war and its aftermath had not come into being and could not, therefore, be pressed into service to explain away the state of affairs as it stood even before the war.

One of the stock excuses frequently advanced in connection with overcrowding is that family parties desire to travel together in the same compartment. We have always had grave doubts about the real extent of this general desire, but whatever the extent, as pointed out by the Special Commissioner for Indian Railways in paragraph 173 of his report, passengers, especially those going on a long journey, would not wilfully overcrowd themselves, if sufficient accommodation was provided in trains for them : while in so far as those, if any, who wilfully desire to overcrowd themselves, are concerned, the elimination of small compartments has exhausted all the force the excuse may have had at any time previously. Another of the stock arguments is that overcrowding is inevitable and that it occurs all the world over and is not by any means peculiar to India. This only evades the real issue which is, not whether overcrowding is an inevitable normal feature of railway service, but whether the extent to which it obtains in India is also an inevitable feature common to all

countries. On this point we have the authority of the Special Commissioner to say that even as long as two decades ago the average number of passengers in a train was greater in India than in any other country in the world, that the system of conveying pilgrims in goods wagons in India, at all events to the extent then obtaining, also pointed to the absence of proper facilities and the generally speaking, the amount of stock provided on the trains was inadequate. In support of his statement the figure quoted by the Special Commissioner against, say, the Great Indian Peninsula Railway was 154'41 passengers in a train. It rose to 160'81 in 1913-14 and to as much as 229'45 in 1920-21. Those figures are significant enough, but what makes matters worse is that concurrently with this increase in the number of passengers there has been a reduction in the average number of third class coaches in trains. For instance, during the year 1905 the highest number of third class coaches in a broad guage train composed of 16'43 vehicles was 10'26; equal to 62 per cent. During 1913-14 it was 8'43 in a train of 16'21 vehicles, bringing down the percentage to 58, while during 1920-21 it was 9'75 in a train of 17'30 vehicles, still further reducing the percentage to 56. The conclusion therefore is inevitable that instead of increasing the third class accommodation on trains as recommended by the Special Commissioner, there has been a distinct going back even upon the position as it stood in 1905.

The causes of the neglect of third class passengers in regard to the accommodation provided, appear to be:—

(1) unnecessary incurrence of responsibility for the provision of rolling stock for non-state Railways;

(2) unequal distribution of funds as between carriages and wagons; and

(3) unequal distribution of funds as between third class carriages and carriages of the upper classes. The one constant complaint of Government has been that they have never been able to get sufficient funds for their railway requirements and yet Government have undertaken to find rolling stock at their own expense for over 2400 miles of railway not belonging to themselves. This, so far as we can see, is anything but sound business.

As regards the results proceeding from the second cause, taking the Great Indian Peninsula Railway again, during the 14 $\frac{1}{4}$ years ending on 31-3-1921, Rs. 489'04 lakhs was spent on carriages and wagons, bringing the total value of the stock of each kind on that railway to Rs. 284'37 lakhs and Rs. 599'04 respectively. The expenditure on wagons was more than twice that on carriages the exact figures being Rs. 334'30 and Rs. 155'84 lakhs respectively. This disproportion will be justified if it can be proved that the actual requirements of goods traffic are twice those of passenger traffic. It therefore becomes necessary to examine whether there is anything in the statistics published by Government to show that the requirements of the two classes of traffic do stand in this unequal proportion. It must be remembered that Mr. Robertson, so far from considering that the wagon stock was inadequate, gave it as his opinion (vide paras. 181, 190 of his report) that the fact that the extra wagons had to be maintained even though they lie idle for the greater part of the year, does not in any way justify the large excess of wagons over normal requirements which is now maintained on some of the railways. The stock of wagons on railways even in 1903 was considered to be more than sufficient and an increase in the running speed and the elimination of the delays on the lines indicated by him was calculated to help materially to

develop business, reduce working expenses and increase receipts with only half the wagon stock. What, however, we do actually find is that the surplusage of wagon stock over the number necessary to carry the traffic has been increased to an enormous extent. In 1905 the number of passengers carried was 248,157,000, and the number of coaches was 22,143 (page 2062 of the Leg. Assembly Debates, Vol. 11 No. 25). Thus each vehicle carried on an average 11,622 passengers per annum. In 1915-16 the number of passengers carried rose to 464,381,000 for which, at the average rate of 11,622 passengers per vehicle, there should have been a total supply of 39,957 coaches, whereas the actual supply available was 31,199 or a shortage of 8,758 coaching vehicles. As regards goods traffic in 1905 the total tonnage hauled was 54,936,000 and the number of wagons was 121,135 giving an average of 454 tons per wagon. In 1915-16 the tonnage rose to 82,419,000, which at the average of 454 tons gives a requirement of 181,716 wagons against an actual supply of 198,139. This means that the railways were overstocked to the extent of 16,423 goods wagons against a shortage of 8,758 coaching vehicles.

It is impossible to find out from Government the exact relative strength of the different classes of coaching stock or the amounts spent on them. But there is a very significant statement which Government used to publish with their annual Railway Administration Report up to 1919-20, showing the percentage of freight upon carrying capacity hauled. This statement shows that the net result up to the end of the year 1919-20 of the policy pursued in the distribution of funds between the different classes of passenger stock is that the excess of stock provided over actual requirements is far greater in the case of the upper class passengers than in the case of the third class passengers. For instance, during the year 1919-20, the percentage of freight upon the carrying capacity hauled on say, the Great Indian Peninsula Railway, was 12.89 in the case of 1st class, 20.67 in the case of 2nd class and 54.62 in the case of 3rd.

class, so that while the surplusage of 3rd class carriages over the traffic actually offering or carried is only 45 p. c., it is 79 p. c. in the case of 2nd class carriages and as much as 87 p. c. in the case of 1st class carriages. We are fully alive to the fact that there must be a certain surplusage in any case, but there is no reason why this surplusage should be so unequally distributed. The object of the change of Government control introduced in 1905 was that the Railway in India should be managed on commercial principles with regard both to economy and public convenience, and one would imagine that this surplusage was in direct proportion to the profits earned from the different classes of traffic, but a little examination will show that this is far from being the case. We give below a statement showing the results of the 10 $\frac{1}{4}$ years ended the 31st March 1920 on the Great Indian Peninsula Railway :—

Year.	Half year	Loss per 1st Class vehicle mile.	Profit per 3rd Class vehicle mile.	1st Class vehicle mileage in thousands.	3rd Class vehicle mileage in thousands.	Total loss in 1st Class traffic in thousands.	Total profit in 3rd Class traffic in thousands.
		Pies.	Pies.			Rs.	Rs.
1910	1st half	- 5.79	24.10	7156	30161	216	3785
	2nd half	-10.42	14.52	7193	31723	390	2399
1911	1st half	- 8.43	23.10	7254	30876	318	3715
	2nd half	- 5.30	20.50	8580	31102	237	3321
1912	1st half	- 9.48	47.62	7783	35335	384	8764
	2nd half	-11.45	20.05	8591	36253	512	3786
1913-14	1st half	-16.20	21.67	8637	38664	729	4364
	2nd half	-11.95	20.45	9618	37625	599	4015
1914-15	1st half	-23.26	11.66	8980	39607	1083	2405
	2nd half	- 8.30	18.65	9355	40370	404	3921
1915-16	1st half	-16.62	15.50	8431	50152	730	3241
	2nd half	- 9.62	17.27	9142	42080	458	3785
1916-17	1st half	- 9.48	22.41	9098	45040	449	5257
	2nd half	- 5.35	21.57	9195	41161	256	4624
1917-18	1st half	- 4.80	33.78	8616	40706	215	7162
	2nd half	+ 0.43	34.20	8949	37980	+20	6765
1918-19	1st half	- 2.31	36.74	9008	42082	208	8052
	2nd half	- 5.99	35.63	8519	40107	266	7453
1919-20	1st half	-11.65	41.11	9369	41836	569	8958
	2nd half	- 7.87	41.86	10910	43495	447	9483
	Total ...	-183.84	522.44	174384	766430	-8455	105055
	Average	- 9.19	26.12	8719	38321	- 422.	5252

It will be seen from the statement that during the period in question, while a profit of no less than 1050.55 lakhs was wrung out of the 3rd class passenger, the first class passenger traffic not only did not give a single pie as profit, but involved a loss of as much as Rs. 84.55 lakhs. Such is the commercial management of Railways with regard both to economy and public convenience: economy with respect to the third class passenger who gives large profits, and public convenience in respect of the first class passenger who inflicts huge losses!

XI

STATE *vs.* COMPANY MANAGEMENT OF RAILWAYS.

HOW THE WIND IS BLOWING.

IT is nearly fourteen months since the Report of the Indian Railway Committee of 1920-21 was published in India and the Government are still considering the most important of the recommendations of that Committee, *viz.* those in connection with the future management of Indian railways. The delay that has already taken place has caused considerable apprehension and suggests the probability of the Government coming to a decision, so far as they are concerned, otherwise than in consonance with the declared Indian opinion. There are at least four other indications which tend to confirm the apprehension. The Committee at great expense of time, labour and money collected a large volume of evidence, both in England and in India, from no less than 169 witnesses representing a variety of interests, and it was on the basis of the material contained in this evidence that the Committee made their recommendations. One would have thought that the material which sufficed the Committee would have enabled the Government to

come to a final decision in the matter. But it appears from the letter of the Bengal Chamber of Commerce which was published in the newspapers some months ago, that the Government has been calling for further views from apparently the very bodies who have already had an opportunity of placing their full views before the Committee. The result can only be a repetition in a varied form of what must already have accumulated in the archives of the Government of India during the last 10 years of discussion. The publication of the Government letter which called for a lengthy reply from the Chamber would have helped towards a clearer understanding of the circumstances which led to the reference.

The second indication which shews which way the decision of Government will tend is the anxiety of the Railway Board (a body conveniently treated as separate from the Government of India in this matter) to redress the balance of alleged one-sided advocacy by newspapers of State management by the issue *via* the Publicity Bureau of a leaflet setting out the arguments in favour of company management. An enumeration side by side in the same leaflet of the arguments in favour of State management would certainly not have detracted from the dignity which should attach to documents issuing under the *aegis* of a Government. As it is, the leaflet is a collection of untested and unsubstantiated assertions and mere propaganda.

The third indication is that the Government did not go up to the Legislature with any proposals in the matter during the last Simla session, although there was plenty of time to do so after the views of the Central Advisory Council had been ascertained. It is hardly likely that Government would have referred the question to the Council without having made up, even

tentatively, their minds in one direction or the other, and the only inference that can be drawn is that official opinion did not coincide with that of the non-official majority, who were in favour of State management.

The fourth indication is the secret and hasty creation behind the back of the Legislative Assembly, of the appointment of a Chief Commissioner for Indian Railways in part fulfilment of the recommendation of the Acworth Committee with regard to the machinery of Government control, as also the selection made for that office and the decision to constitute him as the sole adviser of Government in matters of railway policy. In reply to a question put by Mr. Manmohandas Ramji in the Legislative Assembly on 22nd September, 1921, in connection with the report of the Acworth Committee, Government repeated their undertaking that, as far as practicable, steps would be taken to ensure that no action, administrative or legislative, would be taken on reports of Commissions or Committees appointed by the Secretary of State or the Government of India until an opportunity had been given by the Government to the Indian Legislature to express its opinion. The creation of the appointment most decidedly constitutes administrative action on the Acworth Committee's report and in so far as the appointment was created without the Legislature being consulted, it constitutes a departure from the promise made only two weeks earlier when the Government were probably already in correspondence with the Secretary of State for India. There is already with the Government of India a body of official advisers who have expressed themselves as opposed to State management. The appointment to the newly created post of a man who has also expressed himself as being:

against State management and who is now the final official adviser must necessarily result in strengthening the official view against State management. When the time comes the Government of India will no doubt in their usual manner warn the Legislature against setting aside a proposal made on the advice of an expert selected by them. Admitting that the incumbent of the office had no such prepossession, the appointment would have engendered greater confidence in impartiality if Government had made the selection after settling their policy in regard to the best form of management of Indian Railways, and then entrusted to the holder of the appointment the sole function of advising them in carrying out the final policy decided upon by Government and the Legislature.

There is enough in what has been said so far to shew the great danger of the possibility of the Government placing before the Legislative Assembly proposals otherwise than in accordance with the declared wishes of the Indian public. It is, therefore, necessary that our legislatures should forearm themselves against a contingency which after all may not be so remote either in time or in probability. An official resolution has recently been tabled in the name of the Honourable Mr. Innes who will move that the proposals of the Railway Finance Committee in regard to the separation of the railway from the general finance be accepted. It will be remembered that the Railway Finance Committee came to the conclusion that separation of Railway Finance in the sense understood by the Acworth Committee was not, at present at any rate, a practical proposition and suggested that the consideration of the question should be postponed for three years when conditions might become more normal and financial equilibrium might be re-established. The Legislative

Assembly, before whom the recommendation was placed for acceptance on the 27th March last in the form of an official resolution, decided to postpone its consideration till the September session. According to this decision the matter should have been brought up for reconsideration in September last and it is not quite understood why this was not done. In any case there are indications in the report of the debates which took place on the subject in March last that a large body of members are inclined to take an immediate decision one way or the other, once for all. The question is too complicated to be adequately discussed, much less properly solved, on the floor of the House. Paragraph 7 of the Railway Finance Committee's Report shews a few of the many and varied considerations which enter into a proper solution of the question. Further, the Acworth Committee in paragraph 223 of their report state :—

“ We think it is necessary here to draw special attention to the *caveat* which we have to enter. It is not State management as it has hitherto existed in India whose functions we recommend to be so greatly extended. In earlier chapters of this Report the Committee have pointed out the failure and drawbacks of the existing system of control of Indian railways, whether considered from the executive and administrative or from the financial point of view. To the Government Departments concerned, as at present constituted and administered we should hesitate to entrust new responsibilities, in respect either of State or company managed railways. Our recommendation as to State management must therefore be read as coupled with and conditioned on the adoption, at least substantially and in main outline, of the recommendations which we have made with respect to financial and administrative reforms.”

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